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SECOND QUARTER 2016

SpareBank **1**
SR-BANK

Interim Financial Statements Q2 2016

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Key figures SpareBank 1 SR-Bank Group

MAIN FIGURES	01.01.16 - 30.06.16		01.01.15 - 30.06.15		2015	
	MNOK	%	MNOK	%		
Net interest income	1.409	1,47	1.266	1,44	2.593	1,42
Net commission and other income	741	0,77	807	0,92	1.532	0,84
Net income on financial investments	284	0,30	305	0,35	304	0,17
Total income	2.434	2,53	2.378	2,71	4.429	2,42
Total operating costs	1.006	1,05	1.066	1,22	1.863	1,02
Operating profit before impairment losses	1.428	1,49	1.312	1,50	2.566	1,40
Impairment losses on loans and guarantees	455	0,47	132	0,15	420	0,23
Pre-tax profit	973	1,01	1.180	1,35	2.146	1,17
Tax expense	181	0,19	253	0,29	400	0,22
Profit after tax	792	0,82	927	1,06	1.746	0,96
	30.06.16		30.06.15		31.12.15	
PROFITABILITY						
Return on equity ¹⁾	9,3 %		11,7 %		10,8 %	
Cost ratio ²⁾	41,3 %		44,8 %		42,1 %	
Combined weighted total average spread for lending and deposits ³⁾	1,47 %		1,44 %		1,42 %	
BALANCE SHEET						
Gross loans to customers	156.738		150.245		155.190	
Gross loans to customers including SB1 Boligkreditt og Næringskreditt	183.438		181.440		183.896	
Growth in loans ⁴⁾	4,3 %		11,0 %		9,6 %	
Growth in loans incl SB1 Boligkreditt and Næringskreditt	1,1 %		7,6 %		5,4 %	
Deposits from customers	89.633		90.788		89.444	
Growth in deposits	-1,3 %		11,1 %		9,8 %	
Total assets	196.763		181.889		192.049	
Average total assets	193.372		176.898		182.768	
LOSSES AND NON-PERFORMING COMMITMENTS						
Impairment losses ratio, annualized ⁵⁾	0,58 %		0,18 %		0,28 %	
Non-performing commitments as a percentage of gross loans	0,56 %		0,27 %		0,55 %	
Other doubtful commitments as a percentage of gross loans	0,78 %		0,48 %		0,35 %	
SOLIDITY						
Common equity Tier 1 capital ratio	13,5 %		12,3 %		13,3 %	
Tier 1 capital ratio	14,4 %		13,1 %		14,2 %	
Capital ratio	16,8 %		15,3 %		16,7 %	
Tier 1 capital	17.266		15.771		16.882	
Risk weighted balance	119.705		120.363		119.124	
Leverage ratio	6,4 %		6,3 %		6,3 %	
Liquidity						
Liquidity Coverage Ratio (LCR) ⁶⁾	173 %		111,0 %		128,0 %	
Deposit-to-loan ratio	57,2 %		60,4 %		57,6 %	
BRANCHES AND STAFF						
Number of branches	49		50		49	
Number of employees	1.182		1.181		1.161	
SpareBank 1 SR-Bank share						
	30.06.16	31.12.15	31.12.14	31.12.13	31.12.12	
Market price	41,20	39,30	52,50	60,25	37,20	
Market capitalisation	10.537	10.051	13.427	15.409	9.514	
Book equity per share (including dividends) (group)	67,16	66,14	60,28	55,00	49,48	
Earnings per share, NOK	3,10	6,83	8,20	7,28	5,33	
Dividends per share	n.a.	1,50	2,00	1,60	1,50	
Price / Earnings per share	6,65	5,75	6,40	8,28	6,98	
Price / Book equity (group)	0,61	0,59	0,87	1,10	0,75	
Effective return ⁷⁾	8,7 %	-21,3 %	-10,2 %	66,0 %	-4,9 %	

¹⁾ Operating result as a percentage of average equity

²⁾ Total operating costs as a percentage of total operating income

³⁾ Net interest income as a percentage of average total assets

⁴⁾ High growth in loans in 2015 is attributable to a buy-back of loans from SpareBank 1 Boligkreditt AS

⁵⁾ Impairment losses on loans as a percentage of average gross loans, annualised

⁶⁾ High quality liquid assets divided by total net cash outflows in a 30-day, serious stress scenario

⁷⁾ Percentage change in the market price in the last period, including paid share dividend

Good underlying operations, but weaker result due to increased losses

Q2 2016

- Pre-tax profit: NOK 486 million (NOK 552 million)
 - Net profit for the quarter: NOK 406 million (NOK 431 million)
 - Return on equity after tax: 9.4% (10.8%)
 - Earnings per share: NOK 1.59 (NOK 1.69)
 - Net interest income: NOK 711 million (NOK 639 million)
 - Net commissions and other operating income: NOK 389 million (NOK 399 million)
 - Net income from financial investments: NOK 205 million (NOK 94 million)
 - Operating costs: NOK 514 million (NOK 536 million)
 - Impairment losses on loans: NOK 305 million (NOK 44 million)
- (Figures for Q2 2015 are shown in parentheses)

H1 2016

- Pre-tax profit: NOK 973 million (NOK 1,180 million)
 - Net profit for the quarter: NOK 792 million (NOK 927 million)
 - Return on equity after tax: 9.3% (11.7%)
 - Earnings per share: NOK 3.10 (NOK 3.63)
 - Net interest income: NOK 1,409 million (NOK 1,266 million)
 - Net commissions and other operating income: NOK 741 million (NOK 807 million)
 - Net income from financial investments: NOK 284 million (NOK 305 million)
 - Operating costs: NOK 1,006 million (NOK 1,066 million)
 - Impairment losses on loans: NOK 455 million (NOK 132 million)
 - Total lending growth over last 12 months: 1.1% (7.6%)
 - Growth in deposits over last 12 months: -1.3% (11.1%)
 - Common equity tier 1 capital ratio: 13.5% (12.3%)
 - Tier 1 capital ratio: 14.4% (13.1%)
- (Figures for H1 2015 are shown in parentheses)

Financial performance Q2 2016

The group's pre-tax profit was NOK 486 million (NOK 552 million), NOK 1 million lower than in the first quarter of 2016. The return on equity after tax for the quarter was 9.4% (10.8%) compared with 9.0% in the first quarter of 2016. The quarter was characterised by good operations with higher net interest income, solid income from financial investments, and reduced operating costs. The operating result before impairment losses on loans was NOK 791 million (NOK 596 million), an increase of NOK 154 million compared with the first quarter of 2016. Increased impairment losses meant that the pre-tax profit in the second quarter of 2016 was almost unchanged since the previous quarter.

Net interest income totalled NOK 711 million (NOK 639 million) in the second quarter of 2016 compared with NOK 698 million in the first quarter of 2016. The increase was a result of better risk pricing in some

segments of both the corporate market and the retail market. The average interest margin (net interest income as a percentage of average total assets) increased to 1.48% in the second quarter of 2016 (1.44%) compared with 1.44% in the first quarter of 2016.

Net commissions and other operating income was NOK 389 million (NOK 399 million) compared with NOK 352 million in the first quarter of 2016. Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt amounted to NOK 43 million (NOK 66 million), NOK 2 million higher than in the first quarter of 2016. Income from estate agency increased by NOK 39 million compared with the first quarter of 2016 to NOK 107 million (NOK 113 million) in the second quarter of 2016, while income from accounting services rose by NOK 1 million from the first quarter to NOK 24 million in the second quarter of 2016. Other commissions decreased by NOK 5 million compared

with the previous quarter, primarily due to reduced income from savings and investment products, as well as lower arrangement fees.

Net income from financial investments amounted to NOK 205 million (NOK 94 million), compared with NOK 79 million in the first quarter of 2016, of which dividend receipts accounted for NOK 97 million. Dividends include NOK 94 million in a received cash payment in connection with the sale of Visa Europe Ltd to Visa Inc. Income from ownership stakes was NOK 8 million higher than in the previous quarter, while capital losses on financial instruments were NOK 29 million lower.

Operating costs amounted to NOK 514 million (NOK 536 million), an increase of NOK 22 million from the first quarter of 2016, NOK 15 million of which came from EiendomsMegler 1 due to increased activity in the quarter.

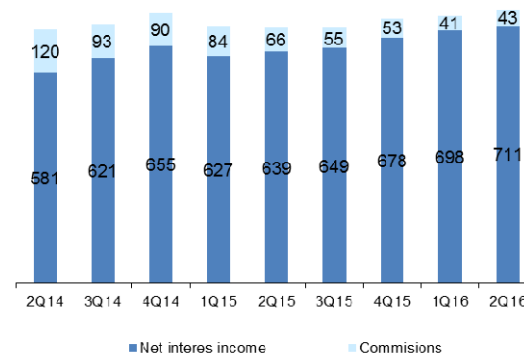
Impairment losses on loans were NOK 305 million (NOK 44 million) compared with NOK 150 million in the first quarter of 2016. NOK 275 million of the impairment losses on loans in the second quarter of 2016 can be linked to three specific commitments within oil service related activities. Two of these commitments are non-performing, while the last is classified as impaired. Collective impairment losses increased by NOK 33 million in the second quarter of 2016.

Financial performance H1 2016

Net interest income

The group's net interest income in the first half of 2016 amounted to NOK 1,409 million (NOK 1,266 million). Net interest income must be viewed in the context of commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Commissions from these companies amounted to NOK 84 million in the first half of 2016 (NOK 150 million). Net interest income and commissions increased by a total of NOK 77 million compared with the same period last year, in part due to the repricing of the portfolio.

Fig. 1 Interest income



The average interest margin was 1.47% in the first half of 2016 compared with 1.40% in the first half of 2015.

Net commissions and other operating income

Net commissions and other operating income in the first half of 2016 totalled NOK 741 million (NOK 807 million). The NOK 66 million reduction since the previous year is attributable to lower commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt due to the group having bought back loans from the mortgage companies totalling NOK 4.5 billion in the last 12 months.

Income from estate agency fell by NOK 41 million in the first half of 2016 compared with the corresponding period last year due to a weak housing market in the Stavanger region. Income was weakest in the first quarter of 2016, while, seen in isolation, income in the second quarter of 2016 rose to NOK 107 million, which is only NOK 6 million lower than in the second quarter of 2015.

Commissions from SpareBank 1 Regnskapshuset increased by NOK 29 million compared with the first half of 2015. The company was established in the first quarter of 2015 and the increase in income is due to the acquisition of a number of accounting firms in 2015.

Other commissions rose by 2.8% compared with the first half of 2015. Arrangement fees and brokerage commissions in particular made positive contributions.

Net income from financial investments

Net income from financial investments in the first half of 2016 totalled NOK 284 million (NOK 305 million). Dividends amounted to NOK 105 million (NOK 15 million) and included a cash payment of NOK 94

million that was received in connection with the sale of Visa Europe Ltd to Visa Inc. For more information about this see note 17. Income from ownership interests decreased by NOK 18 million from NOK 234 million in the first half of 2015 to NOK 216 million in the first half of 2016.

