

From limitation
to capacity.

Interim Financial Statements Q1 2016

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Key figures SpareBank 1 SR-Bank Group

MAIN FIGURES	01.01.16 - 31.03.16		01.01.15 - 31.03.15		2015	
	MNOK	%	MNOK	%		
Net interest income	698	1,44	627	1,45	2.593	1,42
Net commission and other income	352	0,73	408	0,94	1.532	0,84
Net income on financial investments	79	0,16	211	0,49	304	0,17
Total income	1.129	2,34	1.246	2,87	4.429	2,42
Total operating costs	492	1,02	530	1,22	1.863	1,02
Operating profit before impairment losses	637	1,32	716	1,65	2.566	1,40
Impairment losses on loans and guarantees	150	0,31	88	0,20	420	0,23
Pre-tax profit	487	1,01	628	1,45	2.146	1,17
Tax expense	101	0,21	132	0,30	400	0,22
Profit after tax	386	0,80	496	1,14	1.746	0,96

	31.03.16	31.03.15	31.12.15
PROFITABILITY			
Return on equity ¹⁾	9,0 %	12,7 %	10,8 %
Cost ratio ²⁾	43,6 %	42,5 %	42,1 %
Combined weighted total average spread for lending and deposits ³⁾	1,44 %	1,45 %	1,42 %
BALANCE SHEET			
Gross loans to customers	155.172	144.686	155.190
Gross loans to customers including SB1 Boligkreditt og Næringskreditt	183.939	178.750	183.896
Growth in loans ⁴⁾	7,2 %	18,9 %	9,6 %
Growth in loans incl SB1 Boligkreditt and Næringskreditt	2,9 %	7,3 %	5,4 %
Deposits from customers	87.023	85.984	89.444
Growth in deposits	1,2 %	15,5 %	9,8 %
Total assets	194.763	176.913	192.049
Average total assets	194.300	175.938	182.768
LOSSES AND NON-PERFORMING COMMITMENTS			
Impairment losses ratio, annualized ⁵⁾	0,39 %	0,25 %	0,28 %
Non-performing commitments as a percentage of gross loans	0,49 %	0,31 %	0,55 %
Other doubtful commitments as a percentage of gross loans	0,61 %	0,50 %	0,35 %
SOLIDITY			
Common equity Tier 1 capital ratio	13,4 %	12,1 %	13,3 %
Tier 1 capital ratio	14,3 %	12,9 %	14,2 %
Capital ratio	16,8 %	15,2 %	16,7 %
Tier 1 capital	16.955	15.206	16.882
Risk weighted balance	118.527	117.589	119.124
Leverage ratio	6,4 %	6,1 %	6,3 %
Liquidity			
Liquidity Coverage Ratio (LCR) ⁶⁾	130 %	113,0 %	128,0 %
Deposit-to-loan ratio	56,1 %	59,4 %	57,6 %
BRANCHES AND STAFF			
Number of branches	49	50	49
Number of employees	1.194	1.188	1.161

SpareBank 1 SR-Bank share	31.03.16	31.12.15	31.12.14	31.12.13	31.12.12
Market price	40,60	39,30	52,50	60,25	37,20
Market capitalisation	10.383	10.051	13.427	15.409	9.514
Book equity per share (including dividends) (group)	67,68	66,14	60,28	55,00	49,48
Earnings per share, NOK	1,51	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	6,72	5,75	6,40	8,28	6,98
Price / Book equity (group)	0,60	0,59	0,87	1,10	0,75
Effective return ⁷⁾	3,3 %	-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 result with lower costs and stable operating income

Q1 2016

- Pre-tax profit: NOK 487 million (NOK 628 million)
 - Net profit for the quarter: NOK 386 million (NOK 496 million)
 - Return on equity after tax: 9.0% (12.7%)
 - Earnings per share: NOK 1.51 (NOK 1.94)
 - Net interest income: NOK 698 million (NOK 627 million)
 - Net commissions and other operating income: NOK 352 million (NOK 408 million)
 - Net income from financial investments: NOK 79 million (NOK 211 million)
 - Operating costs: NOK 492 million (NOK 530 million)
 - Impairment losses on loans: NOK 150 million (NOK 88 million)
 - Total lending growth over last 12 months: 2.9% (7.3%)
 - Growth in deposits over last 12 months: 1.2% (15.5%)
 - Common equity tier 1 capital ratio: 13.4% (12.1%)
 - Tier 1 capital ratio: 14.3% (12.9%)
- (Q1 2015 figures in brackets)

Financial performance - Q1 2016

The group's pre-tax profit was NOK 487 million (NOK 628 million), NOK 10 million higher than in the fourth quarter of 2015. The return on equity after tax for the quarter was 9.0% (12.7%) compared with 10.6% in the fourth quarter of 2015. The quarter is characterized by increased net interest income, increased income from financial investments, good cost control and lower impairment losses.

Net interest income totalled NOK 698 million in the first quarter of 2016 (NOK 627 million) compared with NOK 678 million in the fourth quarter of 2015. The average interest margin (net interest income as a percentage of average total assets) increased to 1.44% in the first quarter of 2016 (1.45%) compared with 1.40% in the fourth quarter of 2015.

Net commissions and other operating income was NOK 352 million (NOK 408 million) compared with NOK 372 million in the fourth quarter of 2015. Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt amounted to NOK 41 million (NOK 84 million), NOK 12 million lower than in the fourth quarter of 2015. Income from estate agency dropped by NOK 14 million compared with the fourth quarter of 2015 to NOK 68 million in the first quarter of 2016, while income from accounting services rose by NOK 12 million from the fourth quarter to NOK 23 million in the first quarter of 2016. Other commissions fell by NOK 5 million compared with the previous quarter, primarily due to lower guarantee commissions.

Net income from financial investments was NOK 79 million (NOK 211 million) compared with NOK -13 million in the fourth quarter of 2015. Income from stakes decreased by NOK 6 million from the last quarter, while dividend receipts increased by NOK 7 million from the fourth quarter of 2015. Capital losses on financial instruments were reduced by NOK 91 million due in part to losses on derivatives in the fourth quarter of 2015.

Operating costs totalled NOK 492 million (NOK 530 million), an increase of NOK 124 million compared with the fourth quarter of 2015. Increased operating costs from the fourth quarter of 2015 were due to personnel costs increasing by NOK 181 million, primarily due to increased pension costs. In the fourth quarter of 2015, pension costs were reduced by NOK 163 million due to a non-recurring effect (curtailment) caused by the changed pension scheme for all employees from 1 January 2016. Adjusted to take account of this extraordinary cost reduction in the previous quarter, operating costs were reduced by NOK 39 million from the fourth quarter of 2015.

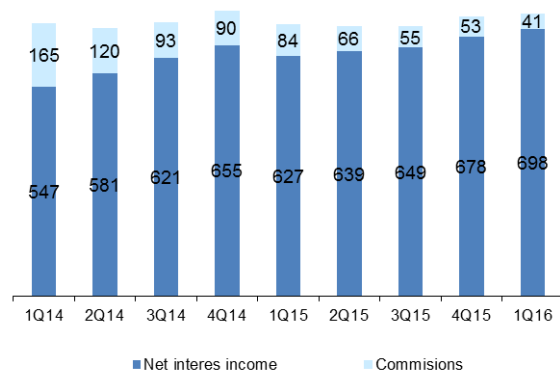
Impairment losses on loans were NOK 150 million (NOK 88 million) compared with NOK 192 million in the fourth quarter of 2015. The impairment losses on loans in the first quarter of 2016 were primarily attributable to impairment losses within oil related activities and collective impairment losses that were NOK 60 million higher. The increase in collective impairment losses in the first quarter was due to the continued higher risk in a market where lasting low oil

prices will in time have consequences for the levels of activity in other industries too, such as building and construction and some segments of the wholesale and retail trade.

Net interest income

The group's net interest income in the first quarter of 2016 amounted to NOK 698 million (NOK 627 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 41 million in the first quarter of 2016 (NOK 84 million). Net interest income and commissions improved by a total of NOK 7 million in the first quarter of 2016 due to factors such as the repricing of the portfolio. This work will continue in 2016.

Fig. 1 Interest income



The average interest margin was 1.44% in the first quarter of 2016 compared with 1.40% in the fourth quarter of 2015.

