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## Interim Financial Statements Q3 2016

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## Key figures SpareBank 1 SR-Bank Group

MAIN FIGURES	01.01.16 - 30.09.16		01.01.15 - 30.09.15		2015	
	MNOK	%	MNOK	%		
Net interest income	2.138	1,47	1.915	1,42	2.593	1,42
Net commission and other income	1.088	0,75	1.160	0,86	1.532	0,84
Net income on financial investments	515	0,35	317	0,24	304	0,17
<b>Total income</b>	<b>3.741</b>	<b>2,58</b>	<b>3.392</b>	<b>2,52</b>	<b>4.429</b>	<b>2,42</b>
<b>Total operating costs</b>	<b>1.492</b>	<b>1,03</b>	<b>1.495</b>	<b>1,11</b>	<b>1.863</b>	<b>1,02</b>
<b>Operating profit before impairment losses</b>	<b>2.249</b>	<b>1,55</b>	<b>1.897</b>	<b>1,41</b>	<b>2.566</b>	<b>1,40</b>
Impairment losses on loans and guarantees	616	0,42	228	0,17	420	0,23
<b>Pre-tax profit</b>	<b>1.633</b>	<b>1,13</b>	<b>1.669</b>	<b>1,24</b>	<b>2.146</b>	<b>1,17</b>
Tax expense	307	0,21	365	0,27	400	0,22
<b>Profit after tax</b>	<b>1.326</b>	<b>0,91</b>	<b>1.304</b>	<b>0,97</b>	<b>1.746</b>	<b>0,96</b>
	<b>30.09.16</b>		<b>30.09.15</b>		<b>31.12.15</b>	
<b>PROFITABILITY</b>						
Return on equity <sup>1)</sup>	10,2 %		10,9 %		10,8 %	
Cost ratio <sup>2)</sup>	39,9 %		44,1 %		42,1 %	
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,47 %		1,42 %		1,42 %	
<b>BALANCE SHEET</b>						
Gross loans to customers	157.352		151.911		155.190	
Gross loans to customers including SB1 Boligkreditt og Næringskreditt	183.042		182.940		183.896	
Growth in loans <sup>4)</sup>	3,6 %		10,6 %		9,6 %	
Growth in loans incl SB1 Boligkreditt and Næringskreditt	0,1 %		7,4 %		5,4 %	
Deposits from customers	87.240		88.980		89.444	
Growth in deposits	-2,0 %		9,5 %		9,8 %	
Total assets	193.219		191.500		192.049	
Average total assets	193.879		179.823		182.768	
<b>LOSSES AND NON-PERFORMING COMMITMENTS</b>						
Impairment losses ratio, annualized <sup>5)</sup>	0,53 %		0,21 %		0,28 %	
Non-performing commitments as a percentage of gross loans	0,73 %		0,23 %		0,55 %	
Other doubtful commitments as a percentage of gross loans	0,64 %		0,45 %		0,35 %	
<b>SOLIDITY</b>						
Common equity Tier 1 capital ratio	13,8 %		12,2 %		13,3 %	
Tier 1 capital ratio	14,7 %		13,1 %		14,2 %	
Capital ratio	17,1 %		15,2 %		16,7 %	
Tier 1 capital	17.552		16.063		16.882	
Risk weighted balance	119.118		122.380		119.124	
Leverage ratio	6,7 %		5,9 %		6,3 %	
<b>Liquidity</b>						
Liquidity Coverage Ratio (LCR) <sup>6)</sup>	123 %		164,0 %		128,0 %	
Deposit-to-loan ratio	55,4 %		58,6 %		57,6 %	
<b>BRANCHES AND STAFF</b>						
Number of branches	47		50		49	
Number of man-years	1.207		1.210		1.190	
<b>SpareBank 1 SR-Bank share</b>						
	<b>30.09.16</b>	<b>31.12.15</b>	<b>31.12.14</b>	<b>31.12.13</b>	<b>31.12.12</b>	
Market price	45,60	39,30	52,50	60,25	37,20	
Market capitalisation	11.662	10.051	13.427	15.409	9.514	
Book equity per share (including dividends) (group)	69,36	66,14	60,28	55,00	49,48	
Earnings per share, NOK	5,19	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	6,59	5,75	6,40	8,28	6,98	
Price / Book equity (group)	0,66	0,59	0,87	1,10	0,75	
Effective return <sup>7)</sup>	19,8 %	-21,3 %	-10,2 %	66,0 %	-4,9 %	

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

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

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

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

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

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

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

## A good result with efficient operations and increased financial income

### Q3 2016

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- Pre-tax profit: NOK 660 million (NOK 489 million)
  - Net profit for the quarter: NOK 534 million (NOK 377 million)
  - Return on equity after tax: 12.2% (9.3%)
  - Earnings per share: NOK 2.09 (NOK 1.47)
  - Net interest income: NOK 729 million (NOK 649 million)
  - Net commissions and other operating income: NOK 347 million (NOK 353 million)
  - Net income from financial investments: NOK 231 million (NOK 12 million)
  - Operating costs: NOK 486 million (NOK 429 million)
  - Impairment losses on loans: NOK 161 million (NOK 96 million)
- (Figures for Q3 2015 are shown in parentheses)

### As at 30 September 2016

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- Pre-tax profit: NOK 1,633 million (NOK 1,669 million)
  - Net profit for the quarter: NOK 1,326 million (NOK 1,304 million)
  - Return on equity after tax: 10.2% (10.9%)
  - Earnings per share: NOK 5.19 (NOK 5.10)
  - Net interest income: NOK 2,138 million (NOK 1,915 million)
  - Net commissions and other operating income: NOK 1,088 million (NOK 1,160 million)
  - Net income from financial investments: NOK 515 million (NOK 317 million)
  - Operating costs: NOK 1,492 million (NOK 1,495 million)
  - Impairment losses on loans: NOK 616 million (NOK 228 million)
  - Total lending growth over last 12 months: 0.1% (7.4%)
  - Growth in deposits over last 12 months: -2.0% (9.5%)
  - Common equity tier 1 capital ratio: 13.8% (12.2%)
  - Tier 1 capital ratio: 14.7% (13.1%)
- (As at 30 September 2015 in parentheses)

### Financial performance - Q3 2016

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The group's pre-tax profit was NOK 660 million (NOK 489 million), NOK 174 million higher than in the second quarter of 2016. The return on equity after tax for the quarter was 12.2% (9.3%) compared with 9.4% in the second quarter of 2016. The quarter was characterised by good operations with higher net interest income, solid income from financial investments, and continued low operating costs. Impairment losses were reduced by NOK 144 million from the second quarter of 2016 to NOK 161 million in the third quarter of 2016.

Net interest income totalled NOK 729 million (NOK 649 million) in the third quarter of 2016 compared with NOK 711 million in the second quarter of 2016. The average interest margin (net interest income as a percentage of average total assets) was 1.48% in the

third quarter of 2016 (1.39%), unchanged from the second quarter of 2016.

Net commissions and other operating income was NOK 347 million (NOK 353 million) compared with NOK 389 million in the second quarter of 2016. Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt amounted to NOK 35 million (NOK 55 million), NOK 8 million lower than in the second quarter of 2016. In the third quarter of 2016, income from estate agency services dropped by NOK 20 million to NOK 87 million (NOK 84 million), while income from accounting services fell by NOK 8 million from the second quarter to NOK 16 million (NOK 7 million). Other commissions decreased by NOK 6 million compared with the previous quarter due to reduced income from arrangement fees and customer fees, as well as lower guarantee commissions.