The share of net profit after tax	30.06.16	30.06.15
SpareBank 1 Gruppen	141	128
SpareBank 1 Boligkreditt	20	57
SpareBank 1 Næringskreditt	12	12
BN Bank	36	25
SpareBank 1 Kredittkort	14	9
Other	-7	3
Total income from ownership interests	216	234

The share of the net profit from SpareBank 1 Gruppen increased by NOK 13 mill in the first half of 2016, primarily due to the improved result in the life insurance company. Underlying operations in other companies in SpareBank 1 Gruppen are stable and good.

The share of the net profit from SpareBank 1 Boligkreditt fell by NOK 37 million in the first half of 2016. The reduction was primarily due to a decrease in the company's positive effects of basis swaps from the first half of 2015 to the first half of 2016. The group's share of these positive effects of basis swaps was falling from NOK 57 million in the first half of 2015 to NOK 9 million in the first half of 2016.

The share of the net profit from BN Bank increased by NOK 11 million in the first half of 2016. This was due to a combination of recognising the profit from the sale of Visa as income and the reversal of previous impairment losses on loans.

Net income from financial instruments amounted to NOK -37 million (NOK 56 million) in the first half of 2016. Capital losses on securities amounted to NOK 102 million (capital losses of NOK 38 million), while capital gains from interest and currency trading amounted to NOK 65 million (NOK 94 million).

The capital losses on securities of NOK 102 million (capital losses of NOK 38 million) were primarily attributable to capital losses of NOK 91 million in the interest portfolio, of which NOK 33 million was linked to the group's trading portfolio and NOK 58 million to the group's liquidity portfolio. The latter was countered by positive effects from hedging instruments totalling NOK 43 million. The capital losses in the interest portfolio were largely due to a drop in the estimated value of covered bonds held as a liquidity reserve and

the estimated value of high-interest bonds in the bank's trading portfolio. The portfolio of shares and equity certificates experienced capital losses of NOK 54 million (capital losses of NOK 1 million) with the negative development in the price of the investment in Sandnes Sparebank amounting to a capital loss of NOK 25 million in the first half of 2016.

The capital gains from interest and currency trading amounted to NOK 65 million (NOK 94 million). NOK 12 million of these capital gains (NOK 70 million) came from the positive effects of basis swaps linked to borrowing.

Operating costs

The group's operating costs amounted to NOK 1,006 million in the first half of 2016, a reduction of NOK 60 million (-5.6%) compared with the first half of 2015. Personnel costs were reduced by NOK 19 million (-3.1%) to NOK 591 million, whilst other costs were reduced by NOK 41 million (-9.0%) to NOK 415 million.

Personnel costs were lower primarily due to lower provisions for bonuses and lower pension costs in the first half of 2016, while the first half of 2015 was affected by extraordinary costs linked to the purchase of Swedbank's branch in Stavanger. The number of full-time equivalents in the parent bank has been regularly reduced in the last few years because of the increasing level of self-service among the group's customers. The number of full-time equivalents in the parent bank has been reduced by 41 in the last 12 months. At the same time, the number of full-time equivalents in subsidiaries has increased by 42 in the same period, primarily because of the SpareBank 1 Regnskapshuset SR venture.

NOK 11 million of the NOK 41 million reduction in other operating costs comes from a reduction in costs in EiendomsMegler 1 due to lower activity in the housing market in the Stavanger region. The group's costs in the first half of 2015 also included non-recurring costs linked to the establishment of the international cash management department in the corporate market division. Otherwise a strong focus on costs in the group has resulted in reduced costs in the last six months in several areas such as marketing, contracted personnel, telephony, travel and meeting activities. Further on, the group has reduced depreciation and operating costs linked to buildings.

The group's normalised total reduction in costs for continued business amounted to NOK 40 million (-

5.0%). The group is constantly striving to increase efficiency to keep costs at a satisfactory low level, while at the same time its focus on further technological development is a priority.

The group's cost/income ratio, costs measured as a percentage of income, was 41.3% in the first half of 2016 (44.8%).

Impairment losses on loans and non-performance

In the first half of 2016, the group recognised net impairment losses on loans totalling NOK 455 million (NOK 132 million). This corresponds to impairments as a percentage of gross loans of 0.58% (0.18%). The higher impairment losses on loans in the first half of 2016 were largely due to impairment losses linked to four individual commitments within oil related activities, and collective impairment losses that were NOK 93 million higher. Collective impairment losses on loans have increased by NOK 194 million in the last 12 months. The increase was attributable to continuing low oil prices and a demanding market situation in the group's market area, for the oil- and offshore industry, combined with uncertainty about the future development of macroeconomic factors. The uncertainty concerning future development endures, but the situation is regarded as stable.

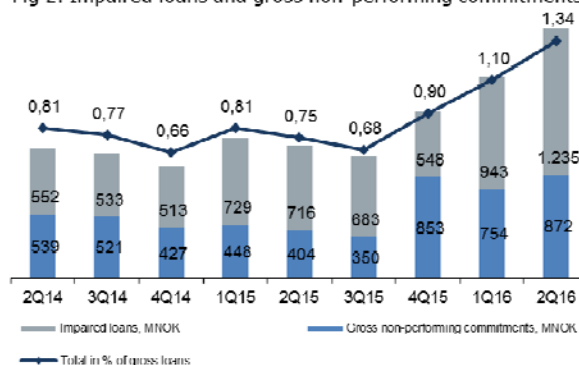
Closely monitoring customers and preventive work are important tools for maintaining this good credit quality in the group's loan portfolio.

Gross non-performing commitments at the end of the first half of 2016 amounted to NOK 872 million (NOK 404 million). This corresponds to 0.56% (0.27%) of gross loans. NOK 382 million of the non-performance is due to the bankruptcy of a single customer, while NOK 153 million is due to a larger commitment that was classified as non-performing in the second quarter of 2016. The portfolio of impaired (not non-performing) loans totalled NOK 1,235 million (NOK 716 million). This corresponds to 0.78% (0.48%) of gross loans. The increase in impaired commitments in the last quarter is primarily attributable to one large commitment amounting to around NOK 300 million. Total non-performing and impaired loans at the end of the first half of 2016 came to NOK 2,107 million (NOK 1,120 million). In terms of gross loans, this represents an increase over the last 12 months from 0.75% to 1.34%.

The increase in non-performing and impaired commitments is slightly higher than expected at the

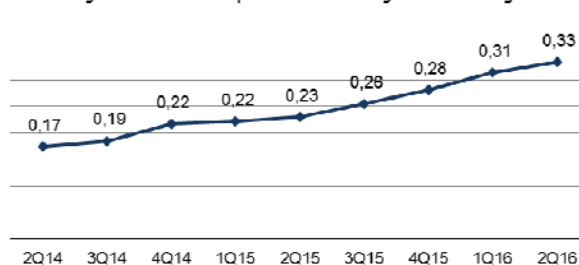
start of 2016. Because a number of the group's customers within the oil sector are experiencing a demanding period given the prevailing market conditions, the group has adjusted its estimate for expected impairment losses on loans for 2016 upwards to NOK 700-900 million. The group continues to work closely with these customers to find good solutions.

Fig 2. Impaired loans and gross non-performing commitments



The loan loss provision ratios, measured as individual impairment losses as a percentage of non-performing and impaired loans, was 29% (27%) and 27% (35%) at the end of the first half of 2016. The provision ratio will vary over time depending on valuations of commitments' collateral. In the last 12 months, collective impairment losses have increased by a total of NOK 194 million, and the loan loss provision ratio, measured as collective impairment losses as a percentage of gross loans, inclusive of the volume sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, increased to 0.33% at the end of the first half of 2016 (0.23%).

Fig. 3 Collective impairment losses as % of gross loans including loans sold to SpareBank 1 Bolig- and Næringskreditt



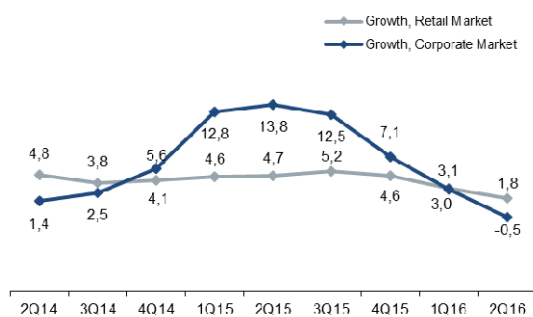
Loans to and deposits from customers

Gross loans at the end of the first half of 2016 amounted to NOK 156.7 billion (NOK 150.2 billion). Including loans totalling NOK 26.7 billion (NOK 31.2 billion) sold to SpareBank 1 Boligkreditt and

SpareBank 1 Næringskreditt, gross loans amounted to NOK 183.4 billion (NOK 181.4 billion) at the end of the first half of 2016. Gross lending growth in the last 12 months was 1.1% (7.6%), while lending growth in the first half of 2016 was -0.25% (4.0%). The effect of exchange rate fluctuations accounted for NOK 0.6 billion (0.4%) of the NOK 2.0 billion growth in gross loans over the last 12 months.

Loans to the retail market accounted for 62.8% (62.4%) of total loans (including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) at the end of the first half of 2016.

Fig. 4 12 month lending growth (%)



The group's total loan exposure of NOK 183.4 billion (NOK 181.4 billion) included a majority of commitments with a probability of default of less than 0.5%. These commitments represented 61.0% (58.0%) of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These accounted for around 68.1% (67.1%) of loan exposure and 98.6% (98.6%) of customers. 19.2% (19.8%) of the total loan exposure was to customers who had loans in excess of NOK 100 million.

Deposits from customers have decreased by 1.3% (11.1%) over the last 12 months to NOK 89.6 billion (NOK 90.8 billion). Lower deposits are a result of larger deposits from institutional customers, held as part of the liquidity portfolio, having been replaced by other instruments to protect the group's liquidity. Deposits from the corporate market and public sector accounted for 50.2% (53.0%) of the group's customer deposits at the end of the first half of 2016.

¹ 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

In addition to ordinary customer deposits, the group also has capital under management in alternative investment products. These amounted to NOK 16.4 billion (NOK 17.1 billion) at the end of the first half of 2016. This management is primarily performed by SR-Forvaltning AS and ODIN Forvaltning AS.

The deposit coverage ratio at the end of the first half of 2016, measured as deposits as a percentage of gross loans, was 57.2% (60.4%). The group's liquidity situation is good and 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) was 108.3% (110.1%) for the parent bank and 108.3% (111.1%) 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 and farming), corporate market, capital market and subsidiaries of significant importance.

Retail market division¹

The retail market division's contribution before impairment losses on loans amounted to NOK 644 million in the first half of 2016. The result was improved by NOK 7 million compared with the first half of 2015. Commissions, exclusive of commissions from SpareBank 1 Boligkreditt, rose by 1%.

Costs in the division were reduced by 7% as of the first half of 2016. The number of employees in the division was reduced through ongoing restructuring and adjustments of the level of activity due to changed customer behaviour. The division expects zero growth in costs going forward.