Net commissions and other operating income

Net commissions and other operating income in the first quarter of 2016 totalled NOK 352 million (NOK 408 million). NOK 43 million of the NOK 56 million year-on-year reduction is attributable to lower commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The reduction was due to the group buying back NOK 5.1 billion in loans from the mortgage companies in the last 12 months.

Income from estate agency fell by NOK 35 million in the first quarter of 2016 compared with the corresponding period last year due to a continued weak housing market in the Stavanger region.

Commissions from SpareBank 1 Regnskapshuset increased by NOK 13 million compared with the first quarter of 2015. The company was established in the first quarter of 2015 and the increase is due to the acquisition of further accounting firms in 2015.

Other commissions rose by 4.8% compared with the first quarter 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 quarter of 2016 totalled NOK 79 million (NOK 211 million). Dividends amounted to NOK 8 million (NOK 7 million), while income from ownership interests decreased by NOK 29 million from NOK 133 million in the first quarter of 2015 to NOK 104 million in the first quarter of 2016.

Table 1, The share of net profit

The share of net profit after tax	31.03.16	31.03.15
SpareBank 1 Gruppen	61	59
SpareBank 1 Boligkreditt	22	47
SpareBank 1 Næringskreditt	6	6
BN Bank	14	13
SpareBank 1 Kredittkort	6	4
Other	-5	4
Total income from ownership interests	104	133

The share of the net profit from SpareBank 1 Boligkreditt fell by NOK 25 million in the first quarter of 2016. This was due to the group's share of the company's recognised positive effects of basis swaps falling from NOK 43 million in the first quarter of 2015 to NOK 21 million in the first quarter of 2016.

Net income from financial instruments amounted to NOK -33 million (NOK 71 million) in the first quarter of 2016. Capital losses on securities amounted to NOK 66 million (capital losses of NOK 23 million), while capital gains from interest and currency trading amounted to NOK 33 million (NOK 94 million). NOK 13 million of these capital gains (NOK 67 million) came from the positive effects of basis swaps linked to borrowing.

The capital losses on securities of NOK 66 million (capital losses of NOK 23 million) were primarily attributable to capital losses of NOK 53 million in the interest portfolio, of which NOK 30 million was linked to the group's trading portfolio and NOK 23 million to the group's liquidity portfolio. The latter was countered by positive effects from hedging instruments totalling NOK 8 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 equities and equity certificates experienced capital losses of NOK 21 million (capital gains of NOK 4 million).

The capital gains from interest and currency trading amounted to NOK 33 million (NOK 94 million). NOK 13 million of these capital gains (NOK 67 million) came from the positive effects of basis swaps linked to borrowing.

Operating costs

The group's operating costs amounted to NOK 492 million in the first quarter of 2016, a reduction of NOK 38 million (-7.2%) compared with the first quarter of 2015. Personnel costs were reduced by NOK 15 million (-4.8%) to NOK 295 million, whilst other costs were reduced by NOK 23 million (-10.5%) to NOK 197 million.

Personnel costs were lower primarily due to lower provisions for bonuses and lower pension costs in the first quarter of 2016, while the first quarter of 2015 was affected by extraordinary costs linked to the purchase of Swedbank's branch in Stavanger.

NOK 7 million of the NOK 23 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 costs in the first quarter 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 few months in several areas such as marketing, contracted personnel, telephony, travel and meeting activities.

The group's normalised total reduction in costs for continued business amounted to NOK 20 million (-5.1%). The group is constantly striving to increase efficiency to keep costs at a satisfactory low level and low cost development is also expected going forward.

The group's cost/income ratio, costs measured as a percentage of income, was 43.6% in the first quarter of 2016 (42.5%).

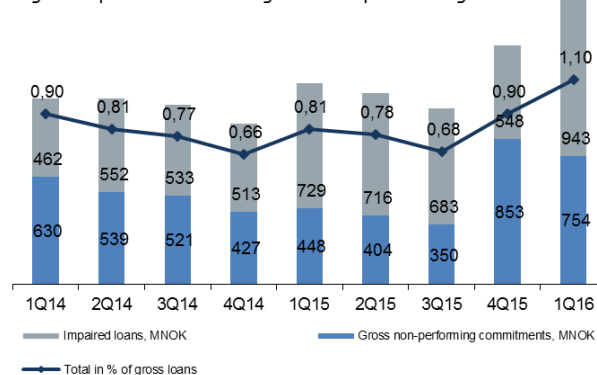
Impairment losses on loans and non-performance

In the first quarter of 2016, the group recognised net impairment losses on loans totalling NOK 150 million (NOK 88 million). This corresponds to impairment as a percentage of gross loans of 0.39% (0.25%). The higher impairment losses on loans in the first quarter of 2016 were largely due to impairment losses within oil related activities and collective impairment losses that were NOK 60 million higher. Collective impairment losses on loans have increased by NOK 180 million in the last 12 months. This increase was based on continued low oil prices, higher unemployment and a weak house price trend in the group's market area, combined with continued uncertainty about the expected future development of local and national economic conditions.

Closely monitoring customers and preventive work are important tools for maintaining this good credit quality, and contribute to the continued moderate impairment losses on loans.

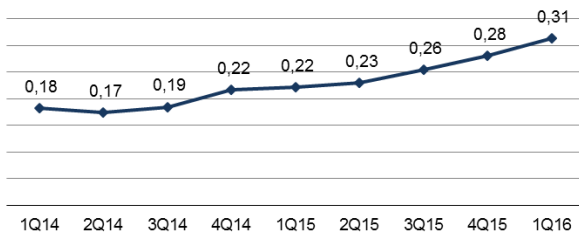
Gross non-performing commitments aggregated NOK 754 million (NOK 448 million) at the end of the first quarter of 2016. This corresponds to 0.49% (0.31%) of gross loans. NOK 408 million of this amount was due to the bankruptcy of a single customer. The portfolio of impaired (not non-performing) loans totalled NOK 943 million (NOK 729 million). This corresponded to 0.61% (0.50%) of gross loans. The increase in impaired loans in the last quarter was due to a single customer that accounts for NOK 429 million of impaired loans. Total non-performing and impaired loans at the end of the first quarter of 2016 came to NOK 1,697 million (NOK 1,177 million). In terms of gross loans, this represents an increase over the last 12 months from 0.81% to 1.10%.

Fig 2. Impaired loans and gross non-performing commitments



The loan loss provision ratios, measured as individual write-downs as a percentage of non-performing and impaired loans, was 16% (25%) and 27% (33%) at the end of the first quarter of 2016. In the last 12 months, collective impairment losses have increased by a total of NOK 180 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 0.31% at the end of the third quarter of 2016 (0.22%).

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

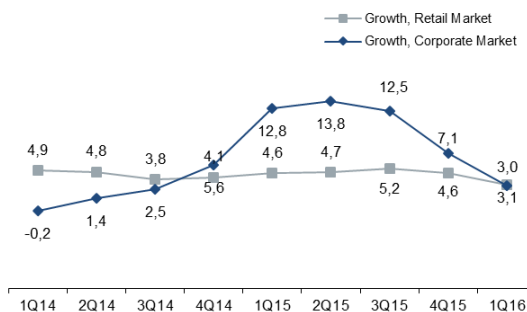


Loans to and deposits from customers

Gross loans at the end of the first quarter of 2016 amounted to NOK 155.2 billion (NOK 144.7 billion). Including loans totalling NOK 28.7 billion (NOK 34.1 billion) sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, gross loans amounted to NOK 183.9 billion (NOK 178.8 billion) at the end of the first quarter of 2016. Gross lending growth over the last 12 months was 2.9% (7.3%). The effect of exchange rate fluctuations accounted for NOK 0.4 billion (0.2%) of the NOK 5.2 billion growth in gross loans over the last 12 months.

Loans to the retail market accounted for 62.5% (62.4%) of total loans (including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) at the end of the first quarter of 2016.

Fig. 4 12 month lending growth (%)



The group's total loan exposure of NOK 183.9 billion (NOK 178.8 billion) included a majority of commitments with a probability of default of less than 0.5%. These commitments represented 60.2% (56.4%) of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These accounted for around 68.4% (67.2%) of loan exposure and approximately 98.4% (98.5%) of customers. 18.6% (19.6%) of the total loan exposure was to customers who had loans in excess of NOK 100 million. All of the commitments involving loan exposure of more than NOK 100 million are corporate market commitments and the credit quality in this portfolio is better than in the rest of the corporate market portfolio.

