

FIRST QUARTER 2015

## Interim Financial Statements Q1 2015

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## Key figures SpareBank 1 SR-Bank Group

MAIN FIGURES	01.01.15 - 31.03.15		01.01.14 - 31.03.14		2014	
	MNOK	%	MNOK	%		
Net interest income	627	1,45	547	1,40	2.404	1,45
Net commission and other income	408	0,94	480	1,23	1.732	1,04
Net income on financial investments	211	0,49	319	0,81	778	0,47
<b>Total income</b>	<b>1.246</b>	<b>2,87</b>	<b>1.346</b>	<b>3,44</b>	<b>4.914</b>	<b>2,96</b>
Total operating costs	530	1,22	505	1,29	2.056	1,24
<b>Operating profit before impairment losses</b>	<b>716</b>	<b>1,65</b>	<b>841</b>	<b>2,15</b>	<b>2.858</b>	<b>1,72</b>
Impairment losses on loans and guarantees	88	0,20	54	0,14	257	0,15
<b>Pre-tax profit</b>	<b>628</b>	<b>1,45</b>	<b>787</b>	<b>2,01</b>	<b>2.601</b>	<b>1,57</b>
Tax expense	132	0,30	128	0,33	506	0,30
<b>Profit after tax</b>	<b>496</b>	<b>1,14</b>	<b>659</b>	<b>1,68</b>	<b>2.095</b>	<b>1,26</b>

	31.03.15	31.03.14	2014
<b>PROFITABILITY</b>			
Return on equity <sup>1)</sup>	12,7 %	18,4 %	14,2 %
Cost ratio <sup>2)</sup>	42,5 %	37,5 %	41,8 %
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,45 %	1,40 %	1,45 %
<b>BALANCE SHEET</b>			
Gross loans to customers	144.686	121.723	141.620
Gross loans to customers including SB1 Boligkreditt og Næringskreditt	178.750	166.593	174.492
Growth in loans <sup>4)</sup>	18,9 %	8,4 %	17,7 %
Growth in loans incl SB1 Boligkreditt and Næringskreditt	7,3 %	3,8 %	4,7 %
Deposits from customers	85.984	74.440	81.489
Deposit-to-loan ratio	59,4 %	61,2 %	57,5 %
Growth in deposits	15,5 %	8,5 %	13,7 %
Total assets	176.913	157.752	174.926
Average total assets	175.938	158.867	166.017
<b>LOSSES AND NON-PERFORMING COMMITMENTS</b>			
Impairment losses ratio, annualized <sup>5)</sup>	0,25 %	0,18 %	0,20 %
Non-performing commitments as a percentage of gross loans	0,31 %	0,52 %	0,30 %
Other doubtful commitments as a percentage of gross loans	0,50 %	0,38 %	0,36 %
<b>SOLIDITY</b>			
Common equity Tier 1 capital ratio	12,1 %	11,2 %	11,5 %
Tier 1 capital ratio	12,9 %	13,0 %	12,3 %
Capital ratio	15,2 %	14,5 %	14,5 %
Tier 1 capital	15.206	14.691	14.828
Risk weighted balance	117.589	113.413	120.189
Leverage ratio	6,1 %		6,1 %
<b>BRANCHES AND STAFF</b>			
Number of branches	50	52	50
Number of employees (annualised)	1.135	1.148	1.106

SpareBank 1 SR-Bank share	31.03.15	31.12.14	31.12.13	31.12.12	31.12.11
Market price	56,25	52,50	60,25	37,20	40,70
Market capitalisation	14.386	13.427	15.409	9.514	5.182
Book equity per share(including dividends) (group)	62,40	60,28	55,00	49,48	48,75
Earnings per share, NOK	1,94	8,20	7,28	5,33	5,42
Dividends per share	n.a.	2,00	1,60	1,50	1,50
Price / Earnings per share	7,25	6,40	8,28	6,98	7,51
Price / Book equity (group)	0,90	0,87	1,10	0,75	0,83
Effective return <sup>6)</sup>	7,1 %	-10,2 %	66,0 %	-4,9 %	-23,8 %

<sup>1)</sup> Operating result as a percentage of average equity

<sup>2)</sup> Total operating costs as a percentage of total operating income

<sup>3)</sup> Net interest income as a percentage of average total assets

<sup>4)</sup> High growth in loans is attributable to a buy-back of loans from SpareBank 1 Boligkreditt AS

<sup>5)</sup> Impairment losses on loans as a percentage of average gross loans, annualised

<sup>6)</sup> Percentage change in the market price in the last period, including paid share dividend

## A good result with good underlying operations and continued moderate losses

### Q1 2015

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- Pre-tax profit: NOK 628 million (NOK 787 million)
  - Net profit for the period: NOK 496 million (NOK 659 million)
  - Return on equity after tax: 12.7% (18.4%)
  - Earnings per share: NOK 1.94 (NOK 2.58)
  - Net interest income: NOK 627 million (NOK 547 million)
  - Net commissions and other operating income: NOK 408 million (NOK 480 million)
  - Net income from financial investments: NOK 211 million (NOK 319 million)
  - Operating costs: NOK 530 million (NOK 505 million)
  - Impairment losses on loans: NOK 88 million (NOK 54 million)
  - Total lending growth over last 12 months: 7.3% (3.8%)
  - Growth in deposits over last 12 months: 15.5% (8.5%)
  - Common equity tier 1 capital ratio: 12.1% (11.2%)
  - Tier 1 capital ratio: 12.9% (13.0%)
- (Q1 2014 figures in brackets)

### Financial performance - Q1 2015

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The group's pre-tax profit was NOK 628 million (NOK 787 million), NOK 75 million higher than in the fourth quarter of 2014. The return on equity after tax for the quarter was 12.7% (18.4%) compared with 11.7% in the fourth quarter of 2014. The increase in profit from the fourth quarter of 2014 was primarily attributable to the group recognising NOK 67 million in positive effects in the first quarter of 2015 from basis swaps linked to borrowing, an increase from NOK 9 million from the fourth quarter of 2014. The results from underlying operations were stable and solid. The decrease in profit from the first quarter last year was due to the NOK 202 million write-up of the shares in Nets AS that was recognised in the first quarter of 2014.

Net interest income totalled NOK 627 million (NOK 547 million) compared with NOK 655 million in the fourth quarter of 2014. The average interest margin (net interest income as a percentage of average total assets) was 1.45% in the first quarter of 2015 (1.40%) compared with 1.51% in the fourth quarter of 2014. The lower net interest income in the last quarter was a result of several factors. Strong competition in the market has pushed the average interest margin downwards. With effect from March 10th 2015, interest rates in the retail market division were lowered across the board by up to 45 points. Two fewer interest days in the first quarter also contributed to reducing net interest income in the last quarter. Continued reduced funding costs counteracted some of the impact of the reduced interest margin.

Net commissions and other operating income was NOK 408 million (NOK 480 million) compared with NOK 405 million in the fourth quarter of 2014. Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt amounted to NOK 84 million (NOK 165 million), NOK 6 million lower than in the fourth quarter of 2014.

Net income from financial investments was NOK 211 million (NOK 319 million) compared with NOK 116 million in the fourth quarter of 2014. The higher income in the first quarter of 2015 was primarily attributable to the positive effects of basis swaps linked to borrowing that amounted to NOK 67 million (NOK 12 million), while the NOK 202 million write-up of the shares in Nets AS in the first quarter of 2014 explains the reduction compared with the same quarter last year.

Operating costs were unchanged at NOK 530 million (NOK 505 million) compared with the fourth quarter of 2014. The increase in operating costs of NOK 25 million (5.0%) from the first quarter of 2014 is a consequence of the bank's acquisition in the first quarter of 2015 of Swedbank's branch in Stavanger and the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet. Adjusted for the higher non-recurring and fixed costs associated with these acquisitions, establishment of an international cash management unit in the corporate market division, and extraordinary pension costs in the first quarter of 2014, total operating costs increased by around NOK

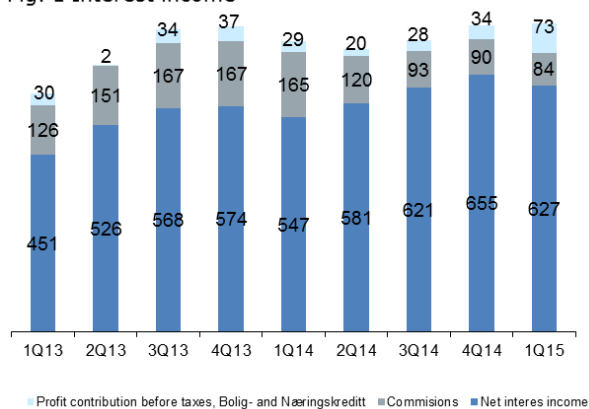
7 million (1.5%) compared with the first quarter of 2014.

Impairment losses on loans were NOK 88 million (NOK 54 million) compared with NOK 93 million in the fourth quarter of 2014. Continued low oil prices and an assessment of the development of future local and national economic conditions provided a basis for increasing collective write-downs. The group therefore increased collective write-downs by a further NOK 20 million in the first quarter of 2015.

### Net interest income

The group's net interest income in the first quarter of 2015 amounted to NOK 627 million (NOK 547 million). Net interest income must be viewed in the context of commissions and profit contributions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Commissions from these companies in the first quarter of 2015 amounted to NOK 84 million (NOK 165 million), whilst profit contributions before tax amounted to NOK 73 million (NOK 29 million). The higher group contributions primarily came from SpareBank 1 Boligkreditt, which recognised a total of NOK 215 million as income for the company from the positive effects of basis swaps linked to borrowing in the first quarter of 2015. Net interest income, commissions, and profit contributions before tax increased by a total of NOK 43 million in the first quarter of 2015 compared with the first quarter of 2014.

Fig. 1 Interest income



The average interest margin was 1.45% in the first quarter of 2015 compared with 1.51% in the fourth quarter of 2014.

### Net commissions and other operating income

Net commissions and other operating income totalled NOK 408 million in the first quarter of 2015 (NOK 480 million).

Net commissions in the first quarter of 2015 totalled NOK 407 million (NOK 478 million). NOK 81 million of the NOK 71 million year-on-year reduction is attributable to lower commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The reduction was due to the group reducing the proportion of sold loans to the mortgage companies by a total of NOK 13.5 billion during 2014 compared with year-end 2013. Other commissions increased by around 3% from the first quarter of 2014. The growth primarily came from guarantee commissions, insurance income, management fees, and higher income from estate agency operations.

### Net income from financial investments

Net income from financial investments in the first quarter of 2015 totalled NOK 211 million (NOK 319 million). The capital losses on securities amounted to NOK 45 million (capital gains of NOK 205 million). The capital gains from interest and currency trading amounted to NOK 116 million (capital losses of NOK 15 million). NOK 67 million (NOK 12 million) of this was due to the positive effects of basis swaps linked to borrowing, NOK 37 million of which was realised in the first quarter of 2015. Furthermore, income from ownership interests totalled NOK 133 million (NOK 81 million) and dividends totalled NOK 7 million (NOK 18 million).