The 12-month lending growth figure at the end of the first half of 2016 was 1.9%, while deposits grew by 3.6% over the previous 12 months. Low volume growth together with the competitive situation, as well as the weak housing market in Rogaland seen in isolation, also resulted in lower lending growth.

premium). Differences between the group's actual funding costs and the applied interest on intercompany receivables are eliminated at the group level.

Impairment losses on loans remain low. The proportion of non-performing commitments over 30 days was 0.26% of total lending at the end of the first half of 2016 (0.28%).

The quality of the retail market portfolio is considered to be very good with a low risk of losses. The proportion of loan exposure (including the portfolios in SpareBank 1 Boligkreditt and SR-Boligkreditt AS) within a loan-to-value ratio of 85% amounted to 90.2% (90.3%) at the end of the first half of 2016. The IRB risk weighting for home mortgages was 22.5% (22.4%) at the end of the first half of 2016, which reflects a solid, stable portfolio.

At the end of the first quarter of 2016, the division initiated a major change in internal procedures supported by new digital tools. The idea is to improve availability for customers, increase sales and improve the utilisation of overall resources. The change process will continue through the second half of 2016.

Corporate market division^{1 2}

The corporate market division's contribution before impairment losses on loans was NOK 708 million in the first half of 2016, NOK 155 million higher than at the same time last year.

A large proportion of the corporate market division's portfolio has better risk pricing in the first half of 2016, and this resulted in higher net interest income in the first half of 2016.

Over the last 12 months, the division's lending has been reduced by 0.5%. The level of investment activities in the customer portfolio is lower and lending growth in the first half of 2016 was negative at -0.3%. Deposits have grown by 0.2% over the last 12 months, although in the first half of 2016 they fell by 0.8%.

The quality of the corporate market portfolio is considered to be good. The proportion of commitments with a probability of default of less than 2.5% through a full loss cycle was 76.5% (77.3%) of the portfolio at the end of the first half of 2016. Because of the weak macroeconomic situation in the region, the proportion of commitments with a probability of default higher than 2.5% is expected to increase somewhat going forward. The property sector portfolio represents the group's largest concentration

in a single sector and accounted for 14.8% (15.6%) 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.

Net individual impairment losses of NOK 309 million and NOK 88 million in increased collective impairment losses were recognised in the first half of 2016, compared with NOK 77 million in individual impairment losses and NOK 37 million in collective impairment losses in the first half of 2015. Collective impairment losses have increased by NOK 182 million in the last 12 months due to weaker market trends within some industries. The division's ordinary pre-tax profit (after losses) was NOK 128 million lower than in the first half of last year.

Balanced, profitable volume growth, good customer relations, and a well-developed range of products are priority areas for the division, as is closely monitoring the development of risk in the portfolio. Restructuring activities are taking place in the offshore segment and a number of these will be completed in the third quarter of 2016.

Capital market division²

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 5 million in the first half of 2016, NOK 24 million lower than in the corresponding period 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 had achieved operating income of NOK 65 million in the first half of 2016. This represents a decrease of NOK 29 million from the first half of 2015 and is primarily attributable to a drop in the value of the bank's bond portfolio, as well as less income from interest and currency instruments. The pre-tax profit before the allocation of customer income amounted to NOK 24 million in the

² The capital market division serves customers throughout the group and customer income is now recognised, in its entirety, in the business area to which the customer belongs.

first half of 2016, a reduction of NOK 23 million compared with the corresponding period last year.

The bulk of this income came from customer trading in fixed income and foreign exchange instruments. The value of the bank's trading portfolio dropped by NOK 33 million in the first half of 2016. At the end of the second quarter, this portfolio was valued at NOK 363 million. Income from sales of equities and bonds was relatively stable compared with the same quarter last year. The division has enjoyed stable operations but the income posted for the first half of 2016 was lower than the target for the period.

Subsidiaries

EiendomsMegler 1 SR-Eiendom AS

The company achieved a pre-tax profit of NOK 12.9 million in the first half of 2016 (NOK 30.2 million). The result for the second quarter of 2016 was NOK 18.4 million, compared with NOK 18.1 million for the second quarter of 2015. The poorer result for the first six months of the year reflects the situation in the housing market in the Stavanger region with significantly fewer sales in the first half of 2016. Cost reducing programmes were implemented that produced good effects in the second quarter of 2016.

In the first half of 2016, 3,060 (3,723) properties with a total value of around NOK 9.5 billion were sold. The supply of new assignments is satisfactory given the market situation, but overall it is around 13% lower than at the same time last year.

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 still very good, with turnover times of around 20 days and price rises of 3.1% over the last 12 months. The housing market in the Stavanger region in the first half of 2016 was still affected by downsizing and the lower level of activity within the oil industry. Housing prices have fallen by 7.2% over the past 12 months. The price trend is expected to improve with the current price level flattening out in late autumn when the prices are once again expected to rise moderately. The turnover time for used housing in the Stavanger region is now more than 60 days. The housing market in Kristiansand has been significantly energised in the last 12 months after many years of stagnation. Prices have risen by 2.4% over the past 12 months. Turnover times are now just below 60 days.

The overall market has decreased in all of the four counties in which the company operates. Compared with the first half of 2015, the number of sales has fallen by around 12%.

The supply of new homes is good, but turnover figures have been significantly lower than wished for. The new homes market is sensitive to economic cycles and the situation in oil-oriented activities is having a negative impact on sales, especially in the Stavanger region. The market for new homes in Rogaland is expected to remain difficult in the coming period.

There was a good supply of commercial property for both lease and sale. The vacancy rate for office premises has risen significantly in the last 12 months in the Stavanger region and a steadily increasing number of tenants are looking for premises suitable for the expected level of activity going forward. The levels of activity in Bergen are still good within both the sale and leasing of commercial properties and the company has established itself as a leading player in commercial estate agency in the Bergen region.

The company expects subdued, but slightly rising, activity in the housing market in our market area in 2016. A high level of activity is still expected in Hordaland, while the housing market in the Agder counties is expected to remain stable for the rest of the year. There are signs in Rogaland that the level of activity will increase somewhat during the second half of 2016 and that the number of sales is expected to be higher than in the second half of 2015.

SpareBank 1 SR-Finans AS

The company's main products are lease financing for the business sector and car loans for retail customers. SpareBank 1 SR-Finans is the leading leasing company in Rogaland with total assets of NOK 6.7 billion (NOK 6.9 billion).

SpareBank 1 SR-Finans achieved a profit before losses of NOK 87.7 million in the first half of 2016 (NOK 86.2 million). This is almost on a par with the result in the first half of 2015. Net interest income was down slightly due to lower lending activity compared with the same period last year. The company maintained its low cost/income ratio in the first half of 2016 and continuously focuses on efficiency and digitalisation. Reduced costs help to maintain the company's profit contribution before losses.

Net losses in the first half of 2016 amounted to NOK 42.3 million (NOK 11.4 million). The increase in net

losses is largely due to a single loss provision relating to one of the company's major leasing customers. Given the uncertainty that has characterised our market area in the last year, the loss provisions associated with the rest of the loan portfolio are regarded as being at an acceptable level. The pre-tax profit was NOK 45.4 million in the first half of 2016 (NOK 74.8 million).

Net lending has decreased by 2.4% in the last 12 months and at the end of the first half of 2016 it amounted to NOK 6,738 million (NOK 6,880 million). 3,304 new contracts have been established in the year-to-date (3,848 contracts) with a total volume of NOK 1,144 million (NOK 1,086 million).

The business sector in the company's entire market area was characterised by falls in oil prices, cost cutting and downsizing throughout 2015 and has been in the year-to-date in 2016. Because of this, somewhat lower growth is expected within lease financing for the corporate market going forward. The level of activity remains high in some industries, such as aquaculture, farming and the contractor industry, and the company is experiencing a high level of demand from these industries. A certain downturn is expected in car loans for retail customers given the lower sales of new cars in Adger, Hordaland and Rogaland so far this year.

SpareBank 1 Regnskapshuset SR AS

The company was established in the first quarter of 2015 and has through the acquisitions that have been made gained a solid foothold in Southern and Western Norway with branches in Straume, Haugesund, Stavanger, Sandnes and Ålgård. A good foundation has thus been built for further growth in the bank's market area. At the end of the first half of 2016, the company had 86 employees.

The accounting firm venture will enable the group to satisfy customers' total needs better by being able to offer customers in the region accounting services and advice. The company has drawn up an aggressive growth strategy for the coming 3-year period. This will be realised through both organic growth and further acquisitions. The company will focus on developing new advice services and will, by developing its expertise well and utilising relationships and its network, become Southern and Western Norway's leading actor in the sector. The establishment of the company was well received in the market.

Since the take-over of the acquired branches, the company has spent a lot of resources on the

digitalisation and automation of the customer portfolio so that it is as best equipped for the future as possible. This focus will continue going forward, at the same time as the work on new sales will be intensified.

SpareBank 1 Regnskapshuset SR achieved a pre-tax profit of NOK 4.5 million in the first half of 2016 (NOK 2.2 million). The result includes depreciation of intangible assets of NOK 0.8 million.

SR-Forvaltning AS

SR-Forvaltning is licensed to provide active management and securities management services. The securities funds were launched 3 years ago and consist of three funds: SR-Utbytte, SR-Kombinasjon and SR-Rente. The company manages portfolios for SpareBank 1 SR-Bank's pension fund and external customers on the basis of discretionary mandates. The external customer base comprises pension funds, public and private enterprises and affluent individuals. The capital under management at the end of the first half of 2016 amounted to NOK 9.0 billion (NOK 9.5 billion) and the pre-tax profit for the first half of 2016 was NOK 14.9 million (NOK 16.5 million).

The company is based on a value-oriented investment philosophy. The management team invests in selected companies regardless of weighting in the index, typically companies with a good balance sheet, good cash flow and good dividend capacity.

SR-Boligkreditt AS

SR-Boligkreditt is a wholly owned subsidiary and was established in the second quarter of 2015. The purpose of the company is to purchase home mortgages from SpareBank 1 SR-Bank and it funds this by issuing covered bonds. SR-Boligkreditt enables SpareBank 1 SR-Bank to diversify and optimise its funding. Moody's has given SR-Boligkreditt its best rating, Aaa.

The company issued its first bond in June 2015. At the end of the first half of 2016, the company had two covered bonds in the Norwegian market totalling NOK 4.6 billion and three international covered bonds totalling EUR 1.75 billion. SR-Boligkreditt had purchased loans for NOK 21.6 billion from SpareBank 1 SR-Bank by the end of the first half of 2016.

In the first half of 2016, SR-Boligkreditt achieved a pre-tax profit of NOK 72.2 million, which is in line with the company's business plan.

Associated companies

SpareBank 1 Alliance

The SpareBank 1 Alliance is Norway's second largest financial group and is a banking and product partnership in which the SpareBank 1 banks in Norway cooperate in order to keep them strong and independent. The purpose of the alliance is to procure and provide competitive financial services and products, and to exploit economies of scale in the form of lower costs and/or higher quality. The alliance is run through its ownership and participation in SpareBank 1 Banksamarbeidet DA, while the development and operation of product companies is organised through the banks' ownership of the holding company SpareBank 1 Gruppen AS.