Net income from financial investments was NOK 231 million (NOK 12 million) compared with NOK 205 million in the second quarter of 2016. Capital gains on financial instruments increased by NOK 145 million from the second to the third quarter of 2016. This included income recognition of NOK 24 million related to the former stake in Nets AS due to the sale of Visa. In addition, a positive change in value in the investment in Sandnes Sparebank accounted for NOK 22 million in the third quarter of 2016. Income from ownership interests decreased by NOK 22 million from the previous quarter. This was due to a lower share of profits from SpareBank 1 Boligkreditt and SpareBank 1 Mobilbetaling.

Operating costs totalled NOK 486 million (NOK 429 million), a reduction of NOK 28 million compared with the second quarter of 2016. Personnel costs were reduced by NOK 14 million, partly due to reduced pension costs. Other operating costs were reduced by NOK 14 million, NOK 5 million of which was due to reduced costs in EiendomsMegler 1 due to the lower level of activity in the quarter.

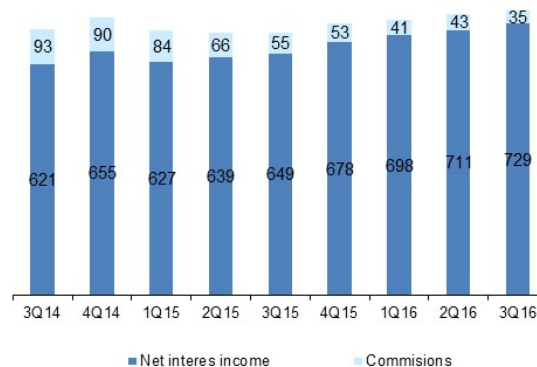
Impairment losses on loans were NOK 161 million (NOK 96 million) compared with NOK 305 million in the second quarter of 2016. Collective impairment losses increased by NOK 45 million in the third quarter of 2016. Although expectations concerning future market performance improved somewhat in the last quarter, uncertainty still exists about the group's market area, especially within oil related activities. This provided grounds for increased collective impairment losses in the third quarter of 2016 as well.

## **Financial performance as at 30 September 2016**

### **Net interest income**

As at 30 September 2016, the group's net interest income amounted to NOK 2,138 million (NOK 1,915 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 119 million as at 30 September 2016 (NOK 205 million). Net interest income and commissions increased by a total of NOK 137 million, compared with the same period last year. The increase was a result of repricing and improved risk pricing for large parts of the corporate market portfolio.

Fig. 1 Interest income



The average interest margin was 1.47% as at 30 September 2016, compared with 1.42% as at 30 September 2015.

### **Net commissions and other operating income**

As at 30 September 2016, net commissions and other operating income totalled NOK 1,088 million (NOK 1,160 million). The NOK 72 million reduction since the previous year is attributable, in part, to a NOK 86 million reduction in commissions from SpareBank 1 Boligkreditt, primarily due to the group having bought back loans from the mortgage companies totalling NOK 5.3 billion in the last 12 months.

Income from estate agency services amounted to NOK 263 million as at 30 September 2016, which represents a reduction of NOK 38 million from the same period last year and was due to less activity in the housing market in the Stavanger region. Income was weakest in the first quarter of 2016, while the combined income for the second and third quarters of 2016 was only NOK 3 million lower than for the same period in 2015.

Commissions from SpareBank 1 Regnskapshuset increased by NOK 38 million from 30 September 2015 to NOK 63 million as at 30 September 2016. The company was established in the first quarter of 2015 and the increase in income was due to the acquisition of a number of accounting firms in 2015.

Other commissions increased by 2.2% from 30 September 2015, with both arrangement fees and income from money-transfer services and insurance making a positive contribution.

### **Net income from financial investments**

As at 30 September 2016, net income from financial investments was NOK 515 million (NOK 317 million). Dividends amounted to NOK 105 million (NOK 16 million) and included a cash payment in the second quarter of 2016 of NOK 94 million that was received in connection with the sale of Visa Europe Ltd to Visa Inc. For more information about this see note 17.

Income from ownership interests decreased by NOK 6 million from NOK 312 million as at 30 September 2015 to NOK 306 million as at 30 September 2016.

Table 1, The share of net profit

The share of net profit after tax	30.09.16	30.09.15
SpareBank 1 Gruppen	220	183
SpareBank 1 Boligkreditt	9	70
SpareBank 1 Næringskreditt	16	18
BN Bank	56	22
SpareBank 1 Kredittkort	20	15
Other	-15	4
<b>Total income from ownership interests</b>	<b>306</b>	<b>312</b>

The share of the net profit from SpareBank 1 Gruppen increased by NOK 37 from the same period last year, primarily due to the improved result in the life insurance company. Underlying operations in other companies in SpareBank 1 Gruppen was stable and good.

The share of the net profit from SpareBank 1 Næringskreditt decreased by NOK 61 million compared with the same period last year. The reduction was primarily due to a reduction in positive effects from basis swaps for the company as at 30 September 2016 compared with the same period last year. The group's share of the positive effects of basis swaps decreased by NOK 67 million from NOK 76 million as at 30 September 2015 to NOK 9 million as at 30 September 2016.

The share of the net profit from BN Bank increased by NOK 34 million as at 30 September 2016. This was due to a combination of recognising the profit from the sale of Visa as income, the reversal of previous impairment losses on loans, and a good underlying operating result.

As at 30 September 2016, other profit sharing amounted to NOK -15 million (NOK 4 million) and included negative profit sharing linked to the group's venture in SpareBank 1 Mobilbetaling (mCash).

As at 30 September 2016, net income from financial instruments amounted to NOK 104 million (NOK -11

million). Capital gains on securities amounted to NOK 3 million (capital losses of NOK 137 million), while capital gains from interest and currency trading amounted to NOK 101 million (NOK 126 million).

The capital gains on securities amounting to NOK 3 million (capital losses of NOK 137 million) were primarily attributable to a combination of capital losses of NOK 112 million in the interest portfolio, which were counteracted by positive effects totalling NOK 106 million from hedging instruments, as well as capital gains of NOK 9 million from the portfolio of shares and equity certificates.

The group's trading portfolio accounted for NOK 31 million of the capital losses, while its liquidity portfolio accounted for NOK 81 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.

Of the capital gains of NOK 9 million (capital losses of NOK 6 million) from the portfolio of shares and equity certificates, the additional payment of profit from the sale of shares in Nets in 2014 accounted for NOK 24 million, while the investment in Sandnes Sparebank produced an unrealised capital loss of NOK 3 million as at 30 September 2016.

### **Operating costs**

The group's operating costs amounted to NOK 1,492 million as at 30 September 2016, a reduction of NOK 3 million (-0.2%) from 30 September 2015. Personnel costs rose by NOK 42 million (5.1%) to NOK 873 million, while other costs were reduced by NOK 45 million (-6.8%) to NOK 619 million.

In the third quarter of 2015, personnel costs were reduced by NOK 63 million due to a non-recurring reduction in costs (curtailment) in connection with the decision to transition to defined contribution pensions for all employees. Exclusive of this particular reduction in costs, the personnel costs as at 30 September 2016 was NOK 21 million lower than in the same period last year. As at 30 September 2016, personnel costs were lower due primarily to lower provisions for bonuses and ordinary pension costs, while the same period in 2015 was affected by extraordinary costs linked to the purchase of Swedbank's branch in Stavanger.

NOK 14 million of the NOK 45 million reduction in other operating costs came from a reduction in costs in EiendomsMegler 1 due to lower activity in the housing



market in the Stavanger region. The group's costs as at 30 September 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 several areas in the last year.

The group's normalised total reduction in costs for continued business amounted to NOK 49 million (-4.1%). The group is constantly striving to increase efficiency to keep costs at a satisfactory low level, while at the same time its focus on further technological development is a priority. The increasing level of self-service among the group's customers, has resulted in the number of full-time equivalents in the parent bank being regularly reduced in the last few years. The number of full-time equivalents in the parent bank has been reduced by 33 in the last 12 months. At the same time, the number of full-time equivalents in subsidiaries has increased by 30 in the same period, primarily because of the SpareBank 1 Regnskapshuset SR venture.