The capital losses on securities of NOK 45 million in the first quarter of 2015 were derived from capital losses of NOK 49 million from the interest portfolio and capital gains of NOK 4 million from the portfolio of shares and equity certificates. The capital losses from the interest portfolio were primarily attributable to the fall in the estimation of the value of high yield bonds in SR-Bank Markets, with offshore commercial paper being particularly affected due to continued weak oil prices.

Income from ownership interests increased by NOK 52 million compared with the first quarter of 2014.

Table 1, The share of net profit

The share of net profit after tax	31.03.15	31.03.14
SpareBank 1 Gruppen	59	44
SpareBank 1 Boligkreditt	47	12
SpareBank 1 Næringskreditt	6	9
BN Bank	13	17
Other	8	-1
<b>Total income from ownership interests</b>	<b>133</b>	<b>81</b>

The share of the net profit from SpareBank 1 Gruppen increased by NOK 15 million in the first quarter of 2015 due to continued good profitability in insurance activities, as well as stable and positive developments in other activities.

The share of the net profit from SpareBank 1 Boligkreditt increased by NOK 35 million in the first quarter of 2015 due to the fact that SpareBank 1 Boligkreditt also recognised positive effects of basis swaps on borrowing in the first quarter of 2015, which amounted to NOK 215 million for the company.

### **Operating costs**

The group's operating costs totalled NOK 530 million in the first quarter of 2015. This represents an increase of NOK 25 million (5.0%) since the first quarter of 2014. Personnel costs rose by NOK 16 million (5.4%) to NOK 310 million, while other costs increased by NOK 9 million (4.3%) to NOK 220 million.

Higher costs were a consequence of the bank's acquisition in the first quarter of 2015 of Swedbank's branch in Stavanger and the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet. Adjusted for the costs associated with these acquisitions, personnel costs decreased by around NOK 1.5 million (-0.5%) in the first quarter of 2015, while other costs rose by around NOK 6.2 million (2.9%). The growth in other costs was primarily attributable to higher ICT costs and costs associated with the establishment of a new international cash management unit in the corporate market division.

Adjusted for the higher non-recurring and fixed costs associated with the acquisition of Swedbank's branch in Stavanger and the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet, the establishment of a new international cash management unit, and extraordinary pension costs of NOK 7.5 million in the first quarter of 2014, total operating costs increased by around NOK 7 million (1.5%) compared with the first quarter of 2014. The annual normalised growth

in costs from continued operations is expected to be around 2%.

The group's cost/income ratio, costs measured as a percentage of income, was 42.5% in the first quarter of 2015 (37.5%). In the first quarter of 2014, the cost/income ratio, adjusted for income of NOK 202 million linked to the write-up of the shares in Nets Holding AS, was 44.1%.

### **Impairment losses on loans and non-performance**

In the first quarter of 2015, the group recognised net impairment losses on loans totalling NOK 88 million (NOK 54 million). This corresponds to impairments as a percentage of gross loans of 0.25% (0.18%). Continued low oil prices and an assessment of the development of future local and national economic conditions provided a basis for increasing collective write-downs and write-downs of groups of loans were increased by a further NOK 20 million in the first quarter of 2015.

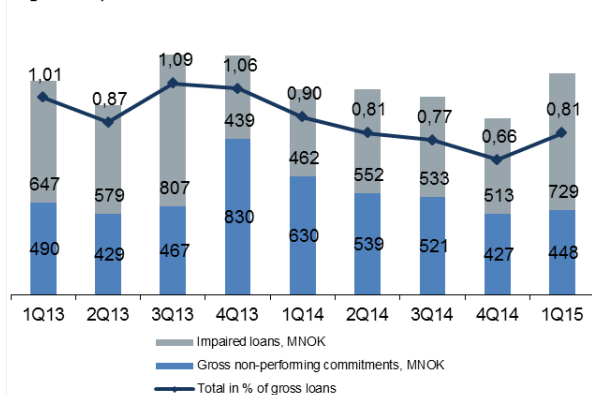
Closely monitoring customers and preventive work are important tools in maintaining this good credit quality, and contribute to the continued moderate write-downs on loans.

Gross non-performing commitments aggregated NOK 448 million (NOK 630 million) at the end of the first quarter of 2015. This corresponds to 0.31% (0.52%) of gross loans. The portfolio of impaired<sup>1</sup> (not non-performing) loans totalled NOK 729 million (NOK 462 million). This corresponded to 0.50% (0.38%) of gross loans. The increase in impaired (not non-performing) loans in the last quarter was primarily attributable to one corporate market commitment for which provisions have been made. Total non-performing and impaired loans at the end of the first quarter of 2015 came to NOK 1,177 million (NOK 1,092 million). In terms of gross loans, this represents a reduction over the last 12 months from 0.90% to 0.81%.

The loan loss provision ratios, measured as individual write-downs as a percentage of non-performing and impaired loans, was 25% (23%) and 33% (51%) at the end of the first quarter of 2015.

<sup>1</sup> From and including the second quarter of 2014, non-performing loans in the 30-90 days interval are not included as impaired loans. The historical figures have been revised.

Fig 2. Impairment losses

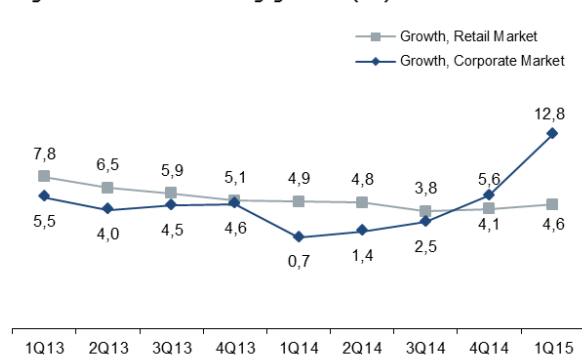


### Loans to and deposits from customers

Gross loans at the end of the first quarter of 2015 amounted to NOK 144.7 billion (NOK 121.7 billion). Including loans totalling NOK 34.1 billion (NOK 44.9 billion) sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, gross loans amounted to NOK 178.8 billion (NOK 166.6 billion) at the end of the first quarter of 2015. The change in gross loans over the last 12 months was 7.3% (3.8%). The effect of exchange rate fluctuations accounted for NOK 2.7 billion (1.6%) of the NOK 12.2 billion growth in gross loans over the last 12 months.

Loans to the retail market accounted for 62.4% (63.8%) of total loans (including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) at the end of the first quarter of 2015.

Fig. 3 12 month lending growth (%)



The group's total loan exposure of NOK 178.8 billion included a majority of commitments with a probability of default of less than 0.5%. These commitments represented 56% of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These

accounted for around 67% of loan exposure and approximately 99% of customers. 19.6% of loan exposure was to customers who had loans in excess of NOK 100 million. The credit quality of this part of the portfolio was better than in the rest of the portfolio.

Deposits from customers rose by 15.5% (8.5%) over the last 12 months to NOK 86.0 billion (NOK 74.4 billion). Deposits from the corporate market and public sector accounted for 53.6% (50.6%) of the group's customer deposits at the end of the first quarter of 2015.

In addition to good growth in ordinary customer deposits, the group also increased the capital under management in alternative investment products from NOK 14.8 billion to NOK 17.1 billion at the end of the first quarter of 2015. This management is primarily performed by SR-Forvaltning AS and ODIN Forvaltning AS.

At the end of the first quarter of 2015, the deposit-to-loan ratio was 59.4% (61.2%). The group has continued its policy of having a high proportion of long-term funding in the last year, and the Financial Supervisory Authority of Norway's Funding Indicator 1 (ratio of illiquid assets financed by debt with a duration of more than 1 year) is 111.0% for the parent bank and 111.9% on a consolidated basis.

### Business areas

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

#### Retail market division<sup>2</sup>

The retail market division's contribution before impairment losses on loans was NOK 318 million at the end of the first quarter of 2015. The result was

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

NOK 21 million lower than last year due to lower net interest income. Commissions enjoyed good growth, particularly within insurance and investment services. Commissions, excluding commissions from Boligkreditt, have increased over the last 12 months. In particular, the good portfolio quality within P&C insurance and high level of subscriptions within fund products accounted for a good proportion of the increase.

Over the last 12 months, the division's lending increased by 4.8%, while deposits grew by 7.8%. The proportion of non-performing loans was 0.36% of total loans and loan write-downs were still low.

The quality of the retail market portfolio is considered very good with low potential losses. The proportion of loan exposure (including the portfolio in SpareBank 1 Boligkreditt) within a loan-to-collateral value ratio of 85% amounted to 90.7% at the end of the first quarter of 2015. The IRB risk weightings for home mortgages reflect the solid, stable portfolio. The risk weightings increased slightly in the first quarter due to the Financial Supervisory Authority of Norway's stricter rules for home mortgage models. The stricter rules entail new requirements for estimating probability of default (PD) and loss given default (LGD).

The development of the housing market varied in the market area. There was strong growth in Bergen, stability in Rogaland, and Agder enjoyed a positive trend after a period of long turnover times. The unemployment rate remained low, but restructuring and downsizing in the oil sector means there is greater uncertainty going forward.

At the end of the first quarter of 2015, the number of customers in the division is developing well. The number of bank customers who use digital channels increased by 8.3% and total digital sales of products increased by 45% compared with the corresponding period last year. The micro savings product, 'Mikrospar', was launched with great success in the first quarter of 2015. 75% of these sales came via the mobile phone channel.

### **Corporate market division<sup>2,3</sup>**

The corporate market division's contribution before impairment losses on loans was NOK 263 million in the first quarter of 2015. The result was NOK 6 million lower than at the same time last year. This was largely due to higher costs in connection with the

establishment of a new international cash management unit.

Over the last 12 months, the division's lending has increased by 12.6%. The increase in volume due to exchange rate fluctuations amounted to just over NOK 2 billion. Adjusting for this, the 12-month growth would have been 8.4%. The division has strengthened its focus on deposits and has in the last 12 months enjoyed 22.2% growth here. The growth in both loans and deposits was due to increases in both new and existing customers.

The division's lending increased by 4.7% in the first quarter of 2015. If the increase in volume due to exchange rate fluctuations is excluded, the lending growth in the first quarter was 3.5%. Lower growth is expected in the rest of 2015.

The quality of the corporate market portfolio is considered good. The average probability of default has developed positively over time, largely due to the stronger risk profile of the existing customer base. The proportion of commitments with a probability of default of less than 2.5% was 75.1% of the portfolio at the end of the first quarter of 2015. The property management portfolio represents the group's largest concentration in a single sector and accounted for 15.5% of total loan exposure, including retail customers. A large portion of this portfolio consisted of financing commercial properties for leasing. The portfolio is characterised by long-term leases and financially solid tenants. The vacancy rate in the group's loan portfolio is low.

Net individual write-downs of NOK 61 million and NOK 20 million in increased collective write-downs were recognised in the first quarter of 2015, compared with NOK 54 million in individual write-downs in the corresponding period last year. The division's ordinary pre-tax profit (after losses) was NOK 33 million lower than in the corresponding quarter last year.