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen owns all of the shares in SpareBank 1 Forsikring AS, SpareBank 1 Skadeforsikring AS, ODIN Forvaltning AS, SpareBank 1 Medlemskort AS, SpareBank 1 Gruppen Finans AS and Conecto AS. SpareBank 1 SR-Bank's stake in SpareBank 1 Gruppen at the end of the first half of 2016 was unchanged at 19.5%.

SpareBank 1 Gruppen achieved a net profit of NOK 694 million in the first half of 2016 (NOK 653 million). The stronger result in the first half of 2016 is primarily attributable to an improvement in the result of the life insurance company due to the improvement in the risk result, as well as a better financial return in the company portfolio. Underlying operations in other companies in SpareBank 1 Gruppen are stable and good.

SpareBank 1 Banksamarbeidet DA

SpareBank 1 Banksamarbeidet DA is responsible for alliance processes and the delivery of services to the SpareBank 1 Alliance. It also develops and delivers things such as common IT/mobile phone solutions, branding and marketing concepts, business concepts, products and services, expertise, analyses, processes, best practice solutions and purchasing. SpareBank 1 SR-Bank owned a 17.7% stake in SpareBank 1 Banksamarbeidet at the end of the first half of 2016.

³ Liquidity buffer: cash, short-term investments, and drawing rights in Norges Bank (bonds including covered bonds).

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 posted a pre-tax profit of NOK 126 million for the first half of 2016 (NOK 391 million). The high, positive effects of basis swaps posted in the first half of 2015 is the reason the result is lower this year. At the end of the first half of 2016, the company's total lending volume amounted to NOK 172.6 billion (NOK 161.1 billion), NOK 26.2 billion (NOK 30.6 billion) of which were home mortgages bought from SpareBank 1 SR-Bank. At the end of the first half of 2016, the bank owned 16.7% of the company. At the end of the first half of 2016, the bank's share of the loan portfolio in SpareBank 1 Boligkreditt was 15.2%. This stake is normally adjusted annually based on its share of the sold volume at the end of each year.

SpareBank 1 Næringskreditt achieved a pre-tax profit of NOK 58 million in the first half of the year (NOK 59 million). At the end of the first half of 2016, the company's total lending volume amounted to NOK 12.9 billion (NOK 15.4 billion), NOK 0.5 billion (NOK 0.6 billion) of which were loans bought from SpareBank 1 SR-Bank. At the end of the quarter, the bank owned 26.8% of the company.

Funding

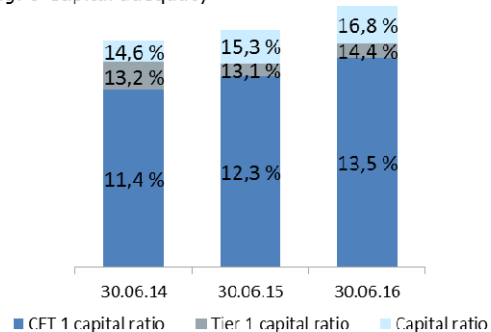
SpareBank 1 SR-Bank had good liquidity at the end of the first half of 2016 and believes it will continue to have good access to long-term funding at competitive prices. The group strives to achieve an even maturity structure for funding and believes it is important to have good relations with Norwegian and international investors and banks. The liquidity buffer³ amounted to NOK 26.9 billion at the end of the first half of 2016. NOK 14.8 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 15.7 billion in home mortgages ready for covered bond funding.

Assuming deposits and lending remain unchanged, and no new borrowing during the period.

Capital adequacy

At the end of the first half of 2016, the common equity tier 1 capital ratio was 13.5%, up from 12.3% at the same time in 2015. The tier 1 capital ratio was 14.4% (13.1%), while the total capital ratio rose from 15.3% to 16.8%.

Fig. 5 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, inclusive of the countercyclical capital buffer, is 11.5% and the capital ratio requirement is 15.0%. SpareBank 1 SR-Bank fulfils the requirements by a good margin.

There is a countercyclical capital buffer requirement in Norway in the range of 0-2.5% in the form of common equity tier 1 capital. The capital buffer requirement was 1 percentage point from 30 June 2015 and increased to 1.5 percentage points from 30 June 2016. The formal requirement for common equity tier 1 capital is thus 11.5% for non-systemically important financial institutions and 13.5% for systemically important financial institutions from 30 June 2016. SpareBank 1 SR-Bank has not been identified as a systemically important financial institution.

The Financial Supervisory Authority of Norway will set an individual Pillar 2 premium for Norwegian banks in 2016. The Pillar 2 premium is intended to ensure that the banks have adequate capital to cover the risk associated with operations, including risks not covered by the regulatory minimum requirement. The Pillar 2 premium will be implemented as an addition to the regulatory minimum requirement and include buffers for the individual banks. The Financial Supervisory Authority of Norway has yet to communicate the size of the Pillar 2 premium for SpareBank 1 SR-Bank.

SpareBank 1 SR-Bank's common equity tier 1 capital target for year-end 2016 is 14.0% and for 2017 it is 14.5%. The goal will be achieved through good profitability, moderate dividends, zero growth in the risk-weighted balance sheet and reducing loans for commercial property in BN Bank.

The bank's shares

The bank's share price (SRBANK) was NOK 41.20 at the end of the first half of 2016. This represents an increase of 5.2% from the end of the first quarter of 2016, corrected for paid dividends. The main Oslo Stock Exchange index rose by 4.3% in the same period. 2.5% (5.6%) of outstanding SRBANK shares were traded in the second quarter of 2016.

There were 9,820 (10,070) shareholders of SRBANK at the end of the first half of 2016. The proportion owned by foreign companies and individuals was 16.5%, whilst 50.0% were owned by residents of Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned a combined 62.4% of the shares. The bank holds 108,983 treasury shares, while group employees owned 1.9%.

The table below shows the 20 largest shareholders at 30 June 2016:

Table 2, 20 largest shareholders	Number of shares (1,000)	%
Sparebankstiftelsen SR-Bank	72.419	28,3 %
Gjensidige Forsikring ASA	26.808	10,5 %
Vpf Nordea Norge Verdi	7.983	3,1 %
State Street Bank and Trust Co, U.S.A.	7.495	2,9 %
SpareBank 1-stiftinga Kvinnherad	6.227	2,4 %
Wimoh Invest AS	5.761	2,3 %
Odin Norge	5.382	2,1 %
Pareto Aksje Norge	3.536	1,4 %
Danske Invest Norske Instit. II	3.449	1,3 %
Clipper AS	2.565	1,0 %
State Street Bank and Trust Co, U.S.A.	2.437	1,0 %
State Street Bank and Trust Co, U.S.A.	2.068	0,8 %
Danske Invest Norske Aksjer Inst.	1.821	0,7 %
The Bank of New York Mellon, U.S.A.	1.793	0,7 %
KAS Bank NV, Nederland	1.762	0,7 %
Westco	1.659	0,6 %
Pareto AS	1.641	0,6 %
Vpf Nordea Avkastning	1.630	0,6 %
State Street Bank and Trust Co, U.S.A.	1.588	0,6 %
Vpf Nordea Kapital	1.528	0,6 %
Total 20 largest	159.550	62,4 %

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 30 June 2016 that affect the interim financial statements as prepared.

Future prospects

Moderate growth is still expected in the global economy in 2016. The drop in the price of oil in the last 18 months to around USD 50 a barrel at the end of the first half of 2016 has resulted in prolonged uncertainty in Norway, especially in the petroleum sector.

Oil investments decreased by 16% in 2015 compared with the year before. The Norwegian Petroleum Directorate expects a further reduction in investments in the petroleum sector of around 10% in 2016 compared with 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 is consequently still high. The level of activity in the Stavanger region is expected to decrease further, including in the building and construction sector, as well as in some commodity segments. Continued, stable activity is expected within most sectors in Hordaland and the Agder counties. A weakened Norwegian krone will be positive for the export industry and the low interest rates will stimulate increased investment, including by households.

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 well positioned to implement the

necessary build-up of capital, while ensuring strong competitiveness.

The overarching goal for 2016 is to achieve a return on equity of 11%, while the group's goal is to achieve a common equity tier 1 capital ratio of a minimum of 14% by the end of the year and 14.5% in 2017.

The group's prognoses take into account increased non-performance and impairment losses on loans amounting to NOK 700-900 mill in 2016. The estimates have been adjusted upwards by NOK 200 million since the start of the year due to a still demanding market in the oil industry. At the same time, macroeconomic indicators such as unemployment and house prices have developed better than previously forecast. The board would like to stress that a certain level of uncertainty is associated with assessments of future conditions.

Better risk pricing has been implemented in the first half of the year within some segments in the corporate market and retail market. The lending volume is expected to remain unchanged in 2016 with loans to retail customers expected to increase by 2-3%, while loans to corporate customers are expected to decrease by 2-3%.

As a consequence of technological developments, changes in customer behaviour and the lower activity in the region, the group has implemented several cost-reducing measures. At the same time it will invest in new technology to improve the customer experience and increase sales. This will ensure the group is further more competitive going forward.

Stavanger, 9 August 2016

The Board of Directors of SpareBank 1 SR-Bank ASA

Income statement

Parent bank					Note	Group				
2015	Q2 2015	Q2 2016	01.01.15 - 30.06.15	01.01.16 - 30.06.16		01.01.16 - 30.06.16	01.01.15 - 30.06.15	Q2 2016	Q2 2015	2015
					Income statement (MNOK)					
5.399	1.365	1.213	2.781	2.464	Interest income	2.779	2.913	1.379	1.436	5.752
3.113	796	603	1.648	1.251	Interest expense	1.370	1.647	668	797	3.159
2.286	569	610	1.133	1.213	Net interest income	1.409	1.266	711	639	2.593
1.126	283	265	585	534	Commission income	774	845	405	418	1.605
70	18	15	35	33	Commission expenses	36	40	17	20	78
6	2	1	3	3	Other operating income	3	2	1	1	5
1.062	267	251	553	504	Net commission and other income	741	807	389	399	1.532
15	8	97	14	105	Dividend income	105	15	97	8	17
530	530	551	530	551	Income from investment in associates	216	234	112	101	422
-173	-42	-21	29	-63	Net gains/losses on financial instruments	13	-37	56	-4	-135
372	496	627	573	593	Net income on financial investments	284	305	205	94	304
3.720	1.332	1.488	2.259	2.310	Total income	2.434	2.378	1.305	1.132	4.429
669	225	217	460	437	Personnel expenses	14	591	610	296	945
422	107	99	210	188	Administrative expenses	216	241	114	122	480
287	77	65	146	130	Other operating costs	199	215	104	114	438
1.378	409	381	816	755	Total operating costs	1.006	1.066	514	536	1.863
2.342	923	1.107	1.443	1.555	Operating profit before impairment losses	1.428	1.312	791	596	2.566
380	41	263	121	412	Impairment losses on loans and guarantees	2, 3 and 4	455	132	305	44
1.962	882	844	1.322	1.143	Pre-tax profit	12	973	1.180	486	2.146
340	102	64	218	142	Tax expense	181	253	80	121	400
1.622	780	780	1.104	1.001	Profit after tax	792	927	406	431	1.746
					Other comprehensive income					
187	148	-76	175	-224	Unrecognised actuarial gains and losses	-237	185	-80	156	200
-46	-40	19	-47	56	Deferred tax concerning changed estimates/pension plan changes	59	-50	20	-42	-50
141	108	-57	128	-168	Total items not reclassified through profit or loss	-178	135	-60	114	150
-21	0	0	0	0	Tax change actuarial gains/losses	0	0	0	0	-21
95	0	-61	0	-61	Change in value of financial assets available for sale	-61	0	-61	0	95
0	0	0	0	0	Share of profit associated companies and joint ventures	-40	25	-25	30	32
74	0	-61	0	-61	Total items reclassified through profit or loss	-101	25	-86	30	106
215	108	-118	128	-229	Other comprehensive income	-279	160	-146	144	256
1.837	888	662	1.232	772	Total comprehensive income	513	1.087	260	575	2.002
					Earnings per share (group)	3,10	3,63	1,59	1,69	6,83