The group's cost/income ratio, costs measured as a percentage of income, was 39.9% (44.1%) as at 30 September 2016.

### Impairment losses on loans and non-performance

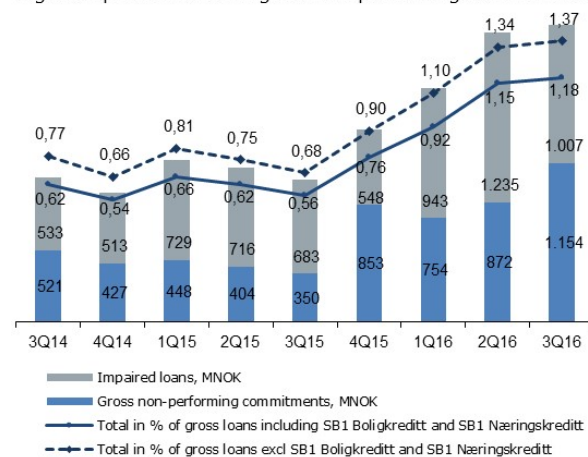
As at 30 September 2016, the group had recognised net impairment losses on loans totalling NOK 616 million (NOK 228 million). This corresponds to impairments as a percentage of gross loans of 0.53% (0.21%). The higher impairment losses on loans as at 30 September of 2016 were largely due to impairment losses linked to four individual commitments within oil related activities, and collective impairment losses that were NOK 138 million higher. Collective impairment losses on loans have increased by NOK 189 million in the last 12 months. The increase in collective impairment losses is due to the continued low price of oil and prevailing market conditions.

Although expectations concerning future market performance improved somewhat in the last quarter, uncertainty still exists about the group's market area. Closely monitoring customers and preventive work remain important tools for maintaining this good credit quality in the group's loan portfolio in order to reduce future losses.

Gross non-performing commitments aggregated NOK 1,154 million (NOK 350 million) at the end of the third

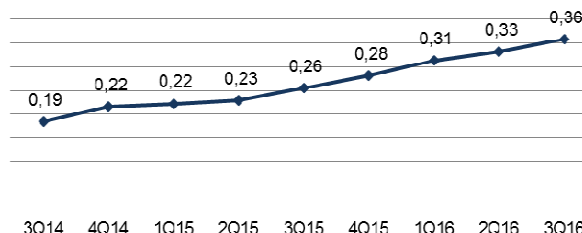
quarter of 2016. This corresponds to 0.73% (0.23%) of gross loans. The portfolio of impaired (not non-performing) loans totalled NOK 1,007 million (NOK 683 million). This corresponds to 0.64% (0.45%) of gross loans. Total non-performing and impaired loans at the end of the third quarter of 2016 came to NOK 2,161 million (NOK 1,033 million). In terms of gross loans, this represents an increase over the last 12 months from 0.68% to 1.37%.

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, were 24% (23%) and 27% (42%) at the end of the third quarter of 2016. The provision ratio will vary over time depending on valuations of commitments' collateral. In the last 12 months, collective impairment losses have increased by a total of NOK 189 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 3 Næringskreditt, increased to 0.36% at the end of the first quarter of 2016 (0.26%).

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

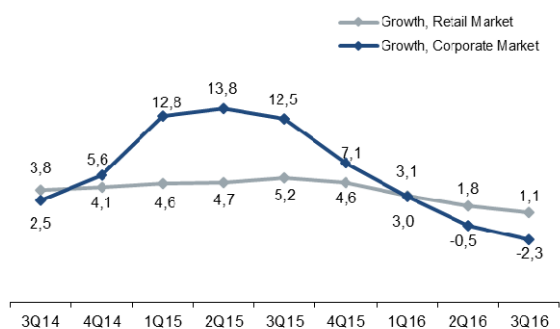


## Loans to and deposits from customers

Gross loans at the end of the third quarter of 2016 amounted to NOK 157.4 billion (NOK 151.9 billion). Including loans totalling NOK 25.7 billion (NOK 31.0 billion) sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, gross loans amounted to NOK 183.0 billion (NOK 182.9 billion) at the end of the third quarter of 2016. Gross lending growth in the last 12 months was 0.1% (7.4%), while lending growth in the year-to-date as at 30 September 2016 was -0.5% (4.9%). The effect of exchange rate fluctuations accounted for NOK -0.7 billion (-0.4%) of the NOK 0.1 billion growth in gross loans over the last 12 months.

Loans to the retail market accounted for 63.1% (62.5%) of total loans (inclusive of loans sold to SpareBank 1 Boligkreditt) at the end of the third quarter of 2016.

Fig. 4 12 month lending growth (%)



The group's total loan exposure of NOK 183.0 billion (NOK 182.9 billion) included a majority of commitments with a probability of default of less than 0.5%. These commitments represented 60.3% (58.3%) of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These accounted for around 69.2% (67.6%) of loan exposure and 98.6% (98.6%) of customers. 18.0% (19.2%) of the total loan exposure was to customers who had loans in excess of NOK 100 million.

Deposits from customers have decreased by -2.0% (+9.5%) over the last 12 months to NOK 87.2 billion (NOK 89.0 billion). Lower deposits are a result of larger deposits from institutional customers, held as part of the liquidity portfolio, having been replaced by

other instruments to protect the group's liquidity. Deposits from the corporate market and public sector accounted for 50.5% (53.2%) of the group's customer deposits at the end of the third quarter of 2016.

At the end of the third quarter of 2016, the deposit-to-loan ratio was 55.4% (58.6%).

In addition to ordinary customer deposits, the group also has capital under management in alternative investment products. These amounted to NOK 16.9 billion as at 30 September 2016 (NOK 17.9 billion). This management is primarily performed by SR-Forvaltning AS and ODIN Forvaltning AS.

## Business areas

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

### Retail market division<sup>1</sup>

The retail market division's contribution before impairment losses on loans amounted to NOK 973 million as at 30 September 2016. The result was NOK 40 million better compared with the same period last year. Commissions, exclusive of commissions from SpareBank 1 Boligkreditt, rose by 6.5%. As at 30 September 2016, costs in the division had been reduced by 5.7% compared with the corresponding period in 2015.

Lending margins were weaker than planned. The main reason for this was that lending rates were lowered based on an anticipated decrease in money market rates. These changes did not occur in spite of the fact that Norges Bank changed its key policy rate.

Impairment losses on loans remain low. The proportion of non-performing commitments over 30 days was 0.29% of total lending at the end of the third quarter of 2016 (0.30%) and therefore are still at a stable, low level.

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

<sup>1</sup> The interest on intercompany receivables for the retail market division and the corporate market division is determined on the basis of expected observable market interest rates (NIBOR) plus expected additional costs in connection with the group's long-term funding (credit



The 12-month lending growth figure as at 30 September 2016 was 1.2%, while deposits grew by 2.6%. Low volume growth together with the competitive situation, as well as the weak housing market in Rogaland seen in isolation, also resulted in lower lending growth. Lending activity increased slightly towards the end of the quarter.

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 90.4% (90.3%) at the end of the third quarter of 2016. The IRB risk weighting for home mortgages was 22.0% (22.3%) at the end of the third quarter of 2016, which reflects a solid, stable portfolio.

Better availability, increased sales and the optimum utilisation of overall resources are the goals of the ongoing work on renewing work processes. The work has required a substantial input of resources over the year, but is beginning to produce effects. By the end of the third quarter of 2016, more than 50,000 products had been bought digitally. This is 29% higher than at third quarter 2015, mainly due to increased sale of saving products.

SpareBank 1 SR-Bank wants to have a visible presence in the market with modern, solid local branches. In order to achieve this, a decision has been made to close a total of 13 smaller local branches during the year. Two of these were closed in the second quarter of 2016, while the others will be closed in the fourth quarter of 2016.