Deposits from customers rose by 1.2% (15.5%) over the last 12 months to NOK 87.0 billion (NOK 86.0 billion). Lower deposit growth is 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 51.6% (53.6%) of the group's customer deposits at the end of the first quarter of 2016.

In addition to ordinary customer deposits, the group had capital under management in alternative investment products. This was reduced from NOK 17.1 billion to NOK 16.5 billion at the end of the first quarter of 2016. This management is primarily performed by SR-Forvaltning AS and ODIN Forvaltning AS.

At the end of the first quarter of 2016, the deposit-to-loan ratio was 56.1% (59.4%). 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 104.7% (111.0%) for the parent bank and 107.0% (111.9%) on a consolidated basis.

Business areas

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

Retail market division¹

The retail market division's contribution before impairment losses on loans amounted to NOK 292 million in the first quarter of 2016. The result was NOK 26 million lower than last year due to lower net interest income. Commissions exclusive of commissions from SpareBank 1 Boligkreditt increased by 1%. The lower growth is due to the internal distribution of commissions and developments in the stock market.

Costs in the division were reduced by 7% as of the first quarter of 2016. The number of employees in the division has been reduced through continuous restructuring and its level of activity has been adjusted. The division expects zero growth in costs going forward due to the implemented measures.

The 12-month lending growth figure at the end of the first quarter of 2016 was 3.3%, while deposits grew by 4.3% over the previous 12 months. The low growth within loans was due in part to the competition situation and a weak housing market in Rogaland. Impairment losses on loans remain low. The proportion of non-performing commitments over 30 days was 0.30% of total lending at the end of the first quarter of 2016 (0.36%).

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 90.1% (90.7%) at the end of the first quarter of 2016. The IRB risk weighting for home mortgages was 22.8% (22.1%) at the end of the first quarter of 2016, which reflects a solid, stable portfolio.

The number of users of digital channel continues to grow and in the first quarter of 2016 the division surpassed 90,000 active mobile bank users. At the end of the first quarter, 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 and third quarters 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

Corporate market division^{1 2}

The corporate market division's contribution before impairment losses on loans was NOK 345 million in the first quarter of 2016, NOK 82 million higher than at the same time last year.

Over the last 12 months, the division's lending increased by 2.9%, while the growth in the first quarter of 2016 was 0.6%. The growth in the last year occurred in both the existing customer base and through the inflow of new customers, especially in focus areas in Hordaland. Deposits have grown by 6.7% over the last 12 months, although in the first quarter of 2016 they fell by 2.8%.

A large proportion of the corporate market division's portfolio was repriced in the first quarter of 2016 and this resulted in higher net interest income in the first quarter.

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 cycle of loss was 75.9% (75.2%) of the portfolio at the end of the first quarter of 2016. The property sector portfolio represents the group's largest concentration in a single sector and accounted for 15.1% (15.5%) of total loan exposure, including retail customers. A large portion of this portfolio consisted of financing commercial properties for leasing. The portfolio is characterised by long-term leases and financially solid tenants.

Net individual impairment losses of NOK 82 million and NOK 57 million in increased collective impairment losses were recognised in the first quarter of 2016, compared with NOK 61 million in individual impairment losses and NOK 20 million in collective impairment losses in the first quarter of 2015. Collective impairment losses increased by NOK 167 million in the last 12 months due to the higher risk in a market with lasting low oil prices and greater uncertainty. The division's ordinary pre-tax profit (after losses) was NOK 24 million higher than in the corresponding quarter last year.

Balanced, profitable volume growth, good customer relations, and a well-developed range of products are

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

priority areas for the division, as is closely monitoring the development of risk in the portfolio.

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 result was NOK -4 million in the first quarter of 2016, NOK 20 million lower than in the corresponding quarter last year. The income generated is recognised as income in the business areas to which the customers are assigned, primarily the corporate market division.

Prior to the allocation of customer income to other business areas, SR-Bank Markets had achieved operating income of NOK 31 million in the first quarter of 2016. This represents a decrease of NOK 21 million from the first quarter 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 8 million in the first quarter of 2016, a reduction of NOK 21 million compared with the corresponding quarter 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 30 million in the first quarter of 2016. At the end of the quarter, this portfolio was valued at NOK 371 million. Corporate finance completed a number of projects in the first quarter of 2016. Income from sales of equities and bonds was relatively stable compared with the same quarter last year.

Subsidiaries

EiendomsMegler 1 SR-Eiendom AS

The company's pre-tax result amounted to NOK -5.5 million in the first quarter of 2016 (NOK 12.1 million). The weak result reflects the situation in the housing market in the Stavanger region with significantly fewer sales in the first quarter of 2016. Further cost reducing programmes are being implemented. The full effect of these will not be seen before the second half of 2016.

In the first quarter of 2016, 1,211 (1,785) properties with a total value of around NOK 3.3 billion were sold. The supply of new assignments is satisfactory given the market situation, but overall it is around 25% 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 remained good, with turnover times of just over 20 days and price rises of 4.1% over the last 12 months. The housing market in the Stavanger region in the first quarter of 2016 was still affected by downsizing and the lower level of activity within the oil industry. Housing prices have fallen by 6.7% 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. The turnover time is now around 60 days.

The overall market saw growth in both Hordaland and Agder, but the opposite was the case in Rogaland. Significantly fewer homes were sold here in the first quarter of 2016 compared with the corresponding quarter last year.

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.

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.

The company expects subdued activity in the housing market in our market area in 2016. The total market has fallen by around 23% in the first quarter in relation to the corresponding period last year with the largest fall in Rogaland where the number of sales of used homes fell by 36%. Higher volumes are expected in the market in Hordaland going forward, while the housing market in the Agder counties and especially Rogaland will be weaker than in previous years, but will improve during autumn 2016.

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 6.9 billion.

SpareBank 1 SR-Finans achieved a profit before losses of NOK 43.9 million in the first quarter of 2016 (NOK 43.4 million). This is almost on a par with the result in the first quarter of 2015. Net interest income was down slightly due to lower lending activity compared with the same period last year. The company once again maintained its low cost/income ratio in the first quarter of 2016 and continuously focuses on efficiency and digitalisation. Reduced costs help to maintain the company's profit contribution.

Net losses in the first quarter amounted to NOK 0.7 million in 2016 (NOK 7.3 million). Given the uncertainty that characterised the market in the last year, losses are regarded as being at a low level. The pre-tax profit was NOK 43.1 million in the first quarter of 2016 (NOK 36.1 million).

Net lending has decreased by 0.4% in the last 12 months and at the end of the first quarter of 2016 it amounted to NOK 6,765 million (NOK 6,790 million). 1,510 new contracts were established in the first quarter of 2016 (1,937 contracts) with a total volume of NOK 469 million (NOK 547 million).

The business sector in the company's 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, lower is growth is expected within lease financing for the corporate market going forward. Continued growth is expected in car loans for retail customers.

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 quarter 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 0.6 million in the first quarter of 2016. The result includes depreciation of intangible assets of NOK 0.4 million.

SR-Forvaltning AS

SR-Forvaltning is licensed to provide active management and securities management services. The securities funds were launched just 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 quarter of 2016 amounted to NOK 9.2 billion (NOK 9.8 billion) and the pre-tax profit for the first quarter of 2016 was NOK 7.5 million (NOK 7.5 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 quarter of 2016, the company had covered bonds in the Norwegian market totalling NOK 4.6 billion and two international covered bonds with a nominal value totalling EUR 1 billion. SR-Boligkreditt had purchased loans for NOK 15.6 billion from SpareBank 1 SR-Bank by the end of the first quarter of 2016.

In the first quarter of 2016, SR-Boligkreditt achieved a pre-tax profit of NOK 38.3 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 was unchanged at 19.5% at the end of the first quarter of 2016.

SpareBank 1 Gruppen achieved a net profit of NOK 385 million in the first quarter of 2016 (NOK 378 million). The stronger result in the first quarter of 2016 is primarily attributable to an improvement in the result of the life insurance company due to the

improvement in both the risk and administration result. The increased result in the life insurance company was counteracted by the somewhat lower result in the P&C company with, among other things, weaker financial income.