Balance sheet

Parent bank				Note	Group		
31.12.15	30.06.15	30.06.16			30.06.16	30.06.15	31.12.15
			Balance sheet (MNOK)				
931	2.841	910	Cash and balances with central banks		910	2.841	931
8.813	8.287	7.896	Balances with credit institutions		2.188	2.224	2.984
137.506	137.431	127.317	Loans to customers	3, 8	155.612	149.472	154.357
20.314	17.301	25.781	Certificates, bonds and other fixed-income securities		24.814	16.116	19.533
6.133	4.880	5.288	Financial derivatives	10	5.056	4.878	6.135
300	383	355	Shares, ownership stakes and other securities	17	535	523	441
168	129	22	Business available for sale		22	129	168
3.172	3.255	3.216	Investment in associates		4.792	4.677	4.792
2.698	1.723	3.720	Investment in subsidiaries		0	0	0
2.307	645	1.930	Other assets	5	2.834	1.029	2.708
182.342	176.875	176.435	Total assets	12	196.763	181.889	192.049
6.005	4.190	5.532	Balances with credit institutions		3.934	3.874	5.296
89.632	90.982	89.893	Deposits from customers	7	89.633	90.788	89.444
63.338	59.192	56.217	Listed debt securities	11	76.830	62.992	71.979
2.879	2.766	3.380	Financial derivatives	10	3.047	2.766	2.786
1.895	2.236	2.609	Other liabilities	6	2.867	2.491	2.171
3.459	2.980	3.284	Subordinated loan capital	11	3.284	2.980	3.459
167.208	162.346	160.915	Total liabilities		179.595	165.891	175.135
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
384	0	0	Proposed dividend		0	0	384
163	59	163	Fund for unrealised gains		163	59	163
6.606	5.385	6.375	Other equity		8.232	7.031	8.386
0	1.104	1.001	Profit/loss at period end		792	927	0
15.134	14.529	15.520	Total equity		17.168	15.998	16.914
182.342	176.875	176.435	Total liabilities and equity	12	196.763	181.889	192.049

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 31.12.2014	6.394	1.587	7.363	59	15.403
Profit after tax			1.737	9	1.746
Unrecognised actuarial gains and losses after tax			129		129
Change in value of financial assets available for sale				95	95
Share of profit associated companies and joint ventures			32		32
Total items not reclassified through profit or loss			1.898	104	2.002
Adjusted equity accosiates			9		9
Dividend 2014, resolved in 2015			-512		-512
Purchase/sale of own shares			12		12
Items reclassified through profit or loss	0	0	-500	0	-500
Equity as of 31.12.2015	6.394	1.587	8.770	163	16.914
Profit after tax			792		792
Unrecognised actuarial gains and losses after tax			-178		-178
Change in value of financial assets available for sale			-61		-61
Share of profit associated companies and joint ventures			-40		-40
Total items not reclassified through profit or loss			513	0	513
Adjusted equity accosiates			127		127
Dividend 2015, resolved in 2016			-384		-384
Purchase/sale of own shares			-2		-2
Items reclassified through profit or loss	0	0	-386	0	-386
Equity as of 30.06.2016	6.394	1.587	9.024	163	17.168

Cash flow statement

Parent bank			Cash flow statement	Group		
2015	01.01.15 - 30.06.15	01.01.16 - 30.06.16		01.01.16 - 30.06.16	01.01.15 - 30.06.15	2015
-3.466	-3.352	9.894	Change in gross lending to customers	-1.608	-8.577	-13.522
4.834	2.495	2.156	Interest receipts from lending to customers	2.528	2.698	5.329
7.909	9.259	261	Change in deposits from customers	189	9.299	7.955
-1.355	-174	-150	Interest payments on deposits from customers	-152	-182	-1.350
-1.795	-2.914	176	Change in receivables and debt from credit institutions	-834	-2.161	-1.702
-381	-169	-246	Interest on receivables and debt to financial institutions	-310	-231	-505
-5.066	-2.053	-5.467	Change in certificates and bonds	-5.281	-855	-4.272
384	185	210	Interest receipts from commercial paper and bonds	209	185	384
1.025	516	413	Commission receipts	649	802	1.533
-12	-15	66	Capital gains from sale of trading	63	-15	-15
-1.323	-791	-405	Payments for operations	-518	-1.085	-1.847
-102	-102	-403	Taxes paid	-462	-118	-206
2.407	1.184	1.661	Other accruals	407	259	2.883
3.059	4.069	8.166	A Net change in liquidity from operations	-5.120	19	-5.335
-129	-66	-51	Investments in tangible fixed assets	-58	-92	-208
0	0	0	Receipts from sale of tangible fixed assets	0	0	6
-1.381	-342	-750	Change in long-term investments in equities	-4	-34	-1.406
221	2	0	Receipts from sales of long-term investments in equities	8	2	221
545	543	105	Dividends from long-term investments in equities	8	534	546
-744	137	-696	B Net cash flow, investments	-46	410	-841
4.328	3.278	820	Debt raised by issuance of securities	13.988	7.078	12.861
-7.332	-5.868	-7.121	Repayments - issued securities	-7.561	-5.868	-7.332
-1.018	-860	-710	Interest payments on securities issued	-804	-860	-1.070
481	0	0	Additional subordinated loan capital issued	0	0	481
0	0	-159	Repayments - additional capital instruments	-159	0	0
-137	-39	-35	Interest payments on subordinated loans	-35	-39	-137
-512	-512	-384	Dividend to share holders	0	-512	-512
-4.190	-4.001	-7.589	C Net cash flow, financing	5.429	-201	4.291
-1.875	205	-119	A+B+C Net cash flow during the period	263	228	-1.885
2.984	2.984	1.109	Cash and cash equivalents as at 1 January	1.111	2.996	2.996
1.109	3.189	990	Cash and cash equivalents as at 31 March	990	3.224	1.111
			Cash and cash equivalents specified			
931	2.841	910	Cash and balances with central banks	910	2.841	931
178	348	80	Balances with credit institutions	80	383	180
1.109	3.189	990	Cash and cash equivalents	990	3.224	1.111

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 - 30 June 2016. 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 2015.

Effects of applying IFRIC 21 for reporting in the second quarter of 2016

IFRIC 21 Levies regulates the recognition of obligations to pay levies that fall within the scope of IAS 37 Provisions. 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 and 2016 should have been charged as a cost in its entirety in the first quarter. 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. The Financial Supervisory Authority of Norway has in its circular entitled "Finanstilsynets kontroll med finansiell rapportering i 2015" of 19 November 2015 concluded that the charge for the guarantee fund must be recognised as a cost, in its entirety, in the first quarter every year and it expects banks to change their practices from the first quarter of 2016. On 8 April 2016, the Ministry of Finance sent a letter to the Financial Supervisory Authority of Norway asking it to prepare a consultation paper and draft regulatory amendments concerning measuring the levy upon withdrawal from the guarantee scheme. The Financial Supervisory Authority of Norway's response and proposed consultation paper sent to the Ministry of Finance on 26 May 2015 proposes a new rule in the regulations relating to the Financial Institutions Act that govern reductions in the levy for the guarantee fund upon withdrawal.

Based on the Financial Supervisory Authority of Norway's consultation paper, SpareBank 1 SR-Bank has continued its previous practice by accruing the levy on a monthly basis. The cost amounted to NOK 38 million for the first half of 2016, compared to NOK 32 million for the first half of 2015. Had the levy for the Norwegian Banks Guarantee Fund been recognised as a cost in its entirety in the first half of 2016, interest costs would have increased by NOK 38 million compared with NOK 32 million in 2015.

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 has started preparing for the implementation of IFRS 9 and examining the consequences it will have. The goals are to complete the work on models in 2016 and analyse the financial consequences. The group is currently assessing the effects of IFRS 15 Revenue from Contracts with Customers.

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 2015 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		
01.01.15 - 31.12.15	01.01.15 - 30.06.15	01.01.16 - 30.06.16		01.01.16 - 30.06.16	01.01.15 - 30.06.15	01.01.15 - 31.12.15
-14	42	247	Change in individual impairment losses provisions for the period	273	36	-4
135	39	91	Change in collective impairment loss provisions for the period	93	39	140
7	5	4	Amortised cost	4	5	7
71	31	66	Actual loan losses on commitments for which provisions have been made	66	38	78
201	7	9	Actual loan losses on commitments for which no provision has been made	16	19	223
1	0	0	Change in assets taken over for the period	10	0	1
-21	-3	-5	Recoveries on commitments previously written-off	-7	-5	-25
380	121	412	The period's net losses / (reversals) on loans and advances	455	132	420

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

Parent bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
302	302	288	Provisions for Individual impairment losses at start of period	318	322	322
65	22	25	Increases in previous provisions for individual impairment losses	26	22	65
-102	-34	-41	Reversal of provisions from previous periods	-53	-37	-107
96	89	331	New provisions for individual impairment losses	367	93	118
-2	-4	-2	Amortised cost	-2	-4	-2
-71	-31	-66	Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-66	-38	-78
288	344	535	Provisions for individual impairment losses at period end	591	358	318
272	38	75	Net losses	82	57	301

Note 4 Non-performing and impaired loans

Parent bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
			Non-performing loans and advances			
829	382	831	Gross non-performing loans above 90 days	872	404	853
98	108	242	Provisions for Individual impairment losses	256	109	100
731	274	589	Net non-performing loans and advances	616	295	753
12 %	28 %	29 %	Loan loss provision ratio	29 %	27 %	12 %
			Other problem commitments			
493	690	1.139	Problem commitments	1.235	716	548
190	236	293	Provisions for Individual impairment losses	335	249	218
303	454	846	Net other problem commitments	900	467	330
39 %	34 %	26 %	Loan loss provision ratio	27 %	35 %	40 %