#### **Corporate market division<sup>1 2</sup>**

The corporate market division's contribution before impairment losses on loans was NOK 1,043 million as at 30 September 2016, NOK 197 million higher than at the same time last year.

In the year-to-date, the division has improved its risk pricing of large parts of the corporate market division's portfolio and this has resulted in increased net interest income as at 30 September 2016.

Over the last 12 months, the division's lending has been reduced by 1.8%. However, corrected for exchange rate effects, underlying lending growth was

3.4%. The level of investment activities in the customer portfolio is lower and lending growth in the year-to-date as at 30 September 2016 was negative at -1.2%. Corrected for exchange rate effects, the underlying lending growth for the year-to-date is 0.4%. In the last 12 months the division has seen deposits growth of 1.8%.

The quality of the corporate market portfolio is considered to be good. The proportion of commitments with a probability of default of less than 2.5% through a full loss cycle was 73.3% (78.2%) of the portfolio at the end of the third quarter of 2016. Because of the weak macroeconomic situation in the region, the proportion of commitments with a probability of default higher than 2.5% is expected to continue increasing somewhat going forward. The property sector portfolio represents the group's largest concentration in a single sector and accounted for 14.9% (15.4%) 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 413 million and NOK 130 million in increased collective impairment losses were recognised as at 30 September 2016, compared with NOK 114 million in individual impairment losses and NOK 85 million in collective impairment losses as at 30 September 2015. Collective impairment losses have increased by NOK 174 million in the last 12 months due to weaker market trends within some industries. The division's ordinary pre-tax profit (after losses) was NOK 147 million lower than at the same time last year.

Balanced, profitable volume growth, good customer relations, and a well-developed range of products are priority areas for the division, as is closely monitoring the development of risk in the portfolio. In the second quarter, there were some specific risks linked to decisions about how to achieve good and balanced restructuring solutions. These risks were reduced in the third quarter.

#### **Capital market division<sup>2</sup>**

Securities activities are organised under the SR-Bank Markets brand and include customer and own account

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<sup>2</sup> 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.

trading in fixed income instruments, foreign exchange and equities, analysis and corporate finance services.

SR-Bank Markets's pre-tax profit was NOK 30 million as at 30 September 2016, NOK 38 million higher than in the corresponding period last year. The income generated is recognised as income in the business areas to which the customers are assigned, primarily the corporate market division.

Prior to the allocation of customer income to other business areas, SR-Bank Markets had achieved operating income of NOK 114 million as at 30 September 2016. This represented an increase of NOK 32 million compared with the same period last year and was primarily due to a lower fall in value in the bank's bond portfolio than in the same period last year, as well as higher income within corporate finance. The pre-tax profit before the allocation of customer income amounted to NOK 54 million as at 30 September 2016, an increase of NOK 37 million compared with the corresponding period last year.

The bulk of this income came from customer trading in fixed income and foreign exchange instruments. Income from sales of equities and bonds was relatively stable compared with the same quarter last year.

## **Subsidiaries**

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

As at 30 September 2016, the company had achieved a pre-tax profit of NOK 16.1 million (NOK 27.0 million). The result for the third quarter of 2016 was NOK 3.2 million, compared with NOK -3.3 million for the third quarter of 2015. The reduced result as at 30 September 2016 reflects the situation in the housing market in the Stavanger region with significantly fewer sales in the first quarter of 2016. Cost reducing programmes were implemented that produced good effects in the second and third quarters of 2016. The combined profit for the second and third quarters of 2016 was NOK 6.7 million better than for the same period in 2015.

1,557 properties were brokered in the third quarter of 2016 (1,484 contracts). 4,617 properties have been brokered in the year-to-date (5,207) with a combined value of almost NOK 14 billion. The supply of new assignments is satisfactory given the market situation, but overall it is around 13 % lower than at the same time last year.

There have been and still are, significant differences in the regional markets, both with respect to price and turnover times. The housing market in Bergen remained good, with turnover times of just over 20 days and price rises of 3.5% over the last 12 months. The housing market in the Stavanger region in the year-to-date as at 30 September 2016 was still affected by downsizing and the lower level of activity within the oil industry. Housing prices have fallen by 5.3% over the past 12 months. The price trend is expected to improve with the current price level flattening out in spring 2017 when prices are once again expected to rise moderately. The turnover time for used housing in the Stavanger region is now more than 70 days. The housing market in Kristiansand has been significantly energised in the last 12 months after many years of stagnation. Prices have risen by 3.6% over the past 12 months. Turnover times are now just below 60 days.

The overall market has decreased in all of the four counties in which the company operates. Compared with the same period last year, the number of sales of used homes and holiday homes had decreased by around 6.3% as at 30 September 2016. Rogaland saw the largest decrease at 13.9%.

The supply of new homes is good, but sales in Rogaland are still affected by the downturn in oilrelated activities. Sales of new homes in Kristiansand and Bergen are uniformly good. The market for new homes in Rogaland is expected to remain difficult during the autumn, although there are clear signs of increased sales of planned and new homes.

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

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

fourth quarter of 2016 and the number of sales is expected to be higher than in the fourth quarter of 2015.

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

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

In September 2016, a decision was made to carry out a parent/subsidiary merger between SpareBank 1 SR-Finans and SpareBank 1 SR-Bank. The merger plan has been signed by the boards of both companies and will be implemented on 1 January 2017.

SpareBank 1 SR-Finans had achieved a profit before losses of NOK 127.3 million as at 30 September 2016 (NOK 134.0 million). Net interest income was down due to lower lending activity compared with the same period last year. The company had maintained its low cost/income ratio as at 30 September 2016 and continuously focuses on efficiency and digitalisation.

Net losses as at 30 September 2016 amounted to NOK 49.2 million (NOK 14.9 million). The increase in net losses is largely due to a single loss provision relating to one of the company's major leasing customers. Given the uncertainty that has characterised our market area in the last year, the loss provisions associated with the rest of the loan portfolio are regarded as being at an acceptable level. The pre-tax profit was NOK 78.0 million as at 30 September 2016 (NOK 119.1 million).

Net lending has decreased by 2.5% in the last 12 months and at the end of the third quarter of 2016 it amounted to NOK 6,736 million (NOK 6,902 million). 4,979 new contracts have been established in the year-to-date (5,726 contracts) with a total volume of NOK 1,686 million (NOK 1,820 million).

The business sector in the company's entire market area has been characterised by prolonged low oil prices, cost cutting and downsizing since 2015. Because of this, somewhat lower growth is expected within lease financing for the corporate market going forward. The level of activity remains high in some industries, such as aquaculture, farming and the contractor industry, and the company is experiencing a high level of demand from these industries. A certain downturn is expected in car loans for retail customers

given the lower sales of new cars in Agder, Hordaland and Rogaland so far this year.

#### **SpareBank 1 Regnskapshuset SR AS**

The company was established in the first quarter of 2015 and has through the acquisitions that have been made gained a solid foothold in Southern and Western Norway with branches in Straume, Haugesund, Stavanger, Sandnes and Ålgård. A good foundation has thus been built for further growth in the bank's market area. At the end of the third quarter of 2016 the company had 85 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 had achieved a pre-tax profit of NOK 3.5 million as at 30 September 2016 (NOK 2.2 million). The result includes depreciation of intangible assets of NOK 1.2 million.