Priority areas for the division are balanced and long-term volume growth, good customer relationships and a well-developed range of products.

### **Capital market division<sup>3</sup>**

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<sup>3</sup> The capital market division serves customers throughout the group. Previously, most of the income this division generates was recognised in the division. The internal income recognition policy was changed on 1 January 2014 and income is now recognised, in its entirety, in the business



Securities activities are organised under the SR-Bank Markets brand and include customer and own account trading in fixed income instruments, foreign exchange and equities, analysis and corporate finance services.

SR-Bank Markets's pre-tax profit was NOK 16 million in the first quarter of 2015, NOK 4 million lower than in the corresponding quarter last year. The income generated is recognised as income in the business areas to which the customers are assigned, primarily the corporate market division.

Prior to the allocation of customer income to other business areas, SR-Bank Markets achieved operating income of NOK 50 million in the first quarter of 2015. This represents a decrease of NOK 13 million from the same period in 2014 and is primarily attributable to lower income from interest and currency instruments, as well as the fall in value of the bank's bond portfolio. The pre-tax profit before the allocation of customer income amounted to NOK 29 million in the first quarter of 2015, a reduction of NOK 14 million compared with the corresponding period last year.

The bulk of this income came from customer trading in fixed income and foreign exchange instruments. Credit spreads for oil and offshore related bonds expanded somewhat in the first quarter and resulted in a slight fall in the value of the bank's trading portfolio. The income from sales of shares and bonds has been relatively stable. Staff numbers in corporate finance were reinforced and a number of advice mandates were signed during the last quarter.

### **Subsidiaries and associated companies**

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#### ***EiendomsMegler 1 SR-Eiendom AS***

The company's pre-tax profit amounted to NOK 12.1 million in the first quarter of 2015 (NOK 9.2 million). The improved result was due to higher gross income and more efficient operations.

In the first quarter of 2015, 1,785 (1,772) properties with a total value of NOK 5.9 billion were sold. There was a good influx of new assignments for used homes and leisure homes. It was slightly above the level in the same period in 2014.

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area to which the customer belongs. Historical accounting figures have not been changed since the accounting effect is considered to be insignificant.

There have been and still are, significant differences in the regional markets, both with respect to price and turnover times. The housing market in Bergen was very good, with turnover times of fewer than 15 days and price rises of around 10% over the last 12 months. Prices in the Stavanger region have almost not risen at all in the last 12 months with an accumulated price rise of 1.5%. Turnover times have increased and are now up to around 40 days. The housing market in Kristiansand has been significantly energised after a period of stagnation. Prices have grown by around 6% over the last 12 months and turnover times are down to the level in the Stavanger region. The total market for used homes has increased and more units were sold in the whole of our market area in the first quarter of 2015 than in the same period last year.

The supply of new homes for sale is good, but sales have been slower than wanted. This market is sensitive to economic cycles and the situation in oil-oriented activities is impacting sales of new homes, especially in the Stavanger region. A gradual reduction in price levels for new homes, combined with low interest rates, is expected to stimulate sales to some extent during the year. The supply of commercial property for both lease and sale is good. Increasing vacancies have been registered for office premises in the Stavanger region, and this will probably have a negative effect on the market. The levels of activity in Bergen are good in both the sale and leasing of commercial premises and the company has established itself as an important player in commercial estate agency.

The company expects the level of activity to increase in Agder going forward and remain at a stable, high level in Hordaland. The situation in Rogaland, especially in the Stavanger region, is somewhat more uncertain. Continuing low oil prices and substantial downsizing in the oil sector could have a negative impact on households' future prospects and this could in turn have a negative impact on the housing market. At the same time, record low interest rates and low or no price rises could counteract this to some extent. The housing market has, so far, not been particularly negatively affected in 2015. A good level of activity is expected in the housing market throughout the market area in 2015.

#### ***SpareBank 1 SR-Finans AS***

The company's main products are lease financing for the business sector and car and boat loans for retail

customers. SpareBank 1 SR-Finans is the leading leasing company in Rogaland with total assets of NOK 7.0 billion.

The company achieved a profit before losses of NOK 43.4 million in the first quarter of 2015 (NOK 36.5 million). The improvement in the result is primarily attributable to higher net interest income due to both a higher lending volume and higher interest margin compared with the first quarter of 2014. Net losses at the end of the first quarter of 2015 were NOK 7.3 million. This was slightly higher than at the end of the first quarter last year (NOK 0.9 million), but the losses are still regarded as low. The pre-tax profit was NOK 36.1 million in the first quarter of 2015 (NOK 35.6 million).

Net lending increased by 7.9% in the first quarter of 2015 and was at the end of the quarter NOK 6,790 million (NOK 6,293 million). 1,937 new contracts have been established in the year-to-date (1,595 contracts) with a total volume of NOK 547 million (NOK 512 million).

Good growth is still expected in car loans for retail customers, while lease financing for the corporate market is expected to remain stable.

#### ***SpareBank 1 Gruppen AS***

SpareBank 1 Gruppen AS is a holding company that develops and delivers common IT/mobile solutions, brands and marketing concepts, business concepts, products and services, expertise, analyses, processes, best practice solutions and purchases for the banks in the SpareBank 1 Alliance. Its subsidiaries produce, deliver and distribute SpareBank 1 Gruppen products within P&C insurance, life insurance, fund management, factoring, debt collection and long-term monitoring.

SpareBank 1 Gruppen achieved a net profit of NOK 303 million (NOK 249 million). The improvement in the result was due to continued good profitability in insurance activities, and stable, positive developments in other activities.

SpareBank 1 SR-Bank owned a 19.5% stake in SpareBank 1 Gruppen at the end of the first quarter of 2015.

#### ***SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS***

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are licensed mortgage companies that

issue covered bonds secured by home mortgage loan or commercial real estate portfolios sold by the owner banks. The companies are owned by the savings banks that make up the SpareBank 1 Alliance and help ensure the owner banks have access to stable, long-term funding at competitive rates.

SpareBank 1 Boligkreditt's total lending volume at the end of the first quarter of 2015 amounted to NOK 163.9 billion, NOK 33.5 billion (NOK 44.2 billion) of which were home mortgages bought from SpareBank 1 SR-Bank. During 2014, the bank reduced the loans sold to SpareBank 1 Boligkreditt by a total of NOK 13.5 billion. The bank owned a 20.1% stake in the company. This is normally updated at the end of each year in line with the volume sold.

SpareBank 1 Næringskreditt's total lending volume at the end of the first quarter of 2015 amounted to NOK 15.4 billion, NOK 0.6 billion (NOK 0.6 billion) of which were loans bought from SpareBank 1 SR-Bank. The bank owned a 26.8% stake in the company.

#### **Funding**

SpareBank 1 SR-Bank has good access to market funding. The risk premium the bank pays above the money market rate was stable during the first quarter. The bank's wholly owned mortgage company is being established and is expected to be in a position to issue covered bonds in the second quarter of 2015.

SpareBank 1 SR-Bank had good liquidity at the end of the first quarter of 2015 and believes it will continue to have good access to long-term funding at competitive prices. The group strives to achieve an even maturity structure for funding and believes it is important to have good relations with Norwegian and international investors and banks. The liquidity buffer<sup>4</sup> amounted to NOK 16.6 billion at the end of the quarter. NOK 2.3 billion of the bank's external funding will fall due in the next 12 months. In addition to the liquidity buffer, the bank has NOK 24.6 billion in home mortgages ready for covered bond funding.

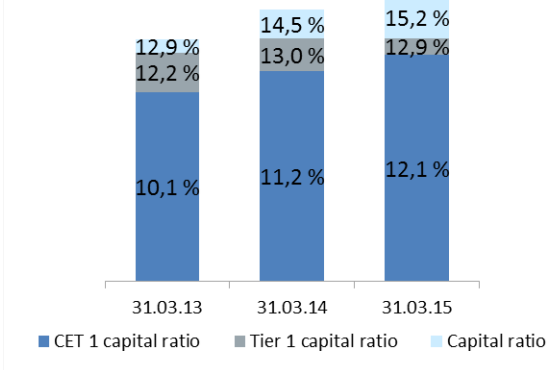
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<sup>4</sup> Liquidity buffer: cash, short-term investments, and drawing rights in Norges Bank (bonds including covered bonds). Providing deposits and lending remain unchanged, and no new borrowing during the period.

## Capital adequacy

At the end of the first quarter of 2015, the common equity tier 1 capital ratio was 12.1%, up from 11.2% at the same time last year. The tier 1 capital ratio was 12.9% (13.0 %), while the total capital ratio has increased from 14.5% to 15.2%.

Fig. 4 Capital adequacy



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

The common equity tier 1 capital ratio requirement is 10.0% and the capital ratio requirement is 13.5%. SpareBank 1 SR-Bank therefore fulfils the requirements by a good margin.

In addition to this, there will be a countercyclical capital buffer requirement in Norway in the range of 0-2.5% in the form of common equity tier 1 capital. On 27 March 2015, on the advice of Norges Bank, the Ministry of Finance set the buffer at 1 percentage point from 30 June 2015.

On 12 May 2014, the Ministry of Finance issued regulations concerning systemically important financial institutions (SIFI). Institutions with total assets of at least 10% of Mainland Norway's GDP, or at least a 5% share of the market for loans, will be covered by this definition. Upon implementation, DNB, Nordea Bank Norway and Kommunalbanken Norway were defined as systemically important. The three SIFI banks will thus be subject to a special capital buffer requirement from 1 July 2015. From 1 July 2016, when the new capital requirements have been fully implemented, the systemically important institutions must satisfy a minimum requirement for their common equity tier 1 capital ratio of 12%, while the minimum requirement for other institutions will be 10%. The countercyclical capital buffer comes on

top of this. SpareBank 1 SR-Bank is close to the SIFI requirement concerning market share and takes account of this in its capital planning.

In February 2015, SpareBank 1 SR-Bank received permission to use Advanced IRB to calculate regulatory capital requirements for credit risk for the corporate market. This permission means that bank can use internal models for calculating the necessary requirements for compulsory savings. This in turn means that the regulatory capital requirements will better suit the actual credit risk the bank is bearing in its overall loan portfolio.

On 1 July 2014, the Financial Supervisory Authority of Norway published a circular on the further tightening of risk weighting for home mortgages for banks that use internal methods, so-called IRB methods. In combination with a higher minimum level for loss given default, the so-called LGD floor, the tightening of probability of default models from 1 January 2015 will increase the average risk weighting for SpareBank 1 SR-Bank's home mortgages portfolio to 22.1% from the end of the first quarter of 2015.

## The bank's shares

The share price for bank shares (SRBANK) was NOK 56.25 at the end of the first quarter of 2015. This represents an increase of 7.1% from year-end 2014. The Oslo Stock Exchange's main index rose by 7.5% in the same period. 7.4% (7.6%) of outstanding SRBANK shares were traded in the first quarter of 2015.