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's stake in SpareBank 1 Banksamarbeidet was stable at 17.7% at the end of the first quarter of 2016.

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS

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

SpareBank 1 Boligkreditt's total lending volume at the end of the first quarter of 2016 amounted to NOK 172.6 billion, NOK 28.2 billion (NOK 33.5 billion) of which were home mortgages bought from SpareBank 1 SR-Bank. The bank owned a 16.7% stake in the company at the end of the first quarter of 2016. This is normally updated at the end of each year in line with the volume sold.

SpareBank 1 Næringskreditt's total lending volume at the end of the first quarter of 2016 amounted to NOK 13.6 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

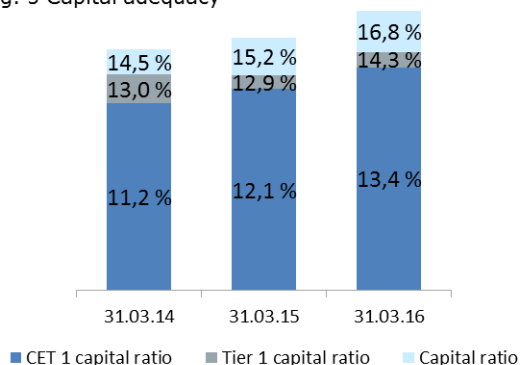
SpareBank 1 SR-Bank had good liquidity at the end of the first quarter of 2016 and believes it will continue to have good access to long-term funding at competitive prices. The group strives to achieve an even maturity structure for funding and believes it is important to have good relations with Norwegian and

international investors and banks. The liquidity buffer³ amounted to NOK 25.4 billion at the end of the first quarter of 2016. NOK 20.1 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 22.4 billion in home mortgages ready for covered bond funding.

Capital adequacy

At the end of the first quarter of 2016, the common equity tier 1 capital ratio was 13.4%, up from 12.1% at the same time in 2015. The tier 1 capital ratio was 14.3% (12.9%), while the total capital ratio rose from 15.2% 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 11.0% and the capital ratio requirement is 14.5%. SpareBank 1 SR-Bank therefore 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. On 18 June 2015, on the advice of Norges Bank, the Ministry of Finance set the buffer at 1 percentage point from 30 June 2015. At the same time, the Ministry of Finance decided to increase the buffer requirement to 1.5 percentage points from 30 June 2016. The formal requirement for common equity tier 1 capital will then be 11.5% for non-systemically important financial institutions and 13.5% for

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

systemically important financial institutions. 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 share price for bank shares (SRBANK) was NOK 40.60 at the end of the first quarter of 2016. This represents an increase of 3.3% since year-end 2015. The main Oslo Stock Exchange index fell by 5.3% in the same period. 4.6% (7.4%) of outstanding SRBANK shares were traded in the first quarter of 2016.

There were 10,129 (10,214) shareholders of SRBANK at the end of the first quarter of 2016. The proportion owned by foreign companies and individuals was 16.7%, whilst 50.2% were owned by residents of Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned a combined 62.8% of the shares. The bank holds 225,398 treasury shares, while group employees owned 1.8%.

The table below shows the 20 largest shareholders as of 31 March 2016:

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

Table 2, 20 largest shareholders

	Number of shares (1,000)	%
Sparebankstiftelsen SR-Bank	72.419	28,3 %
Gjensidige Forsikring ASA	26.808	10,5 %
State Street Bank and Trust Co, U.S.A.	8.311	3,2 %
Vpf Nordea Norge Verdi	7.972	3,1 %
SpareBank 1-stiftinga Kvinnherad	6.227	2,4 %
Wimoh Invest AS	5.761	2,3 %
Odin Norge	5.382	2,1 %
Pareto Aksje Norge	3.657	1,4 %
Danske Invest Norske Instit. II	3.058	1,2 %
State Street Bank and Trust Co, U.S.A.	2.579	1,0 %
Clipper AS	2.565	1,0 %
The Bank of New York Mellon, U.S.A.	2.415	0,9 %
State Street Bank and Trust Co, U.S.A.	2.086	0,8 %
Danske Invest Norske Aksjer Inst.	1.669	0,7 %
Westco	1.659	0,6 %
Pareto AS	1.641	0,6 %
State Street Bank and Trust Co, U.S.A.	1.639	0,6 %
Vpf Nordea Avkastning	1.630	0,6 %
Vpf Nordea Kapital	1.528	0,6 %
Forsvarets Personellservice	1.514	0,6 %
Total 20 largest	160.519	62,8 %

Accounting policies

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

Events after the balance sheet date

No material events have been registered after 31 March 2016 that affect the interim financial statements as prepared.

Future prospects

Moderate growth is expected in the global economy in 2016. The drop in the price of oil in the last 18 months to around USD 40 a barrel at the end of the first quarter of 2016 has resulted in greater 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 has consequently

increased. 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 kroner 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 in account increased non-performance, and impairment losses on loans amounting to NOK 500-700 mill in 2016. The board would like to stress that a certain level of uncertainty is associated with assessments of future conditions.

Increased risk pricing will be implemented within some segments in the corporate market and retail market in 2016. 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 will implement further cost-reducing measures. At the same time it will invest in and adopt new technology to improve the customer experience and increase sales. This will ensure the group is more competitive going forward.

Stavanger, 27 April 2016

The Board of Directors of SpareBank 1 SR-Bank ASA

Income statement

Parent bank				Note	Group		
01.01.15 - 2015	01.01.16 - 31.03.15	01.01.16 - 31.03.16			01.01.16 - 31.03.16	01.01.15 - 31.03.15	2015
			Income statement (MNOK)				
5.399	1.416	1.251	Interest income		1.400	1.477	5.752
3.113	852	648	Interest expense		702	850	3.159
2.286	564	603	Net interest income		698	627	2.593
1.126	302	269	Commission income		369	427	1.605
70	17	18	Commission expenses		19	20	78
6	1	2	Other operating income		2	1	5
1.062	286	253	Net commission and other income		352	408	1.532
15	6	8	Dividend income		8	7	17
530	0	0	Income from investment in associates		104	133	422
-173	71	-42	Net gains/losses on financial instruments	13	-33	71	-135
372	77	-34	Net income on financial investments		79	211	304
3.720	927	822	Total income		1.129	1.246	4.429
669	235	220	Personnel expenses	14	295	310	945
422	103	89	Administrative expenses		102	119	480
287	69	65	Other operating costs		95	101	438
1.378	407	374	Total operating costs		492	530	1.863
2.342	520	448	Operating profit before impairment losses		637	716	2.566
380	80	149	Impairment losses on loans and guarantees	2, 3 and 4	150	88	420
1.962	440	299	Pre-tax profit	12	487	628	2.146
340	116	78	Tax expense		101	132	400
1.622	324	221	Profit after tax		386	496	1.746
			Other comprehensive income				
187	27	-148	Unrecognised actuarial gains and losses		-157	29	200
-46	-7	37	Deferred tax concerning changed estimates/pension plan changes		39	-8	-50
141	20	-111	Total items not reclassified through profit or loss		-118	21	150
-21	0	0	Tax change actuarial gains/losses		0	0	-21
95	0	0	Change in value of financial assets available for sale		0	0	95
0	0	0	Share of profit associated companies and joint ventures		-15	-5	32
74	0	0	Total items reclassified through profit or loss		-15	-5	106
215	20	-111	Other comprehensive income		-133	16	256
1.837	344	110	Total comprehensive income		253	512	2.002
			Earnings per share (group)		1,51	1,94	6,83