#### **SR-Forvaltning AS**

SR-Forvaltning is licensed to provide active management and securities management services. The securities funds were launched 3 years ago and consist of three funds: SR-Utbytte, SR-Kombinasjon and SR-Rente. The company manages portfolios for SpareBank 1 SR-Bank's pension fund and external customers on the basis of discretionary mandates. The external customer base comprises pension funds, public and private enterprises and affluent individuals. The capital under management at the end of the third quarter of 2016 amounted to NOK 9.1 billion (NOK 9.4 billion) and the pre-tax profit as at 30 September 2016 was NOK 21.9 million (NOK 23.7 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 third quarter of 2016, the company had three covered bonds in the Norwegian market totalling NOK 5.0 billion and three international covered bonds totalling EUR 1.75 billion. At the end of the third quarter of 2016, SR-Boligkreditt had purchased loans for NOK 27.4 billion (NOK 9.3 billion) from SpareBank 1 SR-Bank.

As at 30 September 2016, SR-Boligkreditt had achieved net interest income of NOK 73.0 million (NOK 23.5 million) and a pre-tax profit of NOK 125.7 million (NOK 10.0 million) which are in line with the company's business plan. Net interest income primarily increased due to the increase in the volume of loans bought from SpareBank 1 SR-Bank and the increase in net interest income must therefore be viewed in the context of the development of net interest income in the retail market division.

#### **Associated companies**

##### ***SpareBank 1 Alliance***

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

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

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

SpareBank 1 Gruppen had achieved a pre-tax profit of NOK 1,439 million as at 30 September 2016 (NOK 1,224 million). The stronger result in the year-to-date in 2016 is primarily attributable to an improvement in the result of the life insurance company due to the improvement in the risk result, as well as a better financial return in the company portfolio. Underlying operations in other companies in SpareBank 1 Gruppen were stable and good.

##### ***SpareBank 1 Banksamarbeidet DA***

SpareBank 1 Banksamarbeidet DA is responsible for alliance processes and the delivery of services to the SpareBank 1 Alliance. It also develops and delivers things such as common IT/mobile phone solutions, branding and marketing concepts, business concepts, products and services, expertise, analyses, processes, best practice solutions and purchasing. SpareBank 1 SR-Bank owned a 17.7% stake in SpareBank 1 Banksamarbeidet at the end of the third 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 posted a pre-tax profit of NOK 38 million as at 30 September 2016 (NOK 504 million). The high, positive effects of basis swaps posted as at 30 September 2015 are the reason the result is lower this year. At the end of the third quarter of 2016, the company's total lending volume amounted to NOK 173.3 billion (NOK 166.2 billion), NOK 25.2 billion (NOK 30.5 billion) of which were home mortgages bought from SpareBank 1 SR-Bank. At the end of the third quarter of 2016, the bank owned 16.7% of the company. At the same point, the bank's share of the loan portfolio in SpareBank 1

Boligkreditt was 14.5%. This stake is normally adjusted annually based on its share of the sold volume at the end of each year.

SpareBank 1 Næringskreditt had achieved a pre-tax profit of NOK 79 million as at 30 September 2016 (NOK 89 million). At the end of the third quarter of 2016, the company's total lending volume amounted to NOK 11.4 billion (NOK 15.3 billion), NOK 0.5 billion (NOK 0.5 billion) of which were loans bought from SpareBank 1 SR-Bank. At the end of the quarter, the bank owned 24.6% of the company.

### Funding and liquidity

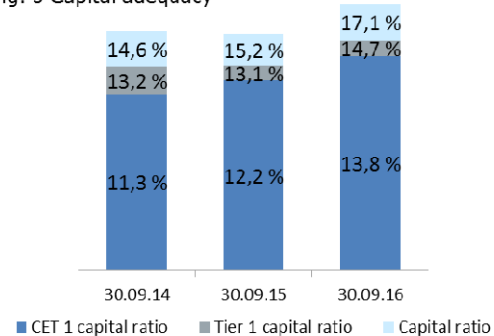
SpareBank 1 SR-Bank had good liquidity at the end of the third quarter of 2016 and believes it will continue to have good access to long-term funding at competitive prices. The group strives to achieve an even maturity structure for funding and believes it is important to have good relations with Norwegian and international investors and banks. The liquidity buffer<sup>3</sup> amounted to NOK 21.8 billion at the end of the third quarter of 2016. NOK 13.5 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 19.8 billion in home mortgages ready for covered bond funding.

The group's liquidity situation is good and in the last year the group has continued to enjoy a high proportion of long-term funding. The Financial Supervisory Authority of Norway's Liquidity Indicator 1 (the proportion of illiquid assets funded by debt with a maturity of more than 1 year) was, as at 30 September 2016, 110.0% (111.9%) for the parent bank and 111.4% (110.9%) on a consolidated basis.

### Capital adequacy

At the end of the third quarter of 2016, the common equity tier 1 capital ratio was 13.8%, up from 12.2% at the same time in 2015. The tier 1 capital ratio was 14.7% (13.1%), while the total capital ratio rose from 15.2% to 17.1%.

Fig. 5 Capital adequacy



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

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

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

The Financial Supervisory Authority of Norway has in its preliminary assessment set an individual Pillar 2 premium for the group of 2.0%. The Pillar 2 premium is intended to ensure that the Norwegian 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. SpareBank 1 SR-Bank has given their comments to the Financial Supervisory Authority of Norway, and expects to receive the final Pillar 2 premium within the end of 2016.

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

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

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, low growth in the risk-weighted balance sheet and reducing loans for commercial property in BN Bank.

### **The bank's shares**

The bank's share price (SRBANK) was NOK 45.60 at the end of the third quarter of 2016. This represented an increase of 10.7% from the end of the second quarter of 2016. The main Oslo Stock Exchange index rose by 3.3% in the same period. 3.1% (5.1%) of outstanding SRBANK shares were traded in the third quarter of 2016.

There were 9,766 (10,083) shareholders of SRBANK at the end of the third quarter of 2016. The proportion owned by foreign companies and individuals was 16.2%, whilst 49.7% were owned by residents of Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned a combined 61.7% of the shares. The bank holds 108,983 treasury shares, while group employees owned 1.8%.

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

	Number of shares (1,000)	%
Sparebankstiftelsen SR-Bank	72.419	28,3 %
Gjensidige Forsikring ASA	26.808	10,5 %
Vpf Nordea Norge Verdi	7.833	3,1 %
State Street Bank and Trust Co, U.S.A.	6.892	2,7 %
SpareBank 1-stiftinga Kvinnherad	6.227	2,4 %
Wimoh Invest AS	5.761	2,3 %
Odin Norge	5.032	2,0 %
Danske Invest Norske Instit. II	3.487	1,4 %
Pareto Aksje Norge	3.309	1,3 %
Clipper AS	2.565	1,0 %
State Street Bank and Trust Co, U.S.A.	2.181	0,9 %
State Street Bank and Trust Co, U.S.A.	2.098	0,8 %
Danske Invest Norske Aksjer Inst.	1.821	0,7 %
KAS Bank NV, Nederland	1.805	0,7 %
Westco	1.659	0,6 %
Pareto AS	1.641	0,6 %
Vpf Nordea Avkastning	1.630	0,6 %
Verdipapirfondet Alfred Berg Gamba	1.578	0,6 %
Vpf Nordea Kapital	1.528	0,6 %
Forsvarets Personellservice	1.514	0,6 %
<b>Total 20 largest</b>	<b>157.787</b>	<b>61,7 %</b>

### **Accounting policies**

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

accounting policies are applied in interim and annual financial statements.

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

No material events have been registered after 30 September 2016 that affect the interim financial statements as prepared.

### **Future prospects**

Moderate growth is still expected in the global economy. The drop in the price of oil in the last two years to around USD 50 a barrel at the end of the third quarter of 2016 has resulted in lower financial activity and restructuring in Norway, especially in the petroleum sector.