There were 10,214 (10,936) shareholders of SRBANK at the end of the first quarter of 2015. The proportion owned by companies and people abroad increased from 18.9% at the end of the first quarter of 2014 to 20.6% at the end of the first quarter of 2015, while 49.3% were resident in Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned 62.9% of the shares. The bank holds 231,043 treasury shares, while group employees owned 1.8%.

The table below shows the 20 largest shareholders as of 31 March 2015:

Table 2, 20 largest shareholders

	Number of shares (1,000)	%
Sparebankstiftelsen SR-Bank	72.419	28,32 %
Gjensidige Forsikring ASA	26.748	10,46 %
State Street Bank and Trust, U.S.A	8.757	3,42 %
SpareBank 1 stiftinga Kvinnherad	6.227	2,43 %
MSCO Equity Firm Account, U.S.A.	6.080	2,38 %
Wimoh Invest AS	5.761	2,25 %
Verdipapirfondet Nordea Norge Verdi	4.460	1,74 %
Odin Norge	3.898	1,52 %
Skandinaviska Enskilda Banken, Sverige	3.560	1,39 %
State Street Bank and Trust, U.S.A	2.908	1,14 %
Clipper AS	2.565	1,00 %
State Street Bank and Trust, U.S.A	2.424	0,95 %
J.P. Morgan Chase Bank N.A. London	2.421	0,95 %
Folketrygdfondet	2.167	0,85 %
Morgan Stanley & Co, U.S.A.	2.054	0,80 %
Danske Invest Norske Institusjoner II	1.967	0,77 %
The Bank of New York Mellon, U.S.A.	1.837	0,72 %
Pareto Aksje Norge	1.695	0,66 %
Westco	1.578	0,62 %
State Street Bank and Trust, U.S.A	1.421	0,56 %
<b>Total 20 largest</b>	<b>160.946</b>	<b>62,93 %</b>

### **Accounting policies**

Please refer to note 1 for a description of the accounting policies applied in the parent company's and consolidated financial statements. The same accounting policies are applied in interim and annual financial statements.

### **Events after the balance sheet date**

No material events have been registered after 31 March 2015 that affect the interim financial statements as prepared.

### **Future prospects**

Oil prices fell dramatically in the latter half of 2014 and the low prices have lasted into 2015. The drop in oil prices has resulted in greater uncertainty, especially in the petroleum sector. Oil investments flattened out in 2014 after having increased by almost 9% annually in each of the preceding 3 years. A reduction of 15-20% in relation to 2014 is expected in 2015. Both oil companies and the supplier industry are in the process of rationalising operations and reducing costs. The risk of lower growth in the Norwegian economy has consequently increased. Estimates vary from simply a minor negative effect to more serious consequences for employment, all depending on whether oil prices

remain low over time or not. The unemployment rate in the Stavanger region was 2.9% at the end of the first quarter of 2015. This higher than the rate of 2.4% at the same time last year. The unemployment rate is now close to the national average, which is 3.0%.

In the last year, the Stavanger region has seen weaker house price development than the rest of the country with house prices rising by 1.5% compared with the national average of 7.9%. The turnover volume however remains high. This development must be seen in the context of house prices having grown much more in recent years in Stavanger and Rogaland than in the rest of the country. A higher degree of uncertainty about how the economy will develop may contribute to dampening the demand for loans, while lower interest rates and wages growth have the opposite effect. Non-performance and loan loss provisions are expected to remain moderate in 2015 as well. The board would like to stress that a certain level of uncertainty is associated with assessments of future conditions.

Competition in the banking market is increasing and significantly so with respect to home mortgage customers. The group therefore reduced its home mortgage rates by up to 0.45% with effect from 10 March 2015. The negative effect on the group's interest margin will partly be counteracted by the terms for deposits being adjusted at the same time, as well as falling costs for the group's external funding.

SpareBank 1 SR-Bank is a solid, profitable group, but must, like other banks, continue to strengthen its solidity in line with the authorities' new capital requirements. Because of its good earnings from a business model with good breadth and efficient operations, the group is well positioned to implement the necessary build-up of capital, while ensuring strong competitiveness.

Stavanger, 28 April 2015

The Board of Directors of SpareBank 1 SR-Bank ASA

## Income statement

Parent bank			Note	Group		
01.01.14 - 2014	01.01.15 - 31.03.14	01.01.15 - 31.03.15		01.01.15 - 31.03.15	01.01.14 - 31.03.14	2014
			<b>Income statement (MNOK)</b>			
5.918	1.385	1.416	Interest income	1.477	1.438	6.137
3.736	891	852	Interest expense	850	891	3.733
2.182	494	564	<b>Net interest income</b>	<b>627</b>	547	2.404
1.319	382	302	Commission income *	427	498	1.804
73	19	17	Commission expenses	20	20	78
6	2	1	Other operating income *	1	2	6
1.252	365	286	<b>Net commission and other income</b>	<b>408</b>	480	1.732
24	15	6	Dividend income	7	18	36
473	0	0	Income from investment in associates	133	81	506
125	211	71	Net gains/losses on financial instruments	13	220	236
622	226	77	<b>Net income on financial investments</b>	<b>211</b>	319	778
4.056	1.085	927	<b>Total income</b>	<b>1.246</b>	1.346	4.914
900	224	235	Personnel expenses	14	310	294
412	93	103	Administrative expenses	119	106	468
244	70	69	Other operating costs	101	105	386
1.556	387	407	<b>Total operating costs</b>	<b>530</b>	505	2.056
2.500	698	520	<b>Operating profit before impairment losses</b>	<b>716</b>	841	2.858
248	53	80	Impairment losses on loans and guarantees	2, 3 and 4	88	54
2.252	645	440	<b>Pre-tax profit</b>	12	<b>628</b>	787
446	113	116	Tax expense	132	128	506
1.806	532	324	<b>Profit after tax</b>	<b>496</b>	659	2.095
			<b>Other comprehensive income</b>			
-415	-80	27	Unrecognised actuarial gains and losses	29	-86	-444
112	21	-7	Deferred tax concerning changed estimates/pension plan changes	-8	23	120
0	0	0	Change in value of financial assets available for sale	0	0	0
-303	-59	20	<b>Total items not reclassified through profit or loss</b>	21	-63	-324
0	0	0	Share of profit associated companies and joint ventures	-5	15	5
0	0	0	<b>Total items reclassified through profit or loss</b>	<b>-5</b>	15	5
-303	-59	20	<b>Other comprehensive income</b>	<b>16</b>	-48	-319
1.503	473	344	<b>Total comprehensive income</b>	<b>512</b>	611	1.776
			<b>Earnings per share (group)</b>	<b>1,94</b>	2,58	8,20

\* From and including the first quarter of 2015, income from real estate sales has been transferred from other operating income to commissions. The historical figures have been correspondingly restated.

## Balance sheet

Parent bank				Note	Group		
31.12.14	31.03.14	31.03.15			31.03.15	31.03.14	31.12.14
			<b>Balance sheet (MNOK)</b>				
1.847	770	2.400	Cash and balances with central banks		2.400	770	1.847
8.117	6.568	8.443	Balances with credit institutions		2.533	1.092	2.222
134.158	114.756	137.156	Loans to customers	3, 8	143.937	121.037	140.920
15.248	20.856	14.775	Certificates, bonds and other fixed-income securities		14.789	20.868	15.261
7.344	4.343	5.763	Financial derivatives	10	5.760	4.339	7.340
477	989	481	Shares, ownership stakes and other securities	17	631	1.154	626
22	84	22	Business available for sale		22	84	22
3.250	3.640	3.255	Investment in associates		4.886	4.910	4.727
1.226	926	1.416	Investment in subsidiaries		0	0	0
1.605	3.257	1.539	Other assets	5	1.955	3.498	1.961
<b>173.294</b>	<b>156.189</b>	<b>175.250</b>	<b>Total assets</b>	12	<b>176.913</b>	157.752	174.926
6.145	4.803	4.958	Balances with credit institutions		4.803	4.801	6.139
0	2.431	0	Public sector deposits regarding the covered bonds swap agreement		0	2.431	0
81.723	74.574	86.205	Deposits from customers	7	85.984	74.440	81.489
63.253	52.508	60.198	Listed debt securities	11	60.198	52.508	63.253
3.317	2.179	3.916	Financial derivatives	10	3.916	2.179	3.317
2.095	2.464	2.858	Other liabilities	6	3.093	2.659	2.361
2.964	4.065	2.975	Subordinated loan capital	11	2.975	4.065	2.964
<b>159.497</b>	<b>143.024</b>	<b>161.110</b>	<b>Total liabilities</b>		<b>160.969</b>	143.083	159.523
6.394	6.394	6.394	Share capital		6.394	6.394	6.394
1.587	1.587	1.587	Premium reserve		1.587	1.587	1.587
512	409	512	Proposed dividend		512	409	512
59	162	59	Fund for unrealised gains		59	162	59
5.245	4.081	5.264	Other equity		6.896	5.458	6.851
0	532	324	Profit/loss at period end		496	659	0
<b>13.797</b>	<b>13.165</b>	<b>14.140</b>	<b>Total equity</b>		<b>15.944</b>	14.669	15.403
<b>173.294</b>	<b>156.189</b>	<b>175.250</b>	<b>Total liabilities and equity</b>	12	<b>176.913</b>	157.752	174.926

## Statement of changes in equity

SpareBank 1 SR-Bank Group (Amounts in NOK million)	Share- capital	Premium reserve	Other equity	Reserve for unrealised gains	Total equity
Equity as of 31.12.2013	6.394	1.587	5.913	162	14.056
Profit after tax			2.198	-103	2.095
Unrecognised actuarial gains and losses after tax			-324		-324
Share of profit associated companies and joint ventures			5		5
Total items not reclassified through profit or loss			1.879	-103	1.776
Adjusted equity accosiates			-19		-19
Dividend 2013, resolved in 2014			-409		-409
Purchase/sale of own shares			-1		-1
Items reclassified through profit or loss	0	0	-410	0	-410
<b>Equity as of 31.12.2014</b>	<b>6.394</b>	<b>1.587</b>	<b>7.363</b>	<b>59</b>	<b>15.403</b>
Profit after tax			496		496
Unrecognised actuarial gains and losses after tax			21		21
Share of profit associated companies and joint ventures			-5		-5
Total items not reclassified through profit or loss			512	0	512
Adjusted equity accosiates			29		29
Dividend 2014, resolved in 2015					0
Purchase/sale of own shares					0
Items reclassified through profit or loss	0	0	0	0	0
<b>Equity as of 31.03.2015</b>	<b>6.394</b>	<b>1.587</b>	<b>7.904</b>	<b>59</b>	<b>15.944</b>