Balance sheet

Parent bank				Note	Group		
31.12.15	31.03.15	31.03.16	Balance sheet (MNOK)		31.03.16	31.03.15	31.12.15
931	2.400	1.497	Cash and balances with central banks		1.497	2.400	931
8.813	8.443	11.388	Balances with credit institutions		5.059	2.533	2.984
137.506	137.156	131.838	Loans to customers	3, 8	154.221	143.937	154.357
20.314	14.775	21.763	Certificates, bonds and other fixed-income securities		20.963	14.789	19.533
6.133	5.763	5.537	Financial derivatives	10	5.403	5.760	6.135
300	481	288	Shares, ownership stakes and other securities	17	428	631	441
168	22	162	Business available for sale		162	22	168
3.172	3.255	3.172	Investment in associates		5.017	4.886	4.792
2.698	1.416	2.698	Investment in subsidiaries		0	0	0
2.307	1.539	1.571	Other assets	5	2.013	1.955	2.708
182.342	175.250	179.914	Total assets	12	194.763	176.913	192.049
6.005	4.958	4.729	Balances with credit institutions		4.174	4.803	5.296
89.632	86.205	87.158	Deposits from customers	7	87.023	85.984	89.444
63.338	60.198	62.320	Listed debt securities	11	75.737	60.198	71.979
2.879	3.916	3.261	Financial derivatives	10	3.064	3.916	2.786
1.895	2.858	3.899	Other liabilities	6	4.160	3.093	2.171
3.459	2.975	3.310	Subordinated loan capital	11	3.310	2.975	3.459
167.208	161.110	164.677	Total liabilities		177.468	160.969	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	512	384	Proposed dividend		384	512	384
163	59	163	Fund for unrealised gains		163	59	163
6.606	5.264	6.488	Other equity		8.381	6.896	8.386
0	324	221	Profit/loss at period end		386	496	0
15.134	14.140	15.237	Total equity		17.295	15.944	16.914
182.342	175.250	179.914	Total liabilities and equity	12	194.763	176.913	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			386		386
Unrecognised actuarial gains and losses after tax			-118		-118
Change in value of financial assets available for sale					0
Share of profit associated companies and joint ventures			-15		-15
Total items not reclassified through profit or loss			253	0	253
Adjusted equity accosiates			135		135
Dividend 2015, resolved in 2016					0
Purchase/sale of own shares			-7		-7
Items reclassified through profit or loss	0	0	-7	0	-7
Equity as of 31.03.2016	6.394	1.587	9.151	163	17.295

Cash flow statement

Parent bank			Cash flow statement	Group		
2015	01.01.15 - 31.03.15	01.01.16 - 31.03.16		01.01.16 - 31.03.16	01.01.15 - 31.03.15	2015
-3.466	-3.054	5.549	Change in gross lending to customers	18	-3.018	-13.522
4.834	1.280	1.085	Interest receipts from lending to customers	1.262	1.376	5.329
7.909	4.482	-2.474	Change in deposits from customers	-2.421	4.495	7.955
-1.355	-79	-70	Interest payments on deposits from customers	-71	-82	-1.350
-1.795	-1.770	-3.736	Change in receivables and debt from credit institutions	-3.080	-775	-1.702
-381	-85	-115	Interest on receivables and debt to financial institutions	-149	-101	-505
-5.066	473	-1.449	Change in certificates and bonds	-1.430	473	-4.272
384	92	117	Interest receipts from commercial paper and bonds	116	92	384
1.025	267	137	Commission receipts	232	385	1.533
-12	-17	-6	Capital gains from sale of trading	-9	-17	-15
-1.323	-315	-354	Payments for operations	-470	-494	-1.847
-102	-52	-102	Taxes paid	-155	-118	-206
2.407	1.767	2.748	Other accruals	2.735	614	2.883
3.059	2.989	1.330	A Net change in liquidity from operations	-3.422	2.830	-5.335
-129	-26	-26	Investments in tangible fixed assets	-32	-38	-208
0	0	0	Receipts from sale of tangible fixed assets	0	0	6
-1.381	-192	0	Change in long-term investments in equities	-4	-32	-1.406
221	0	0	Receipts from sales of long-term investments in equities	8	0	221
545	6	8	Dividends from long-term investments in equities	8	7	546
-744	-212	-18	B Net cash flow, investments	-20	-63	-841
4.328	2.914	820	Debt raised by issuance of securities	5.639	2.914	12.861
-7.332	-4.852	-908	Repayments - issued securities	-927	-4.852	-7.332
-1.018	-523	-370	Interest payments on securities issued	-414	-523	-1.070
481	0	0	Additional subordinated loan capital issued	0	0	481
0	0	-159	Repayments - additional capital instruments	-159	0	0
-137	-20	-14	Interest payments on subordinated loans	-14	-20	-137
-512	0	0	Dividend to share holders	0	0	-512
-4.190	-2.481	-631	C Net cash flow, financing	4.125	-2.481	4.291
-1.875	296	681	A+B+C Net cash flow during the period	683	286	-1.885
2.984	2.984	1.109	Cash and cash equivalents as at 1 January	1.111	2.996	2.996
1.109	3.280	1.790	Cash and cash equivalents as at 31 March	1.794	3.280	1.111
			Cash and cash equivalents specified			
931	2.401	1.497	Cash and balances with central banks	1.497	2.400	931
178	879	293	Balances with credit institutions	297	880	180
1.109	3.280	1.790	Cash and cash equivalents	1.794	3.280	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 - 31 March 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 first 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. In a letter dated 8 April 2016 to the Financial Supervisory Authority of Norway, the Ministry of Finance asked the authority to prepare a consultation paper and draft amendments to the regulations on measuring levies upon disenrollment from the guarantee scheme that could entitle banks to a refund of levies for that part of the relevant year in which the bank is not a member of the guarantee fund. The Ministry of Finance asks that the consultation paper look at the consequences amending the regulations could have for the Norwegian Banks Guarantee Fund and other affected parties, including for the members' accrual accounting of the levy. The deadline for responding is 1 June 2016. Pending the Financial Supervisory Authority of Norway's report and response to the Ministry of Finance, SpareBank 1 SR-Bank has in the first quarter of 2016 continued its previous practice of recognising the levy on a monthly accrual basis. The cost amounted to NOK 19 million for the first quarter of 2016, compared with NOK 16 million for the first quarter of 2015. Had the levy for the Norwegian Banks Guarantee Fund been recognised as a cost in its entirety in the first quarter of 2016, interest costs would have increased by NOK 58 million compared with NOK 46 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 2014 explains in more detail the use of critical estimates and judgements when applying the accounting policies.

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

Parent bank				Group		
01.01.15 - 31.12.15	01.01.15 - 31.03.15	01.01.16 - 31.03.16		01.01.16 - 31.03.16	01.01.15 - 31.03.15	01.01.15 - 31.12.15
-14	36	60	Change in individual impairment losses provisions for the period	59	30	-4
135	20	60	Change in collective impairment loss provisions for the period	60	20	140
7	2	1	Amortised cost	1	2	7
71	21	24	Actual loan losses on commitments for which provisions have been made	24	28	78
201	3	6	Actual loan losses on commitments for which no provision has been made	9	11	223
1	0	0	Change in assets taken over for the period	0	0	1
-21	-2	-2	Recoveries on commitments previously written-off	-3	-3	-25
380	80	149	The period's net losses / (reversals) on loans and advances	150	88	420

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

Parent bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
302	302	288	Provisions for Individual impairment losses at start of period	318	322	322
65	8	19	Increases in previous provisions for individual impairment losses	19	8	65
-102	-16	-29	Reversal of provisions from previous periods	-30	-17	-107
96	65	95	New provisions for individual impairment losses	95	67	118
-2	0	-1	Amortised cost	-1	0	-2
-71	-21	-24	Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-24	-28	-78
288	338	348	Provisions for individual impairment losses at period end	377	352	318
272	24	30	Net losses	33	39	301

Note 4 *Non-performing and impaired loans*

Parent bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
Non-performing loans and advances						
829	423	715	Gross non-performing loans above 90 days	754	448	853
98	110	112	Provisions for Individual impairment losses	122	112	100
731	313	603	Net non-performing loans and advances	632	336	753
12 %	26 %	16 %	Loan loss provision ratio	16 %	25 %	12 %
Other problem commitments						
493	711	906	Problem commitments	943	729	548
190	228	236	Provisions for Individual impairment losses	255	240	218
303	483	670	Net other problem commitments	688	489	330
39 %	32 %	26 %	Loan loss provision ratio	27 %	33 %	40 %

Note 5 Other assets

Parent bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
2	3	2	Intangible assets	91	50	61
342	304	352	Tangible fixed assets	418	347	404
15	26	14	Income earned but not received from SpareBank 1 Bolig- and Næringskreditt	14	26	15
25	38	142	Prepaid expences	150	43	29
35	35	35	Capital contribution SR-Pensjonskasse	35	35	35
1.756	962	972	Unsettled trades	972	962	1.756
132	171	54	Other assets	333	492	408
2.307	1.539	1.571	Total other assets	2.013	1.955	2.708