Oil investments decreased by 16% in 2015 compared with the year before. The Norwegian Petroleum Directorate expects a further reduction in investments in the petroleum sector of around 10% in 2016 compared with 2015. Both oil companies and the supplier industry are in the process of rationalising operations and reducing costs. The risk of lower growth in the Norwegian economy is consequently still high. The level of activity in the Stavanger region is expected to decrease further, including in the building and construction sector, as well as in some commodity segments. Continued, stable activity is expected within most sectors in Hordaland and the Agder counties.

The group's long term goal is to achieve a return on equity of 11%. Furthermore, 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.

SpareBank 1 SR-Bank is a solid, profitable group, and has in recent years, like other banks, strengthen its solidity in line with the authorities' capital requirements. Because of its solid earnings from a business model with good breadth and efficient operations, the group expects to have the necessary build-up of capital within the end of 2016.

The group's prognoses take into account increased non-performance and impairment losses on loans amounting to NOK 700-900 mill in 2016. Impairment losses are expected to be around the same or slightly lower in 2017. Some of the bank's customers are experiencing a prolonged difficult market in the oil industry. At the same time, macroeconomic indicators such as unemployment and house prices have



performed better than previously expected. The board would like to stress that a certain level of uncertainty is associated with assessments of future conditions.

Better risk pricing has been implemented so far this year within some segments in the corporate market and retail market. The lending volume is expected to remain unchanged to falling in 2016 with loans to retail customers expected to increase by 1-2%, while loans to corporate customers are expected to decrease by 2-3%.

As a consequence of technological developments, changes in customer behaviour and the lower activity in the region, the group has implemented several cost-reducing measures. Investments are being made in new technology to improve the customer experience and increase sales. Overall, these measures will ensure the group good competitiveness going forward.

Stavanger, Norway, 26 October 2016  
The Board of Directors of SpareBank 1 SR-Bank ASA

## Income statement

Parent bank					Note	Group				
2015	Q3 2015	Q3 2016	01.01.15 - 30.09.15	01.01.16 - 30.09.16		01.01.16 - 30.09.16	01.01.15 - 30.09.15	Q3 2016	Q3 2015	2015
Income statement (MNOK)										
5.399	1.333	1.201	4.114	3.665	Interest income	4.163	4.344	1.384	1.431	5.752
3.113	763	575	2.411	1.826	Interest expense	2.025	2.429	655	782	3.159
2.286	570	626	1.703	1.839	<b>Net interest income</b>	<b>2.138</b>	1.915	729	649	2.593
1.126	270	256	855	790	Commission income	1.139	1.217	365	372	1.605
70	19	18	54	51	Commission expenses	54	61	18	21	78
6	1	1	4	4	Other operating income	3	4	0	2	5
1.062	252	239	805	743	<b>Net commission and other income</b>	<b>1.088</b>	1.160	347	353	1.532
15	1	0	15	105	Dividend income	105	16	0	1	17
530	0	1	530	552	Income from investment in associates	306	312	90	78	422
-173	-63	113	-34	50	Net gains/losses on financial instruments	13 104	-11	141	-67	-135
372	-62	114	511	707	<b>Net income on financial investments</b>	<b>515</b>	317	231	12	304
3.720	760	979	3.019	3.289	<b>Total income</b>	<b>3.741</b>	3.392	1.307	1.014	4.429
669	153	203	613	640	Personnel expenses	14 873	831	282	221	945
422	98	104	308	292	Administrative expenses	331	355	115	114	480
287	61	58	207	188	Other operating costs	288	309	89	94	438
1.378	312	365	1.128	1.120	<b>Total operating costs</b>	<b>1.492</b>	1.495	486	429	1.863
2.342	448	614	1.891	2.169	<b>Operating profit before impairment losses</b>	<b>2.249</b>	1.897	821	585	2.566
380	92	154	213	566	Impairment losses on loans and guarantees	2, 3 and 4 616	228	161	96	420
1.962	356	460	1.678	1.603	<b>Pre-tax profit</b>	12 <b>1.633</b>	1.669	660	489	2.146
340	98	103	316	245	Tax expense	307	365	126	112	400
1.622	258	357	1.362	1.358	<b>Profit after tax</b>	<b>1.326</b>	1.304	534	377	1.746
<b>Other comprehensive income</b>										
187	-11	31	164	-193	Unrecognised actuarial gains and losses	-205	172	32	-13	200
-46	3	-8	-44	48	Deferred tax concerning changed estimates/pension plan changes	51	-47	-8	3	-50
141	-8	23	120	-145	<b>Total items not reclassified through profit or loss</b>	-154	125	24	-10	150
-21	0	0	0	0	Tax change actuarial gains/losses	0	0	0	0	-21
95	0	-1	0	-62	Change in value of financial assets available for sale	-62	0	-1	0	95
0	0	0	0	0	Share of profit associated companies and joint ventures	-34	31	6	6	32
74	0	-1	0	-62	<b>Total items reclassified through profit or loss</b>	-96	31	5	6	106
215	-8	22	120	-207	<b>Other comprehensive income</b>	-250	156	29	-4	256
1.837	250	379	1.482	1.151	<b>Total comprehensive income</b>	<b>1.076</b>	1.460	563	373	2.002
<b>Earnings per share (group)</b>						5,19	5,10	2,09	1,47	6,83

## Balance sheet

Parent bank				Note	Group		
31.12.15	30.09.15	30.09.16	Balance sheet (MNOK)		30.09.16	30.09.15	31.12.15
931	2.923	172	Cash and balances with central banks		172	2.923	931
8.813	8.709	11.073	Balances with credit institutions		1.073	2.843	2.984
137.506	134.840	122.134	Loans to customers	3, 8	156.153	151.078	154.357
20.314	21.268	22.680	Certificates, bonds and other fixed-income securities		21.737	20.484	19.533
6.133	7.106	5.430	Financial derivatives	10	4.653	7.099	6.135
300	370	391	Shares, ownership stakes and other securities	17	579	516	441
168	136	23	Business available for sale		23	136	168
3.172	3.333	3.172	Investment in associates		4.858	4.839	4.792
2.698	1.955	3.720	Investment in subsidiaries		0	0	0
2.307	1.179	3.479	Other assets	5	3.971	1.582	2.708
<b>182.342</b>	<b>181.819</b>	<b>172.274</b>	<b>Total assets</b>	12	<b>193.219</b>	<b>191.500</b>	<b>192.049</b>
6.005	6.671	5.286	Balances with credit institutions		4.729	6.129	5.296
89.632	89.156	87.527	Deposits from customers	7	87.240	88.980	89.444
63.338	61.883	54.049	Listed debt securities	11	74.140	70.444	71.979
2.879	3.242	3.898	Financial derivatives	10	3.554	3.224	2.786
1.895	3.082	2.358	Other liabilities	6	2.570	3.346	2.171
3.459	3.006	3.256	Subordinated loan capital	11	3.256	3.006	3.459
<b>167.208</b>	<b>167.040</b>	<b>156.374</b>	<b>Total liabilities</b>		<b>175.489</b>	<b>175.129</b>	<b>175.135</b>
6.394	6.394	6.394	Share capital		6.394	6.394	6.394
1.587	1.587	1.587	Premium reserve		1.587	1.587	1.587
384	0	0	Proposed dividend		0	0	384
163	59	163	Fund for unrealised gains		163	59	163
6.606	5.377	6.398	Other equity		8.260	7.027	8.386
0	1.362	1.358	Profit/loss at period end		1.326	1.304	0
<b>15.134</b>	<b>14.779</b>	<b>15.900</b>	<b>Total equity</b>		<b>17.730</b>	<b>16.371</b>	<b>16.914</b>
<b>182.342</b>	<b>181.819</b>	<b>172.274</b>	<b>Total liabilities and equity</b>	12	<b>193.219</b>	<b>191.500</b>	<b>192.049</b>