## Cash flow statement

Parent bank			Cash flow statement	Group		
2014	01.01.14 - 31.03.14	01.01.15 - 31.03.15		01.01.15 - 31.03.15	01.01.14 - 31.03.14	2014
-20.812	-20.812	-3.054	Change in gross lending to customers	-3.018	-1.450	-21.347
5.214	5.214	1.280	Interest receipts from lending to customers	1.376	1.251	5.570
9.883	9.883	4.482	Change in deposits from customers	4.495	2.773	9.822
-1.760	-1.760	-79	Interest payments on deposits from customers	-82	-96	-1.734
-4.602	-4.602	-1.770	Change in receivables and debt from credit institutions	-775	-2.874	-4.129
-256	-256	-85	Interest on receivables and debt to financial institutions	-101	-93	-438
5.804	5.804	473	Change in certificates and bonds	473	197	5.804
480	480	92	Interest receipts from commercial paper and bonds	92	113	480
2.075	2.075	267	Commission receipts	385	737	2.557
267	267	-17	Capital gains from sale of trading	-17	-3	267
-1.537	-1.537	-315	Payments for operations	-494	-506	-2.084
-280	-280	-52	Taxes paid	-118	-75	-377
1.487	1.487	1.767	Other accruals	614	-678	1.563
-4.037	-4.037	<b>2.989</b>	<b>A Net change in liquidity from operations</b>	<b>2.830</b>	-704	-4.046
-70	-70	-26	Investments in tangible fixed assets	-38	-15	-81
47	47	0	Receipts from sale of tangible fixed assets	0	47	47
-456	-456	-192	Change in long-term investments in equities	-32	-90	-466
870	870	0	Receipts from sales of long-term investments in equities	0	19	884
497	497	6	Dividends from long-term investments in equities	7	14	509
888	888	<b>-212</b>	<b>B Net cash flow, investments</b>	<b>-63</b>	-25	893
15.659	15.659	2.914	Debt raised by issuance of securities	2.914	4.067	15.659
-8.292	-8.292	-4.852	Repayments - issued securities	-4.852	-3.432	-8.292
-1.058	-1.058	-523	Interest payments on securities issued	-523	-503	-1.058
44	44	0	Additional subordinated loan capital issued	0	44	44
-1.115	-1.115	0	Repayments - additional capital instruments	0	0	-1.115
-222	-222	-20	Interest payments on subordinated loans	-20	-38	-222
0	0	0	Issue shares	0	0	0
-409	-409	0	Dividend to share holders	0	0	-409
4.607	4.607	<b>-2.481</b>	<b>C Net cash flow, financing</b>	<b>-2.481</b>	138	4.607
1.458	1.458	<b>296</b>	<b>A+B+C Net cash flow during the period</b>	<b>286</b>	-591	1.454
1.526	1.526	2.984	Cash and cash equivalents as at 1 January	2.996	1.542	1.542
2.984	2.984	3.280	Cash and cash equivalents as at 31 March	3.280	951	2.996
			<b>Cash and cash equivalents specified</b>			
1.847	1.847	2.401	Cash and balances with central banks	2.400	770	1.847
1.137	1.137	879	Balances with credit institutions	880	181	1.149
2.984	2.984	<b>3.280</b>	<b>Cash and cash equivalents</b>	<b>3.280</b>	951	2.996

The cash and cash equivalents includes cash and claims on central banks, plus the share of the total of claims on credit institutions that pertains to placement solely in credit institutions. The cash flow statement shows cash provided and used by SpareBank 1 SR-Bank and SpareBank 1 SR-Bank Group.



# Notes to the financial statements

(in MNOK)

## Note 1 Accounting policies

### 1.1 Basis of preparation

These interim financial statements for SpareBank 1 SR-Bank ASA cover the period 1 January - 31 March 2015. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements are unaudited. These interim financial statements were prepared in accordance with the applicable IFRS standards and IFRIC interpretations.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for 2014.

### Effects of applying IFRIC 21 for reporting in the first quarter of 2015

IFRIC 21 Levies regulates the recognition of obligations to pay levies that fall within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The interpretation deals with what events trigger levies being recognised as a liability.

Following the introduction of the standard, there has been some debate about whether or not the annual charge for the Norwegian Banks Guarantee Fund for 2015 should be charged as a cost in its entirety in the first quarter of 2015. The charge for the Norwegian Banks Guarantee Fund is normally based on the average guaranteed deposit and average basis for calculation for previous quarters. The extent to which a withdrawal from the scheme would entail a repayment of any overpaid charge has not been regulated. The practice has been a pro-rata charge upon enrolment. The practice and the principle of equal treatment indicate pro-rata upon disenrollment. The Ministry of Finance will determine this through individual decisions. This is of significance when recognising the charge in the accounts. SpareBank 1 SR-Bank has in the first quarter continued its previous practice of monthly accrual accounting for the charge, and the cost amounted to NOK 16 million in the first quarter of 2015. If the charge for the Norwegian Banks Guarantee Fund had been recognised as a cost in its entirety in the first quarter, this would increase interest costs by NOK 46 million.

### New standards and interpretations that have not been adopted yet

A number of new standards, amendments to standards and interpretations will be compulsory in future annual financial statements. Among those the group has chosen not to apply early are the two most important standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The group is currently assessing the effects of these standards.

There are no other standards or interpretations which are not currently in effect and would be expected to have a material effect on the consolidated financial statements.

### 1.2 Critical accounting estimates and judgements

The preparation of the consolidated financial statements entails the group executive management making estimates, judgements and assumptions that affect the effect of the application of the accounting policies and thus the amounts recognised for assets, liabilities, income and costs. Note 3 of the annual financial statements for 2014 explains in more detail the use of critical estimates and judgements when applying the accounting policies.

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

Parent bank				Group		
01.01.14 - 31.12.14	01.01.14 - 31.03.14	01.01.15 - 31.03.15		01.01.15 - 31.03.15	01.01.14 - 31.03.14	01.01.14 - 31.12.14
-103	-57	36	Change in individual impairment losses provisions for the period	30	-64	-124
69	0	20	Change in collective impairment loss provisions for the period	20	2	75
11	1	2	Amortised cost	2	1	11
217	105	21	Actual loan losses on commitments for which provisions have been made	28	108	228
60	6	3	Actual loan losses on commitments for which no provision has been made	11	9	74
0	0	0	Change in assets taken over for the period	0	0	0
-6	-2	-2	Recoveries on commitments previously written-off	-3	-2	-7
248	53	80	<b>The period's net losses / (reversals) on loans and advances</b>	<b>88</b>	54	257

### Note 3 Impairment losses on loans and guarantees recognised in the balance sheet

Parent bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
405	405	302	Provisions for Individual impairment losses at start of period	322	446	446
42	26	8	Increases in previous provisions for individual impairment losses	8	27	42
-35	-21	-16	Reversal of provisions from previous periods	-17	-32	-54
109	44	65	New provisions for individual impairment losses	67	50	118
-2	-1	0	Amortised cost	0	-1	-2
-217	-105	-21	Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-28	-108	-228
302	348	338	Provisions for Individual impairment losses at period end	352	382	322
277	111	24	Net losses	39	117	302

### Note 4 Non-performing and impaired loans

Parent bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
<b>Non-performing loans and advances</b>						
395	601	423	Gross non-performing loans above 90 days	448	630	427
91	142	110	Provisions for Individual impairment losses	112	145	93
304	459	313	<b>Net non-performing loans and advances</b>	<b>336</b>	<b>485</b>	<b>334</b>
23 %	24 %	26 %	<b>Loan loss provision ratio</b>	<b>25 %</b>	<b>23 %</b>	<b>22 %</b>
<b>Other problem commitments</b>						
481	405	711	Problem commitments	729	462	513
211	206	228	Provisions for Individual impairment losses	240	237	229
270	199	483	<b>Net other problem commitments</b>	<b>489</b>	<b>225</b>	<b>284</b>
44 %	51 %	32 %	<b>Loan loss provision ratio</b>	<b>33 %</b>	<b>51 %</b>	<b>45 %</b>

### Note 5 Other assets

Parent bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
0	0	3	Intangible assets	50	39	20
295	285	304	Tangible fixed assets	347	313	327
29	557	26	Income earned but not received from SpareBank 1 Bolig- and Næringskreditt	26	557	29
16	52	38	Prepaid expences	43	57	17
35	35	35	Capital contribution SR-Pensjonskasse	35	35	35
1.053	2.259	962	Unsettled trades	962	2.259	1.053
177	69	171	Other assets	492	238	480
1.605	3.257	1.539	<b>Total other assets</b>	<b>1.955</b>	<b>3.498</b>	<b>1.961</b>

### Note 6 Other liabilities

Parent bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
264	291	317	Accrued expenses and prepaid revenue	407	373	363
855	685	862	Deferred tax	829	618	821
625	321	620	Pension liabilities	669	347	674
1	0	0	Other specified provisions	0	0	1
102	326	167	Taxes payable	220	427	206
0	509	177	Unsettled trades	177	509	0
248	332	715	Other liabilities	791	385	296
2.095	2.464	2.858	<b>Total other liabilities</b>	<b>3.093</b>	<b>2.659</b>	<b>2.361</b>

## Note 7 Customer deposits by sector and industry

Parent bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
1.121	1.146	1.190	Agriculture/forestry	1.190	1.146	1.121
252	308	304	Fishing/Fish farming	304	308	252
2.135	1.738	2.281	Mining/extraction	2.281	1.738	2.135
1.403	1.157	1.174	Industry	1.174	1.157	1.403
2.030	1.666	1.902	Power and water supply/building and construction	1.902	1.666	2.030
2.210	1.788	2.024	Retail trade, hotels and restaurants	2.024	1.788	2.210
1.369	1.736	1.187	Foreign trade shipping, pipeline transport and other transport activities	1.187	1.736	1.369
6.883	5.138	7.154	Real estate	7.154	5.138	6.883
9.730	9.563	10.024	Service industry	9.808	9.429	9.496
15.043	13.573	18.891	Public sector and financial services	18.891	13.573	15.043
42.176	37.813	46.131	<b>Total corporate sector</b>	45.915	37.679	41.942
39.545	36.419	39.762	<b>Retail customers</b>	39.762	36.419	39.545
2	342	312	Accrued interests corporate sector and retail customers	307	342	2
81.723	74.574	86.205	<b>Deposits from customers</b>	85.984	74.440	81.489

## Note 8 Loans by sector and industry

Parent bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
4.225	4.047	4.113	Agriculture/forestry	4.349	4.288	4.458
467	382	413	Fishing/Fish farming	573	510	596
4.210	2.928	4.478	Mining/extraction	4.635	3.072	4.341
1.973	2.347	2.261	Industry	2.940	3.000	2.650
2.681	2.315	2.790	Power and water supply/building and construction	3.611	3.151	3.520
2.174	2.307	2.192	Retail trade, hotels and restaurants	2.540	2.777	2.529
7.642	6.385	8.460	Foreign trade shipping, pipeline transport and other transport activities	9.015	6.917	8.239
27.020	25.644	27.576	Real estate	27.704	25.808	27.163
5.845	5.565	6.314	Service industry	8.298	7.174	7.860
1.686	2.103	2.103	Public sector and financial services	2.291	2.295	1.877
57.923	54.023	60.700	<b>Total corporate sector</b>	65.956	58.992	63.233
76.107	60.810	76.443	<b>Retail customers</b>	78.055	62.217	77.651
423	208	372	Unallocated (excess value fixed interest loans and amort. lending fees)	358	212	411
323	310	315	Accrued interests corporate sector and retail customers	317	302	325
134.776	115.351	137.830	<b>Gross loans</b>	144.686	121.723	141.620
-302	-348	-338	- Individual impairment losses provisions	-351	-382	-322
-316	-247	-336	- Collective impairment losses provisions	-398	-304	-378
134.158	114.756	137.156	<b>Loans to customers</b>	143.937	121.037	140.920

## Note 9 Capital adequacy

On 22 August 2014, the Ministry of Finance stipulated amendments to the capital requirements regulations with effect from 30 September 2014. The amendments are adjustments implemented to comply with the EU's new capital adequacy regulations for banks and securities undertakings (CRD IV/CRR) and entail the minimum requirement for common equity Tier 1 capital ratio gradually increasing in the run up to 1 July 2016.