Note 6 Other liabilities

Parent bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
239	317	242	Accrued expenses and prepaid revenue	326	407	322
643	862	606	Deferred tax	614	829	654
238	620	390	Pension liabilities	423	669	263
3	0	4	Other specified provisions	4	0	3
544	167	520	Taxes payable	583	220	637
0	177	1.732	Unsettled trades	1.732	177	0
228	715	405	Other liabilities	478	791	292
1.895	2.858	3.899	Total other liabilities	4.160	3.093	2.171

Note 7 Customer deposits by sector and industry

Parent bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
1.146	1.190	1.187	Agriculture/forestry	1.187	1.190	1.146
351	304	416	Fishing/Fish farming	416	304	351
2.529	2.281	1.501	Mining/extraction	1.501	2.281	2.529
1.426	1.174	1.011	Industry	1.011	1.174	1.426
2.090	1.902	1.803	Power and water supply/building and construction	1.803	1.902	2.090
2.599	2.024	2.355	Retail trade, hotels and restaurants	2.355	2.024	2.599
1.662	1.187	1.916	Foreign trade shipping, pipeline transport and other transport activities	1.916	1.187	1.662
7.078	7.154	5.642	Real estate	5.642	7.154	7.078
12.431	10.024	11.823	Service industry	11.690	9.808	12.243
16.217	18.891	17.332	Public sector and financial services	17.332	18.891	16.217
47.529	46.131	44.986	Total corporate sector	44.853	45.915	47.341
42.101	39.762	42.012	Retail customers	42.012	39.762	42.101
2	312	160	Accrued interests corporate sector and retail customers	158	307	2
89.632	86.205	87.158	Deposits from customers	87.023	85.984	89.444

Note 8 Loans by sector and industry

Parent bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
4.204	4.113	4.164	Agriculture/forestry	4.431	4.349	4.443
721	413	583	Fishing/Fish farming	772	573	903
5.097	4.478	5.391	Mining/extraction	5.646	4.635	5.330
2.451	2.261	2.637	Industry	3.272	2.940	3.093
2.561	2.790	2.583	Power and water supply/building and construction	3.300	3.611	3.437
2.179	2.192	2.398	Retail trade, hotels and restaurants	2.810	2.540	2.578
9.112	8.460	8.915	Foreign trade shipping, pipeline transport and other transport activities	9.427	9.015	9.666
27.435	27.576	27.627	Real estate	27.761	27.704	27.568
6.104	6.314	5.855	Service industry	7.958	8.298	8.113
2.037	2.103	2.106	Public sector and financial services	2.276	2.291	2.209
61.900	60.700	62.259	Total corporate sector	67.653	65.956	67.342
75.719	76.443	69.755	Retail customers	86.838	78.055	87.229
339	372	392	Unallocated (excess value fixed interest loans and amort. lending fees)	375	358	323
284	315	287	Accrued interests corporate sector and retail customers	306	317	296
138.242	137.830	132.693	Gross loans	155.172	144.686	155.190
-285	-338	-344	- Individual impairment losses provisions	-373	-351	-315
-451	-336	-511	- Collective impairment losses provisions	-578	-398	-518
137.506	137.156	131.838	Loans to customers	154.221	143.937	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 increasing in the run up to 30 June 2016.

The following requirements apply as of 31 December 2015: capital conservation buffer 2,5%, systemic risk buffer 3,0%, and countercyclical buffer 1,0%. 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 11,0%. It has been announced that the countercyclical buffer will be increased to 1,5% with effect from 30 June 2016. 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	31.03.15	31.03.16		31.03.16	31.03.15	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	512	384	Allocated to dividend	384	512	384
163	59	163	Reserve for unrealised gains	163	59	163
6.606	5.264	6.488	Other equity	8.381	6.896	8.386
	324	221	Profit for the period	386	496	
15.134	14.140	15.237	Total book equity	17.295	15.944	16.914

Note 9 Capital adequacy (continued)

Parent bank				Group		
31.12.15	31.03.15	31.03.16		31.03.16	31.03.15	31.12.15
			Tier 1 capital			
-2	-3	-2	Deferred taxes, goodwill and other intangible assets	-96	-55	-67
-384	-512	-384	Deduction for allocated dividends	-384	-512	-384
-380	-455	-252	Deduction for expected losses on IRB, net of write-downs	-315	-519	-421
0	-162	-111	Profit for the period that cannot be included in total Tier 1 capital	-193	-248	0
0	0	0	Deduction for common equity Tier 1 capital in essential investments in financial institutions	-383	-368	-191
-39	-34	-39	Value of derivative liabilities at fair value	-57	-48	-57
14.329	12.974	14.449	Total Common equity Tier 1 capital	15.867	14.194	15.794
794	794	795	Tier 1 capital instruments	1.088	1.012	1.088
15.123	13.768	15.244	Total Tier 1 capital	16.955	15.206	16.882
			Tier 2 capital			
2.536	2.065	2.383	Term subordinated loan capital	2.958	2.692	3.111
-60		-60	Deduction for essential investments in financial institutions	-60	-60	-60
2.476	2.005	2.323	Total Tier 2 capital	2.898	2.632	3.051
17.599	15.773	17.567	Net primary capital	19.853	17.838	19.933
			Credit risk Basel II			
14.820	14.646	16.524	SME	16.526	14.657	14.822
20.445	23.424	19.879	Specialised enterprises	21.426	25.696	22.148
6.316	6.042	6.139	Other corporations	6.566	6.496	6.830
1.092	1.028	1.050	Mass market SME	1.246	1.179	1.236
20.024	19.482	18.771	Mass market - mortgage on real estate	28.585	25.733	27.170
928	1.001	869	Other mass market	897	1.001	950
7.802	7.098	7.745	Equity positions	0	0	0
71.427	72.721	70.977	Total credit and counterparty risk IRB	75.246	74.762	73.156
70	74	70	States and central banks	70	74	70
116	80	86	Local and regional authorities, state-owned enterprises	167	290	191
5.628	6.232	6.159	Institutions	5.815	6.837	5.985
2.075	2.105	2.079	Enterprises	6.770	6.565	6.886
121	174	154	Mass market	1.412	1.371	1.386
0	0	0	Mass market - mortgage on real estate	3.948	5.632	4.114
1.228	937	1.382	Covered bonds	1.719	995	1.205
4.600	3.153	4.599	Equity positions	4.624	3.763	4.661
1.507	1.688	1.585	Other assets	2.036	2.089	1.840
15.345	14.443	16.114	Total credit and counterparty risk standard method	26.561	27.616	26.338
0	595	0	Position risk for equity instruments	0	595	0
499	486	399	Credit value adjustment risk (CVA)	872	1.175	1.050
5.295	5.295	5.458	Operational risk	7.084	6.811	6.794
1.429	0	0	Transitional scheme	8.764	6.630	11.786
93.995	93.540	92.948	Risk weighted balance	118.527	117.589	119.124
4.230	4.209	4.183	Minimum requirement for common equity Tier 1 capital ratio 4,5 %	5.334	5.292	5.361
			Buffer requirement			
2.350	2.339	2.324	Capital conservation buffer 2,5 %	2.963	2.940	2.978
2.820	2.806	2.788	Systemic risk buffer 3 %	3.556	3.528	3.574
940		929	Countercyclical capital buffer 1 %	1.185		1.191
6.110	5.145	6.042	Total buffer requirement to common equity Tier 1 capital ratio	7.704	6.467	7.743
3.990	3.620	4.225	Available common equity Tier 1 capital ratio after buffer requirement	2.829	2.435	2.690
18,72 %	16,86 %	18,90 %	Capital ratio	16,75 %	15,17 %	16,73 %
16,09 %	14,72 %	16,40 %	Tier 1 capital ratio	14,30 %	12,93 %	14,17 %
2,63 %	2,14 %	2,50 %	Tier 2 capital ratio	2,45 %	2,24 %	2,56 %
15,24 %	13,87 %	15,55 %	Common equity Tier 1 capital ratio	13,39 %	12,07 %	13,26 %
19,01 %	16,86 %	18,90 %	Capital ratio, IRB	18,09 %	16,08 %	18,57 %
16,34 %	14,72 %	16,40 %	Tier 1 capital ratio, IRB	15,45 %	13,70 %	15,73 %
15,48 %	13,87 %	15,55 %	Common equity Tier 1 capital ratio, IRB	14,46 %	12,79 %	14,71 %
7,67 %	7,33 %	8,00 %	Leverage Ratio	6,39 %	6,13 %	6,30 %