Note 5 Other assets

Parent bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
2	3	2	Intangible assets	92	50	61
342	321	359	Tangible fixed assets	472	377	404
15	20	13	Income earned but not received from SpareBank 1 Bolig- and Næringskreditt	13	20	15
25	39	118	Prepaid expences	123	32	29
35	35	100	Capital contribution SR-Pensjonskasse	100	35	35
1.756	122	1.261	Unsettled trades	1.661	122	1.756
132	105	77	Other assets	373	393	408
2.307	645	1.930	Total other assets	2.834	1.029	2.708

Note 6 Other liabilities

Parent bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
239	249	173	Accrued expenses and prepaid revenue	259	330	322
643	829	554	Deferred tax	595	871	654
238	429	507	Pension liabilities	546	468	263
3	2	76	Other specified provisions	76	2	3
544	218	141	Taxes payable	175	254	637
0	103	811	Unsettled trades	811	103	0
228	406	347	Other liabilities	405	463	292
1.895	2.236	2.609	Total other liabilities	2.867	2.491	2.171

Note 7 Customer deposits by sector and industry

Parent bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
1.146	1.244	1.220	Agriculture/forestry	1.221	1.244	1.146
351	271	338	Fishing/Fish farming	338	271	351
2.529	2.540	1.209	Mining/extraction	1.210	2.540	2.529
1.426	992	959	Industry	959	992	1.426
2.090	1.861	1.722	Power and water supply/building and construction	1.722	1.861	2.090
2.599	2.073	2.434	Retail trade, hotels and restaurants	2.434	2.073	2.599
1.662	1.785	1.962	Foreign trade shipping, pipeline transport and other transport activities	1.962	1.785	1.662
7.078	7.346	5.966	Real estate	5.966	7.346	7.078
12.431	10.267	10.692	Service industry	10.434	10.083	12.243
16.217	19.602	18.608	Public sector and financial services	18.608	19.602	16.217
47.529	47.981	45.110	Total corporate sector	44.854	47.797	47.341
42.101	42.421	44.490	Retail customers	44.490	42.421	42.101
2	580	293	Accrued interests corporate sector and retail customers	289	570	2
89.632	90.982	89.893	Deposits from customers	89.633	90.788	89.444

Note 8 Loans by sector and industry

Parent bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
4.204	4.089	4.126	Agriculture/forestry	4.409	4.326	4.443
721	578	512	Fishing/Fish farming	705	744	903
5.097	4.380	5.488	Mining/extraction	5.739	4.565	5.330
2.451	2.174	2.622	Industry	3.240	2.825	3.093
2.561	2.823	2.806	Power and water supply/building and construction	3.527	3.686	3.437
2.179	2.234	2.520	Retail trade, hotels and restaurants	2.992	2.606	2.578
9.112	8.996	8.798	Foreign trade shipping, pipeline transport and other transport activities	9.326	9.557	9.666
27.435	28.225	26.999	Real estate	27.102	28.342	27.568
6.104	6.311	6.152	Service industry	8.254	8.318	8.113
2.037	1.951	1.687	Public sector and financial services	1.854	2.134	2.209
61.900	61.761	61.710	Total corporate sector	67.148	67.104	67.342
75.719	75.795	65.966	Retail customers	88.945	82.576	87.229
339	253	362	Unallocated (excess value fixed interest loans and amort. lending fees)	345	238	323
284	319	280	Accrued interests corporate sector and retail customers	300	328	296
138.242	138.128	128.318	Gross loans	156.738	150.245	155.190
-285	-342	-459	- Individual impairment losses provisions	-514	-356	-315
-451	-355	-542	- Collective impairment losses provisions	-612	-417	-518
137.506	137.431	127.317	Loans to customers	155.612	149.472	154.357

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 is increased in the run up to 30 June 2016.

The following requirements apply as of 30 June 2016: capital conservation buffer 2.5%, systemic risk buffer 3.0%, and countercyclical buffer 1.5%. These requirements are additional to the requirement for common equity Tier 1 capital of 4.5%, meaning the combined minimum requirement for common equity Tier 1 capital is 11.5%. In addition to this, in 2016 the Financial Supervisory Authority of Norway will set an individual Pillar 2 requirement that will be added to the minimum requirement for common equity Tier 1 capital.

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		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
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
384	0	0	Allocated to dividend	0	0	384
163	59	163	Reserve for unrealised gains	163	59	163
6.606	5.385	6.376	Other equity	8.232	7.031	8.386
	1.104	1.001	Profit for the period	792	927	
15.134	14.529	15.521	Total book equity	17.168	15.998	16.914

Note 9 Capital adequacy (continued)

Parent bank				Group		
31.12.15	30.06.15	30.06.16		30.06.16	30.06.15	31.12.15
			Tier 1 capital			
-2	-3	-2	Deferred taxes, goodwill and other intangible assets	-97	-55	-67
-384	0	0	Deduction for allocated dividends	0	0	-384
-380	-404	-220	Deduction for expected losses on IRB, net of write-downs	-273	-446	-421
0	-552	-501	Profit for the period that cannot be included in total Tier 1 capital	-396	-464	0
0	0	0	Deduction for common equity Tier 1 capital in essential investments in financial	-209	-226	-191
-39	-35	-42	Value of derivative liabilities at fair value	-58	-47	-57
14.329	13.535	14.756	Total Common equity Tier 1 capital	16.135	14.760	15.794
794	794	792	Tier 1 capital instruments	1.131	1.011	1.088
15.123	14.329	15.548	Total Tier 1 capital	17.266	15.771	16.882
			Tier 2 capital			
2.536	2.065	2.358	Term subordinated loan capital	2.933	2.693	3.111
-60		-60	Deduction for essential investments in financial institutions	-60	-61	-60
2.476	2.004	2.298	Total Tier 2 capital	2.873	2.632	3.051
17.599	16.333	17.846	Net primary capital	20.139	18.403	19.933
			Credit risk Basel II			
14.820	14.490	17.274	SME	17.276	14.496	14.822
20.445	21.723	18.847	Specialised enterprises	20.153	23.941	22.148
6.316	6.086	5.824	Other corporations	6.262	6.432	6.830
1.092	1.044	1.076	Mass market SME	1.256	1.169	1.236
20.024	19.677	18.051	Mass market - mortgage on real estate	26.920	25.424	27.170
928	987	804	Other mass market	871	1.030	950
7.802	7.031	8.279	Equity positions	0	0	0
71.427	71.038	70.155	Total credit and counterparty risk IRB	72.738	72.492	73.156
70	224	68	States and central banks	68	225	70
116	0	40	Local and regional authorities, state-owned enterprises	112	90	191
5.628	6.297	6.072	Institutions	5.175	6.328	5.985
2.075	2.118	2.132	Enterprises	6.510	6.994	6.886
121	174	154	Mass market	1.630	1.409	1.386
0	0	0	Mass market - mortgage on real estate	3.606	6.321	4.114
1.228	1.036	1.738	Covered bonds	2.204	969	1.205
4.600	3.477	5.363	Equity positions	4.566	4.104	4.661
1.507	1.300	1.267	Other assets	1.842	1.602	1.840
15.345	14.626	16.834	Total credit and counterparty risk standard method	25.713	28.042	26.338
0	607	0	Position risk for equity instruments	0	607	0
499	497	492	Credit value adjustment risk (CVA)	941	982	1.050
5.295	5.295	5.458	Operational risk	7.084	6.811	6.794
1.429	1.635	0	Transitional scheme	13.229	11.429	11.786
93.995	93.698	92.939	Risk weighted balance	119.705	120.363	119.124
4.230	4.216	4.182	Minimum requirement for common equity Tier 1 capital ratio 4,5 %	5.387	5.416	5.361
			Buffer requirement			
2.350	2.342	2.323	Capital conservation buffer 2,5 %	2.993	3.009	2.978
2.820	2.811	2.788	Systemic risk buffer 3 %	3.591	3.611	3.574
940	937	1.394	Countercyclical capital buffer 1,5 %	1.796	1.204	1.191
6.110	6.090	6.506	Total buffer requirement to common equity Tier 1 capital ratio	8.379	7.824	7.743
3.990	3.228	4.068	Available common equity Tier 1 capital ratio after buffer requirement	2.369	1.520	2.690
18,72 %	17,43 %	19,20 %	Capital ratio	16,82 %	15,29 %	16,73 %
16,09 %	15,29 %	16,73 %	Tier 1 capital ratio	14,42 %	13,10 %	14,17 %
2,63 %	2,14 %	2,47 %	Tier 2 capital ratio	2,40 %	2,19 %	2,56 %
15,24 %	14,45 %	15,88 %	Common equity Tier 1 capital ratio	13,48 %	12,26 %	13,26 %
19,01 %	17,74 %	19,20 %	Capital ratio, IRB	18,91 %	16,89 %	18,57 %
16,34 %	15,56 %	16,73 %	Tier 1 capital ratio, IRB	16,22 %	14,48 %	15,73 %
15,48 %	14,70 %	15,88 %	Common equity Tier 1 capital ratio, IRB	15,15 %	13,55 %	14,71 %
7,67 %	7,50 %	8,14 %	Leverage Ratio	6,38 %	6,28 %	6,30 %

Note 10 Financial derivatives

Group

At fair value through profit and loss	Contract amount	Fair value at 30.06.16	
	30.06.16	Assets	Liabilities
Currency instruments			
Currency forward contracts	4.273	108	46
Currency swaps	50.881	228	592
Currency options	144	1	1
Total currency instruments	55.298	337	639
Interest rate instruments			
Interest rate swaps(including cross-currency)	71.205	1.489	1.939
Other interest rate contracts	650	82	0
Total interest rate instruments	71.855	1.571	1.939
Hedging / Interest rate instruments			
Interest rate swaps (including cross currency)	59.950	2.564	98
Total hedging / Interest rate instruments	59.950	2.564	98
Accrued interests			
Accrued interests		584	371
Total accrued interests		584	371
Total currency and interest rate instruments			
Total currency instruments	55.298	337	639
Total interest rate instruments	131.805	4.135	2.037
Total accrued interests		584	371
Total financial derivatives	187.103	5.056	3.047

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 164.4 billion and NOK 3.0 billion as of the second quarter of 2016.

Note 11 Issuance of unsecured debt and additional capital instruments

Group

Change in debt raised through issuance of securities	Balance as at 30.06.16	Issued/ sale own 2016	Past due/ redeemed 2016	FX rate- and other changes 2016	31.12.15
Bonds and certificates, nominal val	73.793	13.988	-7.561	-1.494	68.860
Adjustments	2.551			234	2.317
Accrued interests	486			-316	802
Total debt raised through issuance of securities	76.830	13.988	-7.561	-1.576	71.979

Change in additional Tier 1 and Tier 2 capital instruments	Balance as at 30.06.16	Issued/ sale own 2016	Past due/ redeemed 2016	FX rate- and other changes 2016	31.12.15
Term subordinated loan capital, nominal amount	2.550				2.550
Perpetual subordinated loan capital, nominal amount	0				0
Tier 1 capital instruments, nominal amount	795				795
Adjustments	92			-10	102
Accrued interests	43			31	12
Total additional Tier 1 and Tier 2 capital instruments	3.480	0	0	21	3.459

The nominal value of the net outstanding covered bonds in SR-Boligkredit is NOK 20.6 billion.