SpareBank 1 SR-Bank has permission from the Financial Supervisory Authority of Norway to use internal measurement methods (Internal Rating Based Approach) for quantifying credit risk. The use of IRB requires the bank to comply with extensive requirements relating to organisation, expertise, risk models and risk management systems. In February 2015, SpareBank 1 SR-Bank was granted permission by the Financial Supervisory Authority of Norway to switch to Advanced IRB for the corporate portfolio, which was previously reported in accordance with Foundation IRB.

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

Parent bank				Group		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
6.394	6.394	6.394	Share capital	6.394	6.394	6.394
1.587	1.587	1.587	Premium reserve	1.587	1.587	1.587
512	409	512	Allocated to dividend	512	409	512
59	162	59	Reserve for unrealised gains	59	162	59
5.245	4.081	5.264	Other equity	6.896	5.458	6.851
	532	324	Profit for the period	496	659	
13.797	13.165	14.140	<b>Total book equity</b>	<b>15.944</b>	14.669	15.403
			<b>Tier 1 capital</b>			
0	0	-3	Deferred taxes, goodwill and other intangible assets	-55	-42	-24
0	0	0	Fund for unrealized gains, available for sale	0	0	0
-512	-409	-512	Deduction for allocated dividends	-512	-409	-512
	-423		50% deduction for subordinated capital in other financial institutions		-131	
-622	-412	-455	Deduction for expected losses on IRB, net of write-downs	-519	-432	-676
	0		50 % capital adequacy reserve		-611	
	-266	-162	Profit for the period that cannot be included in total Tier 1 capital	-248	-329	
0	0	0	Deduction for common equity Tier 1 capital in essential investments in financial insti	-368	0	-326
-35		-34	Value of derivative liabilities at fair value	-48	0	-48
12.628	11.655	12.974	<b>Total Common equity Tier 1 capital</b>	<b>14.194</b>	12.715	13.817
794	1.823	794	Tier 1 capital instruments	1.012	1.976	1.011
13.422	13.478	13.768	<b>Total Tier 1 capital</b>	<b>15.206</b>	14.691	14.828
			<b>Tier 2 capital</b>			
0	0	0	Tier 2 capital - Tier 1 capital instruments in excess of 15%	0	0	0
2.069	2.143	2.065	Term subordinated loan capital	2.692	2.890	2.697
	-423		50% deduction for investment in capital instruments in other financial institutions		-131	
	-412		50% deduction for expected losses on IRB, net of write-downs		-432	
-60		-60	Deduction for essential investments in financial institutions	-60		-60
	0		50 % capital adequacy reserve		-611	
2.009	1.308	2.005	<b>Total Tier 2 capital</b>	<b>2.632</b>	1.716	2.637
15.431	14.786	15.773	<b>Net primary capital</b>	<b>17.838</b>	16.407	17.465
			<b>Credit risk Basel II</b>			
21.786	19.088	14.646	SME exposure	14.657	19.088	21.789
30.354	29.013	23.424	Specialised lending exposure	25.696	29.016	32.685
8.429	7.225	6.042	Other corporations exposure	6.496	7.227	8.789
1.011	1.025	1.028	SME retail exposure	1.179	1.193	1.144
14.468	12.150	19.482	Retail mortgage exposure (properties)	25.733	20.575	20.661
823	938	1.001	Other retail exposure	1.001	1.042	845
6.944	8.925	7.098	Equity investments	0	0	0
83.815	78.363	72.721	<b>Total credit risk IRB</b>	<b>74.762</b>	78.141	85.913
2.086	2.588	1.968	Debt risk	1.865	2.387	1.978
598	688	595	Equity risk	595	687	598
0	0	0	Currency risk	0	0	0
2.994	1.432	3.153	Participations calculated after other market risk	3.763	2.127	3.642
2.786	1.068		Financial derivatives	3.457	1.737	3.227
524		486	Credit value adjustment risk (CVA)	1.175		1.127
4.760	4.760	5.295	Operational risk	6.811	6.237	6.220
0	0	0	Transitional scheme	6.630	3.187	0
5.296	5.352	6.383	Participations calculated using standard method	18.531	20.473	17.484
0	-850	0	Deductions	0	-1.563	0
102.859	93.400	93.540	<b>Risk weighted balance</b>	<b>117.589</b>	113.413	120.189
4.629		4.209	Minimum requirement for common equity Tier 1 capital ratio 4,5 %	5.292		5.409
			Buffer requirement			
2.571		2.339	Capital conservation buffer 2,5 %	2.940		3.005
3.086		2.806	Systemic risk buffer 3 %	3.528		3.606
5.657		5.145	Total buffer requirement to common equity Tier 1 capital ratio	6.467		6.610
2.342		3.620	Available common equity Tier 1 capital ratio after buffer requirement	2.435		1.798
15,00 %	15,83 %	16,86 %	Capital ratio	15,17 %	14,47 %	14,53 %
13,05 %	14,43 %	14,72 %	Tier 1 capital ratio	12,93 %	12,95 %	12,34 %
1,95 %	1,40 %	2,14 %	Tier 2 capital ratio	2,24 %	1,51 %	2,19 %
12,28 %	12,48 %	13,87 %	Common equity Tier 1 capital ratio	12,07 %	11,21 %	11,50 %
15,00 %	15,83 %	16,86 %	Capital ratio, IRB	16,08 %	14,88 %	14,53 %
13,05 %	14,43 %	14,72 %	Tier 1 capital ratio, IRB	13,70 %	13,33 %	12,34 %
12,28 %	12,48 %	13,87 %	Common equity Tier 1 capital ratio, IRB	12,79 %	11,54 %	11,50 %
7,30 %		7,33 %	Leverage Ratio	6,13 %		6,11 %

## Note 10 Financial derivatives

At fair value through profit and loss	Contract amount	Fair value at 31.03.15	
	31.03.15	Assets	Liabilities
<b>Currency instruments</b>			
Currency forward contracts	5.790	386	97
Currency swaps	30.134	479	819
Basiswaps/spreaden	0	42	0
Currency options	0	0	0
<b>Total currency instruments</b>	<b>35.924</b>	<b>907</b>	<b>916</b>
<b>Interest rate instruments</b>			
Interest rate swaps (including cross-currency)	66.693	1.821	2.551
Other interest rate contracts	0	0	0
<b>Total interest rate instruments</b>	<b>66.693</b>	<b>1.821</b>	<b>2.551</b>
<b>Hedging / Interest rate instruments</b>			
Interest rate swaps (including cross currency)	48.366	2.396	108
<b>Total hedging / Interest rate instruments</b>	<b>48.366</b>	<b>2.396</b>	<b>108</b>
<b>Accrued interests</b>			
Accrued interests		636	341
<b>Total accrued interests</b>		<b>636</b>	<b>341</b>
<b>Total currency and interest rate instruments</b>			
Total currency instruments	35.924	907	916
Total interest rate instruments	115.059	4.217	2.659
Total accrued interests		636	341
<b>Total financial derivatives</b>	<b>150.983</b>	<b>5.760</b>	<b>3.916</b>

Counterparty risk associated with derivatives is reduced via ISDA agreements and CSA supplements. The CSA supplement regulates the counterparty risk through payments of margins in relation to exposure limits. The contract sum and effect of reinvestment costs covered by offsetting agreements amounted to NOK 122,9 billion and NOK 2,4 billion as of the first quarter of 2015.

The note is approximately identical for the Parent Bank and the Group

## Note 11 Issuance of unsecured debt and additional capital instruments

Debt raised through issuance of securities	Balance as at 31.03.15				Balance as at 31.12.14
Bonds and certificates, nominal val	57.124				59.942
Adjustments	2.485				2.468
Accrued interests	589				843
<b>Total debt raised through issuance of securities</b>	<b>60.198</b>				<b>63.253</b>
<b>Change in debt raised through issuance of securities</b>	<b>31.03.15</b>	Issued/ sale own	Past due/ redeemed	FX rate- and other changes	<b>31.12.14</b>
Bonds and certificates, nominal val	57.124	2.914	-4.852	-880	59.942
Adjustments	2.485			17	2.468
Accrued interests	589			-254	843
<b>Total debt raised through issuance of securities</b>	<b>60.198</b>	<b>2.914</b>	<b>-4.852</b>	<b>-1.117</b>	<b>63.253</b>
<b>Additional Tier 1 and Tier 2 capital instruments</b>	<b>31.03.15</b>				<b>31.12.14</b>
Term subordinated loan capital, nominal amount	2.070				2.069
Perpetual subordinated loan capital, nominal amount	0				0
Tier 1 capital instruments, nominal amount	794				794
Adjustments	84				89
Accrued interests	27				12
<b>Total additional Tier 1 and Tier 2 capital instruments</b>	<b>2.975</b>				<b>2.964</b>
<b>Change in additional Tier 1 and Tier 2 capital instruments</b>	<b>31.03.15</b>	Issued/ sale own	Past due/ redeemed	FX rate- and other changes	<b>31.12.14</b>
Term subordinated loan capital, nominal amount	2.070			1	2.069
Perpetual subordinated loan capital, nominal amount	0				0
Tier 1 capital instruments, nominal amount	794				794
Adjustments	84			-5	89
Accrued interests	27			15	12
<b>Total additional Tier 1 and Tier 2 capital instruments</b>	<b>2.975</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>2.964</b>

The note is approximately identical for the Parent Bank and the Group

## Note 12 Segment reporting

Management has assessed which segments are reportable based on the form of distribution, products and customers. The primary reporting format is based on the risk and return profile of the assets, and it is divided between the retail market (including self-employed people), the corporate market, the capital market and subsidiaries of considerable significance. The Bank's own investment activities are not a separate reportable segment and they appear under the item "Other activities" together with activities that cannot be allocated to the retail market, corporate market, capital market or subsidiaries of considerable significance. Own account trading/support/staff parent bank consists of administration, management, investment services, strategy and ownership, treasury and finance function. Commission income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are included under "Net commission and other income".