Note 10 Financial derivatives

Group

At fair value through profit and loss	Contract amount	Fair value at 31.03.16	
	31.03.16	Assets	Liabilities
Currency instruments			
Currency forward contracts	3.715	123	38
Currency swaps	47.407	400	480
Currency options	190	1	1
Total currency instruments	51.312	524	519
Interest rate instruments			
Interest rate swaps(including cross-currency)	91.438	1.665	2.116
Other interest rate contracts	154	1	1
Total interest rate instruments	91.592	1.666	2.117
Hedging / Interest rate instruments			
Interest rate swaps (including cross currency)	53.394	2.523	103
Total hedging / Interest rate instruments	53.394	2.523	103
Accrued interests			
Accrued interests		690	325
Total accrued interests		690	325
Total currency and interest rate instruments			
Total currency instruments	51.312	524	519
Total interest rate instruments	144.986	4.189	2.220
Total accrued interests		690	325
Total financial derivatives	196.298	5.403	3.064

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 153.0 billion and NOK 2.9 billion as of the first 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 31.03.16	Issued/ sale own 2016	Past due/ redeemed 2016	FX rate- and other changes	31.12.15
				2016	
Bonds and certificates, nominal val	72.539	5.639	-927	-1.033	68.860
Adjustments	2.555			238	2.317
Accrued interests	643			-159	802
Total debt raised through issuance of securities	75.737	5.639	-927	-954	71.979

Change in additional Tier 1 and Tier 2 capital instruments	Balance as at 31.03.16	Issued/ sale own 2016	Past due/ redeemed 2016	FX rate- and other changes	31.12.15
				2016	
Term subordinated loan capital, nominal amount	2.382		-159	-9	2.550
Perpetual subordinated loan capital, nominal amount	0				0
Tier 1 capital instruments, nominal amount	795				795
Adjustments	101			-1	102
Accrued interests	32			20	12
Total additional Tier 1 and Tier 2 capital instruments	3.310	0	-159	10	3.459

The nominal value of the net outstanding covered bonds in SR-Boligkredit is NOK 13.3 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 - 31.03.16										
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	409	430	296	209	1	92	0	-37	1.400	
Interest expense	132	112	282	182	0	30	0	-36	702	
Net interest income ¹⁾	277	318	14	27	1	62	0	-1	698	
Commission income ¹⁾	162	85	19	2	68	1	45	-13	369	
Commission expenses	9	6	2	3	0	5	7	-13	19	
Other operating income	0	0	0	2	0	0	0	0	2	
Net commission and other income	153	79	17	1	68	-4	38	0	352	
Dividend income	5	0	1	2	0	0	0	0	8	
Income from investment in associates	0	0	0	0	0	0	0	104	104	
Net gains/losses on financial instruments	-3	4	-13	-21	0	0	-1	1	-33	
Net income on investment securities	2	4	-12	-19	0	0	-1	105	79	
Personnel expenses	99	45	15	61	46	9	22	-2	295	
Administrative expenses	17	5	3	64	8	2	3	0	102	
Other operating expenses	24	6	5	30	21	3	5	1	95	
Total operating expenses	140	56	23	155	75	14	30	-1	492	
Operating profit before losses	292	345	-4	-146	-6	44	7	105	637	
Change in individual write-downs in the period	7	82	0	0	0	1	0	0	90	
Change in group write-downs in the period	3	57	0	0	0	0	0	0	60	
Pre-tax profit	282	206	-4	-146	-6	43	7	106	487	
Net interest income ¹⁾										
External net interest income	277	318	14	27	0	92	0	-30	698	
Internal net interest income	0	0	0	0	1	-30	0	29	0	
Net interest income	277	318	14	27	1	62	0	-1	698	
				0						
Balance sheet (MNOK)				0						
Loans to customers	88.786	56.171	734	2.622	0	6.861	0	-2	155.172	
Individual loss provisions	-69	-275	0	0	0	-29	0	0	-373	
Group loss provisions	-47	-464	0	0	0	-67	0	0	-578	
Certificates/bonds/financial derivatives	0	0	4.610	22.902	0	0	17	-1.163	26.366	
Other assets	40	962	175	20.152	137	102	597	-7.989	14.176	
Total assets	88.709	56.395	5.520	45.676	137	6.866	614	-9.153	194.763	
Deposits from customers	47.099	37.288	2.768	4	0	0	0	-135	87.023	
Other debt and equity ¹⁾	41.610	19.107	2.752	45.672	137	6.866	614	-9.018	107.740	
Total debt and equity	88.709	56.395	5.520	45.676	137	6.866	614	-9.153	194.763	
Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	28.213	554							28.767	

Note 12 Segment reporting (continued)

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

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 - 31.03.15	01.01.16 - 31.03.16		01.01.16 - 31.03.16	01.01.15 - 31.03.15	01.01.15 - 31.12.15
-79	4	-21	Net gains/losses on equity instruments	-21	4	-39
-274	-49	-51	Net gains/losses for bonds and certificates	-53	-49	-275
91	22	8	Net derivatives; bonds and certificates	8	22	91
-66	0	1	Net counterparty risk, inclusive of CVA	1	0	-66
-35	-4	-2	Net derivatives; other assets	-2	-4	-35
0	0	-3	Net derivatives; liabilities	-7	0	-3
85	67	0	Net derivatives; basis swap spread	13	67	88
105	31	26	Net gain currency	28	31	104
-173	71	-42	Net income/losses from financial instruments	-33	71	-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:

Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Parent bank and group
2,40 %	2,80 %	2,60 %	2,70 %	2,30 %	Discount rate
2,40 %	2,80 %	2,60 %	2,70 %	2,30 %	Expected return on assets
2,75 %	2,75 %	2,50 %	2,50 %	2,50 %	Forecast salary increase
2,50 %	2,50 %	2,25 %	2,25 %	2,25 %	National Insurance scheme's basic amount
2,00 %	2,00 %	2,00 %	1,6%/2,0%	1,6%/2,0%	Pension adjustment/paid-up policy adjustment

Change in pension obligations (NOK million):

2015	Q1 2015	01.01.16 - 31.03.16		01.01.16 - 31.03.16	Q1 2015	2015
625	625	238	Net obligations opening balance	263	674	674
-187	-27	148	Actuarial liabilities and losses recognised in comprehensive income	157	-29	-200
88	24	6	Net pension cost	6	26	95
-66	0	0	Company contributions	0	0	-71
-9	-2	-2	Payments from operations	-3	-2	-9
-213	0	0	Curtailements included in the income statement	0	0	-226
238	620	390	Net pension obligations closing balance	423	669	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 3.2 years at the end of the first quarter of 2016. The total LCR was 130% at the end of the first quarter and the average total LCR was 141% in the quarter. The LCR in NOK and EUR at the end of the quarter was 93% and 134%, 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) for the

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

Fair value 31.03.16	Level 1	Level 2	Level 3	Total
Assets				
Net lending to customers			10.422	10.422
Commercial paper and bonds at fair value	14.063	5.740		19.803
Financial derivatives		5.403		5.403
Equities, units and other equity interests	179	13	235	427
Operations that will be sold			162	162
Liabilities				
Financial derivatives		3.064		3.064
No transfers between levels 1 and 2				
Fair value 31.03.15	Level 1	Level 2	Level 3	Total
Assets				
Net lending to customers			10.382	10.382
Commercial paper and bonds at fair value	11.180	3.609		14.789
Financial derivatives		5.760		5.760
Equities, units and other equity interests	217	118	293	628
Operations that will be sold			22	22
Liabilities				
Financial derivatives		3.916		3.916

No transfers between levels 1 and 2

Note 17 Information about fair value (continued)

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	4	
Disposals	-283	-8	
Transferred from or to measurement according to prices in an active market or observable market data			
Change in value ¹⁾	53	3	-6
Balance 31.03	10.422	235	162
Nominal value/cost price	9.949	176	107
Fair value adjustment	473	59	55
Balance 31.03	10.422	235	162

The stake in Bank 1 Oslo Akershus is valued every quarter by SpareBank 1 Gruppen and distributed to all of the alliance banks. In 2015, Sparebanken Hedmark exercised its option to purchase the remaining shares in Bank 1 Oslo Akershus and the transaction is expected to be finally completed in the first quarter of 2016. Valuation of the stake in Bank 1 Oslo Akershus is based on an average of five different methods in which the last known transaction price, earnings per share, dividends per share and EBITDA are inputs for the valuation.