Note 12 Segment reporting

The executive management team 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, capital market and subsidiaries of significant importance. Staff/support parent bank covers administration, management, investment services, strategy and ownership, treasury and financial functions in the bank. The figures for business areas and geography are based on internal management reporting. Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are reported under 'Net commissions and other income'.

SpareBank 1 SR-Bank Group 01.01.16 - 30.06.16										
Income statement (MNOK)	Retail Market	Corporate Market	Capital Market ¹⁾	Own account trading/support	Eiendoms-Megler 1	SR-Finans	Other activities	Eliminations	Total	
Interest income	823	869	98	878	1	182	1	-73	2.779	
Interest expense	250	227	74	831	0	59	0	-71	1.370	
Net interest income ¹⁾	573	642	24	47	1	123	1	-2	1.409	
Commission income ¹⁾	333	170	27	5	176	2	91	-30	774	
Commission expenses	18	12	2	7	0	10	15	-28	36	
Other operating income	0	0	0	3	0	0	0	0	3	
Net commission and other income	315	158	25	1	176	-8	76	-2	741	
Dividend income	5	0	1	99	0	0	0	1	105	
Income from investment in associates	0	18	0	534	0	0	0	-336	216	
Net gains/losses on financial instruments	1	-7	-4	-43	0	0	-2	19	-37	
Net income on investment securities	5	11	-3	589	0	0	-2	-316	284	
Personnel expenses	165	77	26	168	99	17	42	-3	591	
Administrative expenses	37	12	7	132	17	5	5	1	216	
Other operating expenses	47	14	8	67	48	6	11	-2	199	
Total operating expenses	249	103	41	367	164	28	58	-4	1.006	
Operating profit before losses	644	708	5	270	13	87	17	-316	1.428	
Change in individual write-downs in the period	12	309	0	0	0	40	0	1	362	
Change in group write-downs in the period	3	88	0	0	0	2	0		93	
Pre-tax profit	629	311	5	270	13	45	17	-317	973	
Net interest income ¹⁾										
External net interest income	573	642	24	47	0	182	1	-60	1.409	
Internal net interest income	0	0	0	0	1	-59	0	58	0	
Net interest income	573	642	24	47	1	123	1	-2	1.409	
				0					0	
Balance sheet (MNOK)				0						
Loans to customers	90.824	55.708	616	2.767	0	6.872	0	-49	156.738	
Individual loss provisions	-68	-391	0	0	0	-65	0	10	-514	
Group loss provisions	-48	-495	0	0	0	-69	0	0	-612	
Certificates/bonds/financial derivatives	0	0	4.011	27.461	0	0	18	-1.620	29.870	
Other assets	40	963	482	18.563	164	2	750	-9.683	11.281	
Total assets	90.748	55.786	5.109	48.791	164	6.740	768	-11.343	196.763	
Deposits from customers	49.611	38.072	2.205	5	0	0	0	-260	89.633	
Other debt and equity ¹⁾	41.137	17.714	2.904	48.307	164	6.740	768	-10.604	107.130	
Total debt and equity	90.748	55.786	5.109	48.312	164	6.740	768	-10.864	196.763	
Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	26.157	543							26.700	

Note 12 Segment reporting (continued)

SpareBank 1 SR-Bank Group 01.01.15 - 30.06.15									
Income statement (MNOK)	Retail Market	Corporate Market	Capital Market ¹⁾	Own account trading/support	Eiendoms-Megler 1	SR-Finans	Other activities	Eliminations	Total
Interest income	968	808	585	439	2	198	0	-86	2.913
Interest expense	435	325	548	352	0	71	0	-84	1.647
Net interest income ¹⁾	532	483	37	87	2	127	0	-2	1.266
Commission income	386	174	20	4	217	2	65	-23	845
Commission expenses	19	12	3	1	0	13	16	-24	40
Other operating income	0	0	0	2	0	0	1	-1	2
Net commission and other income	368	162	17	5	217	-11	49	-1	807
Dividend income	1	0	1	12	0	0	1	0	15
Income from investment in associates	0	40	0	490	0	0	0	-296	234
Net gains/losses on financial instruments	4	-22	19	29	0	-1	-12	39	56
Net income on investment securities	5	18	20	530	0	-1	-11	-256	305
Personnel expenses	164	76	34	187	112	17	21	-1	610
Administrative expenses	53	13	7	138	22	5	3	0	241
Other operating expenses	52	20	5	68	54	7	10	-1	215
Total operating expenses	269	109	46	393	189	29	34	-3	1.066
Operating profit before losses	637	553	29	229	30	86	4	-256	1.312
Change in individual write-downs in the period	5	77	0	0	0	11	0	-1	93
Change in group write-downs in the period	2	37	0	0	0	0	0	0	39
Pre-tax profit	630	439	29	229	30	75	4	-255	1.180
Net interest income ¹⁾									
External net interest income	532	483	37	87	0	198	0	-71	1.266
Internal net interest income	0	0	0	0	2	-71	0	69	0
Net interest income	532	483	37	87	2	127	0	-2	1.266
Balance sheet (MNOK)									
Loans to customers	84.280	55.961	628	2.430	0	6.956	0	-10	150.245
Individual loss provisions	-64	-278	0	0	0	-14	0	0	-356
Group loss provisions	-42	-313	0	0	0	-62	0	0	-417
Certificates/bonds/financial derivatives	0	0	5.607	16.575	0	0	15	-1.203	20.994
Other assets	61	977	583	15.933	206	30	541	-6.908	11.423
Total assets	84.235	56.347	6.818	34.938	206	6.910	556	-8.121	181.889
Deposits from customers	47.883	37.997	3.082	2.021	0	0	0	-195	90.788
Other debt and equity ¹⁾	36.352	18.350	3.736	32.917	206	6.910	556	-7.926	91.101
Total debt and equity	84.235	56.347	6.818	34.938	206	6.910	556	-8.121	181.889
Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	30.644	551							31.195

¹⁾ Other liabilities contains allocated arrangements between the segments. 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). Deviations between the Group's actual funding costs and the applied interest on intercompany receivables are eliminated in the parent bank.

Note 13 Net income/losses from financial instruments

Parent bank				Group		
01.01.15 - 31.12.15	01.01.15 - 30.06.15	01.01.16 - 30.06.16		01.01.16 - 30.06.16	01.01.15 - 30.06.15	01.01.15 - 31.12.15
-79	-28	-71	Net gains/losses on equity instruments	-54	-1	-39
-274	-94	-87	Net gains/losses for bonds and certificates	-91	-94	-275
91	57	43	Net derivatives; bonds and certificates	43	57	91
-66	0	0	Net counterparty risk, inclusive of CVA	0	0	-66
-35	-17	-3	Net derivatives; other assets	-3	-17	-35
0	-7	3	Net derivatives; liabilities	-2	-7	-3
85	70	-5	Net derivatives; basis swap spread	12	70	88
105	48	57	Net gain currency	58	48	104
-173	29	-63	Net income/losses from financial instruments	-37	56	-135

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 2014.

A decision was taken at the board meeting in June 2015 that employees who were members of the defined benefit scheme had to transfer to a defined contribution pension scheme from 1 January 2016. Upon transitioning to a contribution based pension scheme from 1 January 2016, employees who were in the defined benefit scheme received a paid-up policy for their earned rights from the defined benefit scheme.

Paid-up policies will be managed by the pension fund, which from 1 January 2016 will become a paid-up fund. A framework agreement has been established between SpareBank 1 SR-Bank and the pension fund that covers things such as financing, capital management, etc. Because of the responsibilities SpareBank 1 SR-Bank ASA still has, future liabilities will have to be incorporated in the financial statements. The board of the pension fund must consist of representatives of the group and pension scheme participants in accordance with the pension fund's articles of association.

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

Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Parent bank and group
2,80 %	2,60 %	2,70 %	2,30 %	2,10 %	Discount rate
2,80 %	2,60 %	2,70 %	2,30 %	2,10 %	Expected return on assets
2,75 %	2,50 %	2,50 %	2,50 %	2,50 %	Forecast salary increase
2,50 %	2,25 %	2,25 %	2,25 %	2,25 %	National Insurance scheme's basic amount
2,00 %	2,00 %	1,6%/2,0%	1,6%/2,0%	1,6%/2,0%	Pension adjustment/paid-up policy adjustment

Change in pension obligations (NOK million):

2015	Q2 2015	Q2 2016	01.01.15 - 30.06.15	01.01.16 - 30.06.16		01.01.16 - 30.06.16	01.01.15 - 30.06.15	Q2 2016	Q2 2015	2015
625	620	390	625	238	Net obligations opening balance	263	674	423	669	674
-187	-148	76	-175	224	Actuarial liabilities and losses recognised in comprehensive income	237	-185	80	-156	-200
88	24	8	48	14	Net pension cost	15	52	9	26	95
-66	-65	36	-65	36	Company contributions	37	-69	37	-69	-71
-9	-2	-3	-4	-5	Payments from operations	-6	-4	-3	-2	-9
-213	0	0	0	0	Curtailments included in the income statement	0	0	0	0	-226
238	429	507	429	507	Net pension obligations closing balance	546	468	546	468	263

Note 15 Sale of loans

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.

SpareBank 1 SR-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 2015 annual financial statements.

SpareBank 1 SR-Bank has also concluded an agreement concerning the sale of loans with good security and collateral in real estate from SpareBank 1 SR-Bank to SR-Boligkreditt. Such loans are derecognised from the parent bank's balance sheet, but are recognised in the consolidated financial statements, see note 2 in the 2015 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 and covered bonds was 3.5 years at the end of the second quarter of 2016. The total LCR was 143% at the end of the second quarter and the average total LCR was 143% in the quarter. The LCR in NOK and EUR at the end of the quarter was 91% and 451%, respectively.

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)

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

Fair value 30.06.16	Level 1	Level 2	Level 3	Total
Assets				
Net lending to customers			9.762	9.762
Commercial paper and bonds at fair value	16.536	6.042		22.578
Financial derivatives		5.056		5.056
Equities, units and other equity interests	313	7	215	535
Operations that will be sold			22	22
Liabilities				
Financial derivatives		3.047		3.047

No transfers between levels 1 and 2

Note 17 Information about fair value (continued)

Fair value 30.06.15	Level 1	Level 2	Level 3	Total
Assets				
Net lending to customers			10.920	10.920
Commercial paper and bonds at fair value	10.246	5.870		16.116
Financial derivatives		4.878		4.878
Equities, units and other equity interests	215	21	286	522
Operations that will be sold			129	129
Liabilities				
Financial derivatives		2.766		2.766
No transfers between levels 1 and 2				

Change in holding during the financial year of assets valued on the basis of factors other than observable market data

Group	Loans to customers	Shares, ownership stakes and other securities	Business available for sale
Balance 01.01	10.565	236	168
Additions	87	45	
Disposals	-907	-8	-146
Transferred from or to measurement according to prices in an active market or observable market data			
Change in value ¹⁾	14	-58	0
Balance 30.06	9.759	215	22
Nominal value/cost price	9.328	217	29
Fair value adjustment	434	-2	-7
Balance 30.06	9.762	215	22

Sparebanken Hedmark completed its acquisition of Bank 1 Oslo Akershus in the second quarter of 2016. As far as SpareBank 1 SR-Bank is concerned, this means that its previous stake in Bank 1 Oslo Akershus has been realised with settlement in equity certificates in Sparebanken Hedmark. The analysis environment in SpareBank 1 Gruppen has conducted a valuation of Sparebanken Hedmark. The valuation is based on a combination of two methods: multiple pricing and the dividend discounting model. The valuation is used by all of the SpareBank 1 banks with stakes in Sparebanken Hedmark.