SpareBank 1 SR-Bank Group 01.01.15 - 31.03.15										
Income statement (MNOK)	Retail Market	Corporate Market	Capital Market <sup>1)</sup>	Own account trading/support	Eiendoms-Megler 1	SR-Finans	Other activities	Eliminations	Total	
Interest income	505	396	311	204	1	99	0	-39	1.477	
Interest expense	233	159	290	170	0	35	0	-37	850	
<b>Net interest income <sup>1)</sup></b>	<b>272</b>	<b>237</b>	<b>21</b>	<b>34</b>	<b>1</b>	<b>64</b>	<b>0</b>	<b>-2</b>	<b>627</b>	
Commission income <sup>1)</sup>	205	84	13	0	103	1	33	-12	427	
Commission expenses	9	5	2	1	0	7	8	-12	20	
Other operating income	0	0	0	1	0	0	0	0	1	
<b>Net commission and other income</b>	<b>196</b>	<b>79</b>	<b>11</b>	<b>0</b>	<b>103</b>	<b>-6</b>	<b>25</b>	<b>0</b>	<b>408</b>	
Dividend income	0	0	1	5	0	0	1	0	7	
Income from investment in associates	0	0	0	0	0	0	0	133	133	
Net gains/losses on financial instruments <sup>1)</sup>	2	12	5	52	1	0	-1	0	71	
<b>Net income on investment securities</b>	<b>2</b>	<b>12</b>	<b>6</b>	<b>57</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>133</b>	<b>211</b>	
Personnel expenses	101	47	18	69	57	9	11	-2	310	
Administrative expenses	25	7	2	69	11	3	2	0	119	
Other operating expenses	26	11	2	30	25	3	5	-1	101	
<b>Total operating expenses</b>	<b>152</b>	<b>65</b>	<b>22</b>	<b>168</b>	<b>93</b>	<b>15</b>	<b>18</b>	<b>-3</b>	<b>530</b>	
<b>Operating profit before losses</b>	<b>318</b>	<b>263</b>	<b>16</b>	<b>-77</b>	<b>12</b>	<b>43</b>	<b>7</b>	<b>134</b>	<b>716</b>	
Change in individual write-downs in the period	-1	61	0	0	0	8	0	0	68	
Change in group write-downs in the period	0	20	0	0	0	0	0	0	20	
<b>Pre-tax profit</b>	<b>319</b>	<b>182</b>	<b>16</b>	<b>-77</b>	<b>12</b>	<b>35</b>	<b>7</b>	<b>134</b>	<b>628</b>	
<b>Net interest income <sup>1)</sup></b>										
External net interest income	272	237	21	34	0	99	0	-36	627	
Internal net interest income	0	0	0	0	1	-35	0	34	0	
Net interest income	272	237	21	34	1	64	0	-2	627	
				0						
<b>Balance sheet (MNOK)</b>				0						
Loans to customers	79.941	54.527	662	2.699	0	6.866	0	-9	144.686	
Individual loss provisions	-59	-278	0	0	0	-14	0	0	-351	
Group loss provisions	-40	-296	0	0	0	-62	0	0	-398	
Certificates/bonds/financial derivatives	0	0	4.695	15.843	0	0	13	-2	20.549	
Other assets	112	1.208	4.835	11.400	200	252	603	-6.183	12.427	
<b>Total assets</b>	<b>79.954</b>	<b>55.161</b>	<b>10.192</b>	<b>29.942</b>	<b>200</b>	<b>7.042</b>	<b>616</b>	<b>-6.194</b>	<b>176.913</b>	
Deposits from customers	45.158	34.961	3.569	2.517	0	0	0	-221	85.984	
Other debt and equity <sup>2)</sup>	34.796	20.200	6.623	27.425	200	7.042	616	-5.973	90.929	
<b>Total debt and equity</b>	<b>79.954</b>	<b>55.161</b>	<b>10.192</b>	<b>29.942</b>	<b>200</b>	<b>7.042</b>	<b>616</b>	<b>-6.194</b>	<b>176.913</b>	
<b>Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt</b>	<b>33.476</b>	<b>588</b>							<b>34.064</b>	

<sup>1)</sup> The capital market division serves customers throughout the group. Previously, most of the income this division generates was recognised in the division. From the 1 January 2014, the internal income recognition policy was changed and income is now recognised, in its entirety, in the business area to which the customer belongs.

<sup>2)</sup> Other liabilities contain allocated arrangements between the segments.

Interest on intercompany receivables for the retail market division and the corporate market division is determined based on expected observable market interest rates (NIBOR) plus expected additional costs in connection with the group's long term financing (credit premium). Deviations between the group's actual financing costs and the applied interest on intercompany receivables are eliminated at the group level.

## SpareBank 1 SR-Bank Group 01.01.13 - 31.03.14

Income statement (MNOK)	Retail Market	Corporate Market	Capital Market <sup>1)</sup>	Own account trading/support	Eiendoms-Megler 1	SR-Finans	Other activities	Eliminations	Total
Interest income	483	378	259	265	3	96	0	-46	1.438
Interest expense	265	147	248	231	2	42	0	-44	891
<b>Net interest income <sup>1)</sup></b>	<b>218</b>	<b>231</b>	<b>11</b>	<b>34</b>	<b>1</b>	<b>54</b>	<b>0</b>	<b>-2</b>	<b>547</b>
Commission income <sup>1)</sup>	276	91	16	-1	100	1	25	-10	498
Commission expenses	10	6	2	1	0	5	6	-10	20
Other operating income	0	0	0	2	0	0	0	0	2
<b>Net commission and other income</b>	<b>266</b>	<b>85</b>	<b>14</b>	<b>0</b>	<b>100</b>	<b>-4</b>	<b>19</b>	<b>0</b>	<b>480</b>
Dividend income	0	0	0	16	0	0	2	0	18
Income from investment in associates	0	0	0	0	0	0	0	81	81
Net gains/losses on financial instruments <sup>1)</sup>	2	10	15	184	0	0	10	-1	220
<b>Net income on investment securities</b>	<b>2</b>	<b>10</b>	<b>15</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>80</b>	<b>319</b>
Personnel expenses	98	46	14	66	56	8	8	-2	294
Administrative expenses	24	4	4	61	9	2	2	0	106
Other operating expenses	25	7	2	37	27	3	2	2	105
<b>Total operating expenses</b>	<b>147</b>	<b>57</b>	<b>20</b>	<b>164</b>	<b>92</b>	<b>13</b>	<b>12</b>	<b>0</b>	<b>505</b>
<b>Operating profit before losses</b>	<b>339</b>	<b>269</b>	<b>20</b>	<b>70</b>	<b>9</b>	<b>37</b>	<b>19</b>	<b>78</b>	<b>841</b>
Change in individual write-downs in the period	-1	54	0	0	0	-1	0	0	52
Change in group write-downs in the period	0	0	0	0	0	2	0	0	2
<b>Pre-tax profit</b>	<b>340</b>	<b>215</b>	<b>20</b>	<b>70</b>	<b>9</b>	<b>36</b>	<b>19</b>	<b>78</b>	<b>787</b>
<b>Net interest income <sup>1)</sup></b>									
External net interest income	218	231	11	34	-2	96	0	-41	547
Internal net interest income	0	0	0	0	3	-42	0	39	0
Net interest income	218	231	11	34	1	54	0	-2	547
<b>Balance sheet (MNOK)</b>									
Loans to customers	64.400	48.274	472	2.205	0	6.384	0	-12	121.723
Individual loss provisions	-53	-295	0	0	0	-34	0	0	-382
Group loss provisions	-34	-213	0	0	0	-57	0	0	-304
Certificates/bonds/financial derivatives	0	0	3.704	21.495	0	0	13	-5	25.207
Other assets	75	15	1.369	14.774	181	160	388	-5.454	11.508
<b>Total assets</b>	<b>64.388</b>	<b>47.781</b>	<b>5.546</b>	<b>38.474</b>	<b>181</b>	<b>6.453</b>	<b>401</b>	<b>-5.472</b>	<b>157.752</b>
Deposits from customers	41.901	28.601	1.896	2.176	0	0	0	-134	74.440
Other debt and equity <sup>2)</sup>	22.487	19.180	3.650	36.298	181	6.453	401	-5.338	83.312
<b>Total debt and equity</b>	<b>64.388</b>	<b>47.781</b>	<b>5.546</b>	<b>38.474</b>	<b>181</b>	<b>6.453</b>	<b>401</b>	<b>-5.472</b>	<b>157.752</b>
<b>Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt</b>	<b>44.183</b>	<b>687</b>							<b>44.870</b>

## Note 13 Net income from financial instruments

Morbank				Konsem		
01.01.14 - 31.12.14	01.01.14 - 31.03.14	01.01.15 - 31.03.15		01.01.15 - 31.03.15	01.01.14 - 31.03.14	01.01.14 - 31.12.14
122	210	4	Net gains on equity instruments	4	220	233
-92	-15	-49	Net gains for bonds and certificates	-49	-15	-92
12	-12	67	Net change in value, basis swap spread	67	-12	12
-25	4	18	Net change in value, other financial investments	18	3	-25
108	24	31	Net gain currency	31	24	108
125	211	71	<b>Net income from financial instruments</b>	71	220	236

## Note 14 Pensions

The SpareBank 1 SR-Bank group has two types of pension scheme: defined benefit-based and contribution benefit-based pension schemes. For more information about the accounting treatment of the schemes see note 1 above and note 24 to the annual financial statements for 2013.

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

Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Parent bank and group
3,70 %	3,25 %	3,00 %	2,30 %	2,40 %	Discount rate
3,70 %	3,25 %	3,00 %	2,30 %	2,40 %	Expected return on assets
3,75 %	3,75 %	3,25 %	2,75 %	2,75 %	Forecast salary increase
3,50 %	3,50 %	3,00 %	2,50 %	2,50 %	National Insurance scheme's basic amount
2,00 %	2,00 %	2,00 %	2,00 %	2,00 %	Pension adjustment

Change in pension obligations (NOK million):

	2013	Q1 2014	Parent bank Q1 2015		Group Q1 2015	Q1 2014	2013
Net obligations opening balance	223	223	625		674	242	242
Actuarial liabilities and losses recognised in comprehensive income	415	80	-27		-29	86	444
Net pension cost	83	20	24		26	21	88
Company contributions	-79	0	0		0	0	-82
Payments from operations	-12	-2	-2		-2	-2	-13
Curtailments and settlements included in the income statement	-5	0	0		0	0	-5
<b>Net pension obligations closing balance</b>	<b>625</b>	<b>321</b>	<b>620</b>		<b>669</b>	<b>347</b>	<b>674</b>

## Note 15 SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS

In the 3rd quarter of 2010, in association with the other owners of Sparebank 1 Boligkreditt, Sparebank 1 SR-Bank entered into an agreement to establish a liquidity facility for SpareBank 1 Boligkreditt. This implies that the banks undertake to buy mortgage bonds limited to a total value equal to 12 months' maturities in SpareBank 1 Boligkreditt. Each owner is primarily liable for its share of the need, secondarily for twice the amount of the primary liability under the same agreement. The bonds can be deposited with Norges Bank and represent, therefore, no significant increase in the bank's inherent risk.

The bank has concluded agreements concerning the sale of loans with good security and collateral in real estate to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. For more information about the accounting treatment of the agreements see note 2 and note 9 in the 2014 annual financial statements.