## 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
<b>Equity as of 31.12.2015</b>	<b>6.394</b>	<b>1.587</b>	<b>8.770</b>	<b>163</b>	<b>16.914</b>
Profit after tax			1.326		1.326
Unrecognised actuarial gains and losses after tax			-154		-154
Change in value of financial assets available for sale			-62		-62
Share of profit associated companies and joint ventures			-34		-34
Total items not reclassified through profit or loss			1.076	0	1.076
Adjusted equity accosiates			126		126
Dividend 2015, resolved in 2016			-384		-384
Purchase/sale of own shares			-2		-2
Items reclassified through profit or loss	0	0	-386	0	-386
<b>Equity as of 30.09.2016</b>	<b>6.394</b>	<b>1.587</b>	<b>9.586</b>	<b>163</b>	<b>17.730</b>

## Cash flow statement

Parent bank			Cash flow statement	Group		
2015	01.01.15 - 30.09.15	01.01.16 - 30.09.16		01.01.16 - 30.09.16	01.01.15 - 30.09.15	2015
-3.466	-819	15.100	Change in gross lending to customers	-2.163	-10.243	-13.522
4.834	3.698	3.219	Interest receipts from lending to customers	3.808	4.030	5.329
7.909	7.433	-2.105	Change in deposits from customers	-2.204	7.491	7.955
-1.355	-262	-226	Interest payments on deposits from customers	-230	-272	-1.350
-1.795	-1.188	-3.102	Change in receivables and debt from credit institutions	1.219	-891	-1.702
-381	-270	-370	Interest on receivables and debt to financial institutions	-463	-364	-505
-5.066	-6.020	-2.366	Change in certificates and bonds	-2.204	-5.223	-4.272
384	270	340	Interest receipts from commercial paper and bonds	332	270	384
1.025	768	680	Commission receipts	1.025	1.126	1.533
-12	-40	68	Capital gains from sale of trading	65	-40	-15
-1.323	-1.103	-1.191	Payments for operations	-1.552	-1.501	-1.847
-102	-102	-544	Taxes paid	-637	-206	-206
2.407	3.013	-2.373	Other accruals	-2.131	2.715	2.883
3.059	5.378	7.130	<b>A Net change in liquidity from operations</b>	<b>-5.135</b>	<b>-3.108</b>	<b>-5.335</b>
-129	-91	-70	Investments in tangible fixed assets	-125	-127	-208
0	0	0	Receipts from sale of tangible fixed assets	0	0	6
-1.381	-655	-1.115	Change in long-term investments in equities	-181	-660	-1.406
221	2	120	Receipts from sales of long-term investments in equities	8	2	221
545	545	657	Dividends from long-term investments in equities	452	546	546
-744	-199	-408	<b>B Net cash flow, investments</b>	<b>154</b>	<b>-239</b>	<b>-841</b>
4.328	3.468	2.363	Debt raised by issuance of securities	14.551	12.005	12.861
-7.332	-7.246	-8.636	Repayments - issued securities	-8.940	-7.246	-7.332
-1.018	-878	-721	Interest payments on securities issued	-904	-899	-1.070
481	0	0	Additional subordinated loan capital issued	0	0	481
0	0	-179	Repayments - additional capital instruments	-179	0	0
-137	-57	-47	Interest payments on subordinated loans	-47	-57	-137
-512	-512	-384	Dividend to share holders	-384	-512	-512
-4.190	-5.225	-7.604	<b>C Net cash flow, financing</b>	<b>4.097</b>	<b>3.291</b>	<b>4.291</b>
-1.875	-46	-882	<b>A+B+C Net cash flow during the period</b>	<b>-884</b>	<b>-56</b>	<b>-1.885</b>
2.984	2.984	1.109	Cash and cash equivalents as at 1 January	1.111	2.996	2.996
1.109	2.938	227	Cash and cash equivalents as at 31 March	227	2.940	1.111
			<b>Cash and cash equivalents specified</b>			
931	2.923	172	Cash and balances with central banks	172	2.923	931
178	15	55	Balances with credit institutions	55	17	180
1.109	2.938	227	<b>Cash and cash equivalents</b>	<b>227</b>	<b>2.940</b>	<b>1.111</b>

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

# Notes to the financial statements

(in MNOK)

## Note 1 Accounting policies

### 1.1 Basis of preparation

These interim financial statements for SpareBank 1 SR-Bank ASA cover the period 1 January - 30 September 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 third 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 disenrolment. The Ministry of Finance will determine this through individual decisions. This is of significance when recognising the charge in the accounts. The Financial Supervisory Authority of Norway has in its circular entitled "Finanstilsynets kontroll med finansiell rapportering i 2015" of 19 November 2015 concluded that the charge for the guarantee fund must be recognised as a cost, in its entirety, in the first quarter every year and it expects banks to change their practices from the first quarter of 2016. On 8 April 2016, the Ministry of Finance sent a letter to the Financial Supervisory Authority of Norway asking it to prepare a consultation paper and draft regulatory amendments concerning measuring the levy upon withdrawal from the guarantee scheme. The Financial Supervisory Authority of Norway's response and proposed consultation paper sent to the Ministry of Finance on 26 May 2015 proposed a new rule in the regulations relating to the Financial Institutions Act that govern reductions in the levy for the guarantee fund upon withdrawal. On 19 September 2016, the Ministry of Finance laid down a new Regulation relating to withdrawing from the Norwegian Banks Guarantee Fund. The Regulation means that banks no longer have to book the entire levy for the guarantee fund in the first quarter and will come into force on 1 January 2017.

Based on the Financial Supervisory Authority of Norway's Regulation of 19 September 2016, SpareBank 1 SR-Bank has continued its previous practice by accruing the levy on a monthly basis. The cost amounted to NOK 57 million as of the third quarter of 2016, compared with NOK 47 million as of the third quarter of 2015. Had the levy for the Norwegian Banks Guarantee Fund been recognised as a cost in its entirety as of third quarter 2016, interest costs would have increased by NOK 19 million compared with NOK 16 million in 2015.

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

A number of new standards, amendments to standards and interpretations will be compulsory in future annual financial statements. Among those the group has chosen not to apply early are the two most important standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The group has started preparing for the implementation of IFRS 9 and examining the consequences it will have. The goals are to complete the work on models in 2016 and analyse the financial consequences. The group is currently assessing the effects of IFRS 15 Revenue from Contracts with Customers.

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

### 1.2 Critical accounting estimates and judgements

The preparation of the consolidated financial statements entails the group executive management making estimates, judgements and assumptions that affect the effect of the application of the accounting policies and thus the amounts recognised for assets, liabilities, income and costs. Note 3 of the annual financial statements for 2015 explains in more detail the use of critical estimates and judgements when applying the accounting policies.



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

Parent bank				Group		
01.01.15 - 31.12.15	01.01.15 - 30.09.15	01.01.16 - 30.09.16		01.01.16 - 30.09.16	01.01.15 - 30.09.15	01.01.15 - 31.12.15
-14	50	212	Change in individual impairment losses provisions for the period	229	46	-4
135	89	133	Change in collective impairment loss provisions for the period	138	89	140
7	8	7	Amortised cost	6	8	7
71	59	103	Actual loan losses on commitments for which provisions have been made	108	66	78
201	11	116	Actual loan losses on commitments for which no provision has been made	134	26	223
1	0	0	Change in assets taken over for the period	10	0	1
-21	-4	-5	Recoveries on commitments previously written-off	-9	-7	-25
380	213	566	<b>The period's net losses / (reversals) on loans and advances</b>	<b>616</b>	228	420

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

Parent bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
302	302	288	Provisions for Individual impairment losses at start of period	318	322	322
65	26	26	Increases in previous provisions for individual impairment losses	26	26	65
-102	-58	-31	Reversal of provisions from previous periods	-44	-61	-107
96	145	323	New provisions for individual impairment losses	357	152	118
-2	-4	-3	Amortised cost	-3	-5	-2
-71	-59	-103	Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-108	-66	-78
288	352	500	<b>Provisions for individual impairment losses at period end</b>	<b>547</b>	368	318
272	70	219	<b>Net losses</b>	<b>242</b>	92	301