SpareBank 1 SR-Bank is a member of Visa Norge FLI. Visa Norge FLI is, as a group member of Visa Europe, also a shareholder in Visa Europe Ltd. In November 2015, an agreement was announced concerning the sale of Visa Europe Ltd to Visa Inc. The transaction will significantly increase the equity in Visa Norge IFS. SpareBank 1 SR-Bank's ownership interests in Visa Norge IFS are considered a financial asset in the available for sale category (AFS investment) and must therefore be recognised at fair value as long as this can be reliably measured. The remuneration consists of shares in Visa Inc., a cash settlement and a postponed cash payment. On 31 December 2015, the estimated value of the shares resulted in income in other comprehensive income of NOK 95 million. SpareBank 1 SR-Bank received the cash settlement in the second quarter of 2016. This amounted to NOK 94 million, compared with the amount calculated at the end of 2015 of NOK 72 million. The cash settlement was posted as dividends via the income statement in the second quarter of 2016. SpareBank 1 SR-Bank still has an ownership item linked to the postponed cash payment and shares in Visa Norge totalling NOK 35 million. This item is posted in other comprehensive income and will not affect the result until it is realised.

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

Fixed-rate loans are measured on the basis of the interest rate agreed with the customer. Loans are discounted using the applicable interest curve, having taken into account a market premium, which is adjusted for the profit margin. The conducted sensitivity analyses indicate an increase in the discount rate of 10 basis points would have a negative effect on the result amounting to NOK 29 million.

¹⁾ Value changes are recognised in net income from financial instruments

Note 17 Information about fair value (continued)

Fair value of financial instruments at amortised cost

Group	Balance	Fair value
	30.06.2016	30.06.2016
Assets		
Cash and balances with central banks	910	910
Balances with credit institutions	2.188	2.188
Loans to customers ¹⁾	145.853	145.853
Certificates and bond held to maturity	2.184	2.185
Total assets at amortised cost	151.135	151.136
Liabilities		
Balances with credit institutions	3.934	3.934
Deposits from customers ¹⁾	89.633	89.633
Listed debt securities	76.830	75.806
Subordinated loan capital	3.284	3.072
Total liabilities at amortised cost	173.681	172.445

¹⁾ Loans to customers and deposits at amortised cost, amount to book value best estimate at fair value.

Note 18 Events after the balance sheet date

No material events that have influence on the prepared interim financial statements have been registered after 30 June 2016.

STATEMENT BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

We hereby confirm that the financial statements for the period 1 January to 30 June 2016 have, to the best of our knowledge, been prepared pursuant to applicable accounting standards, and that the information provided presents a true and fair picture of the company's and the group's assets, liabilities, financial positions and profit as a whole.

We also confirm that the interim accounts for the second quarter of 2016 provide a true and fair presentation of the performance, result and position of the company and group, together with a description of the most important risk and uncertainty factors that the company and the group are facing.

Stavanger, 9 August 2016

The Board of Directors of SpareBank 1 SR-Bank ASA

Dag Mejdell
(Chair)

Kate Henriksen

Birthe Cecilie Lepsøe

Jorunn Johanne Sætre

Odd Torland

Tor Dahle

Sally Lund-Andersen
(Employee representative)

Kristian Kristensen
(Employee representative)

Arne Austreid
Chief Executive Officer

QUARTERLY INCOME STATEMENT

SpareBank 1 SR-Bank Group, MNOK	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	2016	2016	2015	2015	2015	2015	2014	2014	2014
Interest income	1.379	1.400	1.408	1.431	1.436	1.477	1.588	1.568	1.543
Interest expense	668	702	730	782	797	850	933	947	962
Net interest income	711	698	678	649	639	627	655	621	581
Commission income	405	369	388	372	418	427	423	421	462
Commission expenses	17	19	17	21	20	20	19	20	19
Other operating income	1	2	1	2	1	1	1	2	1
Net commission and other income	389	352	372	353	399	408	405	403	444
Dividend income	97	8	1	1	8	7	1	10	7
Income from investment in associates	112	104	110	78	101	133	138	150	137
Net gains/losses on financial instrument	-4	-33	-124	-67	-15	71	-23	-18	57
Net income on financial investments	205	79	-13	12	94	211	116	142	201
Total income	1.305	1.129	1.037	1.014	1.132	1.246	1.176	1.166	1.226
Personnel expenses	296	295	114	221	300	310	308	307	293
Administrative expenses	114	102	125	114	122	119	128	114	120
Other operating costs	104	95	129	94	114	101	94	99	88
Total operating cost	514	492	368	429	536	530	530	520	501
Operating profit before impairment losses	791	637	669	585	596	716	646	646	725
Impairment losses on loans and guarantees	305	150	192	96	44	88	93	69	41
Pre-tax profit	486	487	477	489	552	628	553	577	684
Tax expense	80	101	35	112	121	132	105	123	150
Profit after tax	406	386	442	377	431	496	448	454	534

Profitability

Return on equity per quarter ¹⁾	9,4 %	9,0 %	10,6 %	9,3 %	10,8 %	12,7 %	11,7 %	12,2 %	14,5 %
Cost percentage ²⁾	39,4 %	43,6 %	35,5 %	42,3 %	47,3 %	42,5 %	45,1 %	44,6 %	40,9 %
Combined weighted total average spread for lending and deposits ³⁾	1,48 %	1,44 %	1,40 %	1,39 %	1,44 %	1,45 %	1,51 %	1,48 %	1,41 %

Balance sheet figures from quarterly accounts

Gross loans to customers	156.738	155.172	155.190	151.911	150.245	144.686	141.620	137.343	135.335
Gross loans to customers including SB1 Boligkreditt og Næringskreditt	183.438	183.939	183.896	182.940	181.440	178.750	174.492	170.270	168.624
Growth in loans over last 12 months ⁴⁾	4,3 %	7,2 %	9,6 %	10,6 %	11,0 %	18,9 %	17,7 %	17,7 %	17,5 %
Growth in loans incl SB1 Boligkreditt and Næringskreditt	1,1 %	2,9 %	5,4 %	7,4 %	7,6 %	7,3 %	4,7 %	3,5 %	3,6 %
Deposits from customers	89.633	87.023	89.444	88.980	90.788	85.984	81.489	81.228	81.728
Growth in deposits over last 12 months	-1,3 %	1,2 %	9,8 %	9,5 %	11,1 %	15,5 %	13,7 %	14,9 %	11,5 %
Total assets	196.763	194.763	192.049	191.500	181.889	176.913	174.926	168.310	167.273
Average total assets	192.792	194.300	192.315	185.459	177.861	175.938	172.179	166.894	164.949

Losses and non-performing commitments

Impairment losses ratio, annualized ⁵⁾	0,78 %	0,39 %	0,50 %	0,25 %	0,12 %	0,25 %	0,27 %	0,20 %	0,13 %
Non-performing commitments as a percentage of total loans	0,56 %	0,49 %	0,55 %	0,23 %	0,27 %	0,31 %	0,30 %	0,38 %	0,40 %
Other doubtful commitments as a percentage of total loans	0,78 %	0,61 %	0,35 %	0,45 %	0,48 %	0,50 %	0,36 %	0,39 %	0,41 %

Solidity

Common equity Tier 1 capital ratio	13,5 %	13,4 %	13,3 %	12,2 %	12,3 %	12,1 %	11,5 %	11,3 %	11,4 %
Tier 1 capital ratio	14,4 %	14,3 %	14,2 %	13,1 %	13,1 %	12,9 %	12,3 %	13,1 %	13,2 %
Capital ratio	16,8 %	16,8 %	16,7 %	15,2 %	15,3 %	15,2 %	14,5 %	15,4 %	14,6 %
Tier 1 capital	17.266	16.955	16.882	16.063	15.771	15.206	14.828	15.304	14.978
Net primary capital	20.139	19.853	19.933	18.635	18.403	17.838	17.465	18.037	16.584
Risk weighted balance	119.705	118.527	119.124	122.380	120.363	117.589	120.189	117.278	113.725
Leverage ratio	6,4 %	6,4 %	6,3 %	5,9 %	6,3 %				

Se next page for definition of key figures

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Liquidity	2016	2016	2015	2015	2015	2015	2014	2014	2014
Liquidity Coverage Ratio (LCR) ⁶⁾	173 %	130 %	128 %	164 %	111 %	113 %	94 %		
Deposit-to-loan ratio	57,2 %	56,1 %	57,6 %	58,6 %	60,4 %	59,4 %	57,5 %	59,1 %	60,4 %
SpareBank 1 SR-Bank share									
Market price at end of quarter	41,20	40,60	39,30	42,40	52,25	56,25	52,50	61,00	59,75
Market capitalisation	10.537	10.383	10.051	10.844	13.363	14.386	13.427	15.601	15.281
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)	67,16	67,68	66,14	64,02	62,56	62,40	60,28	59,21	57,63
Earnings per share, NOK (annualised)	1,59	1,51	1,73	1,47	1,69	1,94	1,75	1,78	2,09
Price/earnings per share	6,48	6,72	5,68	7,21	7,73	7,25	7,50	8,57	7,15
Price / Book equity (group)	0,61	0,60	0,59	0,66	0,84	0,90	0,87	1,03	1,04
Annualised turnover rate in quarter ⁷⁾	2,5 %	4,6 %	3,4 %	5,1 %	5,6 %	7,4 %	7,7 %	3,0 %	5,5 %
Effective return ⁸⁾	5,2 %	3,3 %	-7,3 %	-18,9 %	-3,6 %	7,1 %	-13,9 %	2,1 %	1,0 %

Key figure definitions

¹⁾ Operating result as a percentage of average equity

²⁾ Total operating costs as a percentage of total operating income

³⁾ Net interest income as a percentage of average total assets

⁴⁾ High growth in loans in 2014 and 2015 is attributable to a buy-back of loans from SpareBank 1 Boligkredit AS

⁵⁾ Impairment losses on loans as a percentage of average gross loans, annualised

⁶⁾ High quality liquid assets divided by total net cash outflows in a 30-day, serious stress scenario

⁷⁾ Annualised turnover of the share during the period, measured as a percentage of the number of outstanding shares

⁸⁾ Percentage change in the market price in the last period, including paid share dividend

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2016 Financial Calendar

Preliminary annual results for 2015	Thursday 4 February
Annual General Meeting	Wednesday 27 April
Ex-dividend	Thursday 28 April
Q1 2016	Wednesday 27 April
Q2 2016	Wednesday 10 August
Q3 2016	Wednesday 26 October