## Note 16 Liquidity risk

Liquidity risk is the risk that the group is not able to refinance its debt or is not able to finance an increase in assets. The bank's framework for managing liquidity risk shall reflect the bank's conservative risk profile. The board has adopted internal limits such that the bank has as balanced a maturity structure for its borrowing as possible. Stress testing is conducted for the various terms of maturity for bank-specific crises, system crises and combinations of these. A contingency plan has also been put in place to manage liquidity crises. The average remaining term to maturity in the portfolio of senior bond funding was 3.7 years at the end of the first quarter of 2015. LCR was 113% at the end of the first quarter of 2015, while the average LCR was 107% in the first quarter of 2015.

## Note 17 Information about fair value

### Group

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

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

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

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

Fair value 31.03.15	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Net lending to customers			10.382	10.382
Commercial paper and bonds at fair value	11.180	3.609		14.789
Financial derivatives		5.760		5.760
Equities, units and other equity interests	217	118	293	628
Operations that will be sold			22	22
<b>Liabilities</b>				
Financial derivatives		3.916		3.916

No transfers between levels 1 and 2

Fair value 31.03.14	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Net lending to customers			10.880	10.880
Commercial paper and bonds at fair value	11.971	6.156		18.127
Financial derivatives		4.339		4.339
Equities, units and other equity interests	180	133	839	1.152
Operations that will be sold			84	84
<b>Liabilities</b>				
Financial derivatives		2.179		2.179

No transfers between levels 1 and 2

Change in holding during the financial year of assets valued on the basis of factors other than observat

Group	Loans to customers	Shares, ownership stakes and other securities	Business available for sale
Balance 01.01	9.994	288	22
Additions	1.271	2	
Disposals	-838		
Transferred from or to measurement according to prices in an active market or observable market data			
Change in value <sup>1)</sup>	-45	3	
<b>Balance 31.03</b>	<b>10.382</b>	<b>293</b>	<b>22</b>
Nominal value/cost price	9.912	243	29
Fair value adjustment	470	50	-7
<b>Balance 31.03</b>	<b>10.382</b>	<b>293</b>	<b>22</b>

The stakes in Nordito Property and Bank 1 Oslo Akerhus are valued every quarter by SpareBank 1 Gruppen and distributed to all of the alliance banks. A contract on the sale of the stakes in Nets Holding was signed in the first quarter of 2014. The value according to the sales contract was used in the interim financial statements and resulted in income of NOK 202 million in the first quarter of 2014. Valuations of the stakes in Nordito Property and Bank 1 Oslo Akerhus are based on an average of five different methods in which the last known transaction price, earnings per share, dividends per share and EBITDA are input for the valuations.

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

Valuations of fixed rate loans are based on the interest rate agreed with the customer discounted by the market interest rate and an assessment of the change in credit risk at the end of the year.

<sup>1)</sup> Value changes are recognised in net income from financial instruments

## *Note 18 Events after the balance sheet date*

No material events that have influence on the prepared interim financial statements have been recorded after 31 March 2014.

## QUARTERLY INCOME STATEMENT

SpareBank 1 SR-Bank Group, MNOK	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2015	2014	2014	2014	2014	2013	2013	2013	2013
Interest income	1.477	1.588	1.568	1.543	1.438	1.466	1.451	1.406	1.321
Interest expense	850	933	947	962	891	892	883	880	870
<b>Net interest income</b>	<b>627</b>	<b>655</b>	<b>621</b>	<b>581</b>	<b>547</b>	<b>574</b>	<b>568</b>	<b>526</b>	<b>451</b>
Commission income	427	423	421	462	498	500	487	477	421
Commission expenses	20	19	20	19	20	12	23	18	19
Other operating income	1	1	2	1	2	1	2	6	2
<b>Net commission and other income</b>	<b>408</b>	<b>405</b>	<b>403</b>	<b>444</b>	<b>480</b>	<b>489</b>	<b>466</b>	<b>465</b>	<b>404</b>
Dividend income	7	1	10	7	18	-2	3	32	0
Income from investment in associates	133	138	150	137	81	95	130	31	99
Net gains/losses on financial instrument	71	-23	-18	57	220	102	4	-1	62
<b>Net income on financial investments</b>	<b>211</b>	<b>116</b>	<b>142</b>	<b>201</b>	<b>319</b>	<b>195</b>	<b>137</b>	<b>62</b>	<b>161</b>
<b>Total income</b>	<b>1.246</b>	<b>1.176</b>	<b>1.166</b>	<b>1.226</b>	<b>1.346</b>	<b>1.258</b>	<b>1.171</b>	<b>1.053</b>	<b>1.016</b>
Personnel expenses	310	308	307	293	294	323	284	297	292
Administrative expenses	119	128	114	120	106	109	104	118	101
Other operating costs	101	94	99	88	105	102	90	102	97
<b>Total operating cost</b>	<b>530</b>	<b>530</b>	<b>520</b>	<b>501</b>	<b>505</b>	<b>534</b>	<b>478</b>	<b>517</b>	<b>490</b>
<b>Operating profit before impairment losses</b>	<b>716</b>	<b>646</b>	<b>646</b>	<b>725</b>	<b>841</b>	<b>724</b>	<b>693</b>	<b>536</b>	<b>526</b>
Impairment losses on loans and guarantees	88	93	69	41	54	50	32	25	25
<b>Pre-tax profit</b>	<b>628</b>	<b>553</b>	<b>577</b>	<b>684</b>	<b>787</b>	<b>674</b>	<b>661</b>	<b>511</b>	<b>501</b>
Tax expense	132	105	123	150	128	107	145	128	107
<b>Profit after tax</b>	<b>496</b>	<b>448</b>	<b>454</b>	<b>534</b>	<b>659</b>	<b>567</b>	<b>516</b>	<b>383</b>	<b>394</b>

### Profitability

Return on equity per quarter <sup>1)</sup>	12,7 %	11,7 %	12,2 %	14,5 %	18,4 %	16,2 %	15,6 %	11,8 %	12,3 %
Cost percentage <sup>2)</sup>	42,5 %	45,1 %	44,6 %	40,9 %	37,5 %	42,4 %	40,8 %	49,1 %	48,2 %
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,45 %	1,51 %	1,48 %	1,41 %	1,40 %	1,46 %	1,49 %	1,43 %	1,27 %

### Balance sheet figures from quarterly accounts

Gross loans to customers	144.686	141.620	137.343	135.335	121.723	120.273	116.720	115.214	112.314
Gross loans to customers including SB1 Boligkreditt og Næringskreditt	178.750	174.492	170.270	168.624	166.593	166.662	164.538	162.714	160.445
Growth in loans over last 12 months <sup>4)</sup>	18,9 %	17,7 %	17,7 %	17,5 %	8,4 %	-16,8 %	-11,2 %	-1,9 %	-8,7 %
Growth in loans incl SB1 Boligkreditt and Næringskreditt	7,3 %	4,7 %	3,5 %	3,6 %	3,8 %	5,3 %	5,5 %	6,1 %	7,4 %
Deposits from customers	85.984	81.489	81.228	81.728	74.440	71.667	70.714	73.281	68.605
Deposit-to-loan ratio	59,4 %	57,5 %	59,1 %	60,4 %	61,2 %	59,6 %	60,6 %	63,6 %	61,1 %
Growth in deposits over last 12 months	15,5 %	13,7 %	14,9 %	11,5 %	8,5 %	6,0 %	2,2 %	2,8 %	2,2 %
Total assets	176.913	174.926	168.310	167.273	157.752	156.985	153.639	151.110	146.124
Average total assets	175.938	172.179	166.894	164.949	158.867	155.489	151.683	147.331	144.265

### Losses and non-performing commitments

Impairment losses ratio, annualized <sup>5)</sup>	0,25	0,27	0,20	0,13	0,18	0,17	0,11	0,09	0,09
Non-performing commitments as a percentage of total loans	0,31	0,30	0,38	0,40	0,52	0,69	0,40	0,37	0,44
Other doubtful commitments as a percentage of total loans	0,50	0,36	0,39	0,41	0,38	0,37	0,69	0,50	0,57

### Solidity

Common equity Tier 1 capital ratio	12,1	11,5	11,3	11,4	11,2	11,1	10,5	10,3	10,1
Tier 1 capital ratio	12,9	12,3	13,1	13,2	13,0	12,8	12,2	12,0	12,2
Capital ratio	15,2	14,5	15,4	14,6	14,5	14,1	13,1	12,9	12,9
Tier 1 capital	15.206	14.828	15.304	14.978	14.691	14.511	13.974	13.691	13.673
Net primary capital	17.838	17.465	18.037	16.584	16.407	15.915	15.034	14.721	14.452
Risk weighted balance	117.589	120.189	117.278	113.725	113.413	113.075	115.038	114.188	111.950
Leverage ratio	6,1	6,1							

Se next page for definition of key figures

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SpareBank 1 SR-Bank share	2015	2014	2014	2014	2014	2013	2013	2013	2013
Market price at end of quarter	56,25	52,50	61,00	59,75	60,75	60,25	47,70	47,50	50,00
Market capitalisation	14.386	13.427	15.601	15.281	15.537	15.409	12.199	12.148	12.788
Number of shares issued, millions	255,75	255,75	255,75	255,75	255,75	255,75	255,75	255,75	255,75
Book equity per share(including dividends)	62,40	60,28	59,21	57,63	57,45	55,00	52,87	50,89	50,92
Earnings per share, NOK (annualised)	1,94	1,75	1,78	2,09	2,58	2,22	2,02	1,50	1,54
Price/earnings per share	7,25	7,50	8,57	7,15	5,89	6,78	5,90	7,92	8,12
Price / Book equity (group)	0,90	0,87	1,03	1,04	1,06	1,10	0,90	0,93	0,98
Annualised turnover rate in quarter <sup>6)</sup>	7,4 %	7,7 %	3,0 %	5,5 %	7,6 %	6,3 %	3,1 %	5,0 %	7,6 %
Effective return <sup>7)</sup>	7,1 %	-13,9 %	2,1 %	1,0 %	0,8 %	26,3 %	0,4 %	-2,0 %	34,4 %

### Key figure definitions

<sup>1)</sup> Operating result as a percentage of average equity

<sup>2)</sup> Total operating costs as a percentage of total operating income

<sup>3)</sup> Net interest income as a percentage of average total assets

<sup>4)</sup> High growth in loans is attributable to a buy-back of loans from SpareBank 1 Boligkreditt AS

<sup>5)</sup> Impairment losses on loans as a percentage of average gross loans, annualised

<sup>6)</sup> Annualised turnover of the share during the period, measured as a percentage of the number of outstanding shares

<sup>7)</sup> Percentage change in the market price in the last period, including paid share dividend

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### 2015 Financial Calendar

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Preliminary annual results for 2014	Wednesday 4 February
Annual General Meeting	Tuesday 28 April
Ex-dividend	Wednesday 29 April
Q1 2015	Wednesday 29 April
Q2 2015	Wednesday 12 August
Q3 2015	Thursday 29 October