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. On 2 November 2015, an agreement was announced concerning the sale of Visa Europe Ltd to Visa Inc. The transaction, which is expected to be completed in the second quarter of 2016, will considerably 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 assets in Visa Inc., a cash settlement and contingent remuneration. Visa Europe Ltd has estimated the value of the shares in Visa Inc. The fair value of the shares in Visa Inc was arrived at using the price of the shares and exchange rate on 31 December 2015, with deductions for the liquidity discount priced in the acquisition analysis and liquidity discount estimated by SpareBank 1 SR-Bank. The cash remuneration is indicated by Visa Europe Ltd. SpareBank 1 SR-Bank has used its share of the voting rights in Visa Norge IFS, 3.1%, to calculate its proportion of the total estimated value. The estimated fair value was used in the interim financial statements and resulted in income of NOK 95.2 million in the fourth quarter of 2015.

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 30 million.

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

Fair value of financial instruments at amortised cost

Group	Balance Fair value	
	31.03.2016	31.03.2016
Assets		
Cash and balances with central banks	1.497	1.497
Balances with credit institutions	5.059	5.059
Loans to customers ¹⁾	143.799	143.799
Certificates and bond held to maturity	1.160	1.159
Total assets at amortised cost	151.515	151.514
Liabilities		
Balances with credit institutions	4.174	4.174
Deposits from customers ¹⁾	87.023	87.023
Listed debt securities	75.737	74.729
Subordinated loan capital	3.310	3.097
Total liabilities at amortised cost	170.244	169.023

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 31 March 2016.

QUARTERLY INCOME STATEMENT

SpareBank 1 SR-Bank Group, MNOK	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2016	2015	2015	2015	2015	2014	2014	2014	2014
Interest income	1.400	1.408	1.431	1.436	1.477	1.588	1.568	1.543	1.438
Interest expense	702	730	782	797	850	933	947	962	891
Net interest income	698	678	649	639	627	655	621	581	547
Commission income	369	388	372	418	427	423	421	462	498
Commission expenses	19	17	21	20	20	19	20	19	20
Other operating income	2	1	2	1	1	1	2	1	2
Net commission and other income	352	372	353	399	408	405	403	444	480
Dividend income	8	1	1	8	7	1	10	7	18
Income from investment in associates	104	110	78	101	133	138	150	137	81
Net gains/losses on financial instrument	-33	-124	-67	-15	71	-23	-18	57	220
Net income on financial investments	79	-13	12	94	211	116	142	201	319
Total income	1.129	1.037	1.014	1.132	1.246	1.176	1.166	1.226	1.346
Personnel expenses	295	114	221	300	310	308	307	293	294
Administrative expenses	102	125	114	122	119	128	114	120	106
Other operating costs	95	129	94	114	101	94	99	88	105
Total operating cost	492	368	429	536	530	530	520	501	505
Operating profit before impairment losses	637	669	585	596	716	646	646	725	841
Impairment losses on loans and guarantees	150	192	96	44	88	93	69	41	54
Pre-tax profit	487	477	489	552	628	553	577	684	787
Tax expense	101	35	112	121	132	105	123	150	128
Profit after tax	386	442	377	431	496	448	454	534	659
Profitability									
Return on equity per quarter ¹⁾	9,0 %	10,6 %	9,3 %	10,8 %	12,7 %	11,7 %	12,2 %	14,5 %	18,4 %
Cost percentage ²⁾	43,6 %	35,5 %	42,3 %	47,3 %	42,5 %	45,1 %	44,6 %	40,9 %	37,5 %
Combined weighted total average spread for lending and deposits ³⁾	1,44 %	1,40 %	1,39 %	1,44 %	1,45 %	1,51 %	1,48 %	1,41 %	1,40 %
Balance sheet figures from quarterly accounts									
Gross loans to customers	155.172	155.190	151.911	150.245	144.686	141.620	137.343	135.335	121.723
Gross loans to customers including SB1 Boligkreditt og Næringskreditt	183.939	183.896	182.940	181.440	178.750	174.492	170.270	168.624	166.593
Growth in loans over last 12 months ⁴⁾	7,2 %	9,6 %	10,6 %	11,0 %	18,9 %	17,7 %	17,7 %	17,5 %	8,4 %
Growth in loans incl SB1 Boligkreditt and Næringskreditt	2,9 %	5,4 %	7,4 %	7,6 %	7,3 %	4,7 %	3,5 %	3,6 %	3,8 %
Deposits from customers	87.023	89.444	88.980	90.788	85.984	81.489	81.228	81.728	74.440
Growth in deposits over last 12 months	1,2 %	9,8 %	9,5 %	11,1 %	15,5 %	13,7 %	14,9 %	11,5 %	8,5 %
Total assets	194.763	192.049	191.500	181.889	176.913	174.926	168.310	167.273	157.752
Average total assets	194.300	192.315	185.459	177.861	175.938	172.179	166.894	164.949	158.867
Losses and non-performing commitments									
Impairment losses ratio, annualized ⁵⁾	0,39 %	0,50 %	0,25 %	0,12 %	0,25 %	0,27 %	0,20 %	0,13 %	0,18 %
Non-performing commitments as a percentage of total loans	0,49 %	0,55 %	0,23 %	0,27 %	0,31 %	0,30 %	0,38 %	0,40 %	0,52 %
Other doubtful commitments as a percentage of total loans	0,61 %	0,35 %	0,45 %	0,51 %	0,50 %	0,36 %	0,39 %	0,41 %	0,38 %
Solidity									
Common equity Tier 1 capital ratio	13,4 %	13,3 %	12,2 %	12,3 %	12,1 %	11,5 %	11,3 %	11,4 %	11,2 %
Tier 1 capital ratio	14,3 %	14,2 %	13,1 %	13,1 %	12,9 %	12,3 %	13,1 %	13,2 %	13,0 %
Capital ratio	16,8 %	16,7 %	15,2 %	15,3 %	15,2 %	14,5 %	15,4 %	14,6 %	14,5 %
Tier 1 capital	16.955	16.882	16.063	15.771	15.206	14.828	15.304	14.978	14.691
Net primary capital	19.853	19.933	18.635	18.403	17.838	17.465	18.037	16.584	16.407
Risk weighted balance	118.527	119.124	122.380	120.363	117.589	120.189	117.278	113.725	113.413
Leverage ratio	6,4 %	6,3 %	5,9 %	6,3 %	6,1 %				
Liquidity									
Liquidity Coverage Ratio (LCR) ⁶⁾	130 %	128 %	164 %	111 %	113 %				
Deposit-to-loan ratio	56,1 %	57,6 %	58,6 %	60,4 %	59,4 %	57,5 %	59,1 %	60,4 %	61,2 %

Se next page for definition of key figures

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
SpareBank 1 SR-Bank share	2016	2015	2015	2015	2015	2014	2014	2014	2014
Market price at end of quarter	40,60	39,30	42,40	52,25	56,25	52,50	61,00	59,75	60,75
Market capitalisation	10.383	10.051	10.844	13.363	14.386	13.427	15.601	15.281	15.537
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)	67,68	66,14	64,02	62,56	62,40	60,28	59,21	57,63	57,45
Earnings per share, NOK (annualised)	1,51	1,73	1,47	1,69	1,94	1,75	1,78	2,09	2,58
Price/earnings per share	6,72	5,68	7,21	7,73	7,25	7,50	8,57	7,15	5,89
Price / Book equity (group)	0,60	0,59	0,66	0,84	0,90	0,87	1,03	1,04	1,06
Annualised turnover rate in quarter ⁷⁾	4,6 %	3,4 %	5,1 %	5,6 %	7,4 %	7,7 %	3,0 %	5,5 %	7,6 %
Effective return ⁸⁾	3,3 %	-7,3 %	-18,9 %	-3,6 %	7,1 %	-13,9 %	2,1 %	1,0 %	0,8 %

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