## Note 4 Non-performing and impaired loans

Parent bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
<b>Non-performing loans and advances</b>						
829	318	1.005	Gross non-performing loans above 90 days	1.154	350	853
98	78	226	Provisions for Individual impairment losses	272	82	100
731	240	779	<b>Net non-performing loans and advances</b>	<b>882</b>	268	753
12 %	25 %	22 %	<b>Loan loss provision ratio</b>	<b>24 %</b>	23 %	12 %
<b>Other problem commitments</b>						
493	668	1.033	Problem commitments	1.007	683	548
190	274	274	Provisions for Individual impairment losses	275	286	218
303	394	759	<b>Net other problem commitments</b>	<b>732</b>	397	330
39 %	41 %	27 %	<b>Loan loss provision ratio</b>	<b>27 %</b>	42 %	40 %

## Note 5 Other assets

Parent bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
2	3	2	Intangible assets	92	61	61
342	327	359	Tangible fixed assets	472	392	404
15	18	11	Income earned but not received from SpareBank 1 Bolig- and Næringskreditt	11	18	15
25	60	92	Prepaid expences	96	62	29
35	35	100	Capital contribution SR-Pensjonskasse	100	35	35
1.756	672	2.744	Unsettled trades	2.744	672	1.756
132	64	171	Other assets	456	342	408
2.307	1.179	3.479	<b>Total other assets</b>	<b>3.971</b>	1.582	2.708

## Note 6 Other liabilities

Parent bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
239	230	115	Accrued expenses and prepaid revenue	209	323	322
643	826	562	Deferred tax	604	868	654
238	398	480	Pension liabilities	518	437	263
3	2	76	Other specified provisions	3	2	3
544	316	244	Taxes payable	301	367	637
0	1.025	541	Unsettled trades	541	1.025	0
228	285	340	Other liabilities	394	324	292
1.895	3.082	2.358	<b>Total other liabilities</b>	<b>2.570</b>	3.346	2.171

## Note 7 Customer deposits by sector and industry

Parent bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
1.146	1.229	1.222	Agriculture/forestry	1.222	1.229	1.146
351	318	467	Fishing/Fish farming	467	318	351
2.529	2.147	1.227	Mining/extraction	1.227	2.147	2.529
1.426	1.060	1.021	Industry	1.021	1.060	1.426
2.090	1.764	1.900	Power and water supply/building and construction	1.900	1.764	2.090
2.599	2.163	2.309	Retail trade, hotels and restaurants	2.309	2.163	2.599
1.662	1.553	1.698	Foreign trade shipping, pipeline transport and other transport activities	1.698	1.553	1.662
7.078	6.936	5.732	Real estate	5.732	6.936	7.078
12.431	12.217	10.356	Service industry	10.075	12.055	12.243
16.217	17.714	18.213	Public sector and financial services	18.213	17.714	16.217
47.529	47.101	44.145	<b>Total corporate sector</b>	<b>43.864</b>	46.939	47.341
42.101	41.239	42.967	<b>Retail customers</b>	<b>42.967</b>	41.239	42.101
2	816	415	Accrued interests corporate sector and retail customers	409	802	2
89.632	89.156	87.527	<b>Deposits from customers</b>	<b>87.240</b>	88.980	89.444

## Note 8 Loans by sector and industry

Parent bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
4.204	4.085	4.148	Agriculture/forestry	4.460	4.327	4.443
721	674	519	Fishing/Fish farming	729	848	903
5.097	4.866	5.781	Mining/extraction	6.029	5.061	5.330
2.451	2.468	2.435	Industry	3.031	3.117	3.093
2.561	2.658	2.765	Power and water supply/building and construction	3.493	3.540	3.437
2.179	2.192	2.429	Retail trade, hotels and restaurants	2.934	2.587	2.578
9.112	9.254	8.505	Foreign trade shipping, pipeline transport and other transport activities	9.044	9.806	9.666
27.435	27.543	26.643	Real estate	26.751	27.673	27.568
6.104	6.250	6.234	Service industry	8.267	8.256	8.113
2.037	1.926	1.675	Public sector and financial services	1.838	2.105	2.209
61.900	61.916	61.133	<b>Total corporate sector</b>	66.577	67.319	67.342
75.719	73.022	61.511	<b>Retail customers</b>	90.267	83.937	87.229
339	362	233	Unallocated (excess value fixed interest loans and amort. lending fees)	219	346	323
284	295	265	Accrued interests corporate sector and retail customers	290	309	296
138.242	135.595	123.142	<b>Gross loans</b>	157.352	151.911	155.190
-285	-350	-424	- Individual impairment losses provisions	-544	-366	-315
-451	-405	-584	- Collective impairment losses provisions	-656	-467	-518
137.506	134.840	122.134	<b>Loans to customers</b>	156.153	151.078	154.357

## Note 9 Capital adequacy

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

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

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

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

Parent bank				Group		
31.12.15	30.09.15	30.09.16		30.09.16	30.09.15	31.12.15
6.394	6.394	6.394	Share capital	6.394	6.394	6.394
1.587	1.587	1.587	Premium reserve	1.587	1.587	1.587
384	0	0	Allocated to dividend	0	0	384
163	59	163	Reserve for unrealised gains	163	59	163
6.606	5.377	6.398	Other equity	8.260	7.027	8.386
	1.362	1.358	Profit for the period	1.326	1.304	
15.134	14.779	15.900	<b>Total book equity</b>	17.730	16.371	16.914

**Note 9 Capital adequacy (continued)**

			<b>Tier 1 capital</b>			
-2	-3	-2	Deferred taxes, goodwill and other intangible assets	-96	-66	-67
-384	0	0	Deduction for allocated dividends	0	0	-384
-380	-355	-238	Deduction for expected losses on IRB, net of write-downs	-304	-395	-421
0	-681	-679	Profit for the period that cannot be included in total Tier 1 capital	-663	-652	0
0	0	0	financial institutions	-183	-251	-191
-39	-42	-39	Value of derivative liabilities at fair value	-56	-59	-57
<b>14.329</b>	<b>13.698</b>	<b>14.942</b>	<b>Total Common equity Tier 1 capital</b>	<b>16.428</b>	14.948	15.794
794	794	789	Tier 1 capital instruments	1.124	1.115	1.088
<b>15.123</b>	<b>14.492</b>	<b>15.731</b>	<b>Total Tier 1 capital</b>	<b>17.552</b>	16.063	16.882
			<b>Tier 2 capital</b>			
2.536	2.004	2.326	Term subordinated loan capital <sup>1)</sup>	2.894	2.632	3.111
-60	-60	-60	Deduction for essential investments in financial institutions	-60	-60	-60
<b>2.476</b>	<b>1.944</b>	<b>2.266</b>	<b>Total Tier 2 capital</b>	<b>2.834</b>	2.572	3.051
<b>17.599</b>	<b>16.436</b>	<b>17.997</b>	<b>Net primary capital</b>	<b>20.386</b>	18.635	19.933
			<b>Credit risk Basel II</b>			
14.820	16.213	16.971	SME	16.974	16.213	14.822
20.445	21.244	17.919	Specialised enterprises	19.203	23.072	22.148
6.316	6.484	6.578	Other corporations	6.933	7.191	6.830
1.092	1.004	1.031	Mass market SME	1.229	1.140	1.236
20.024	19.171	16.431	Mass market - mortgage on real estate	27.020	25.291	27.170
928	949	748	Other mass market	787	986	950
7.802	8.165	10.764	Equity positions	0	0	0
<b>71.427</b>	<b>73.230</b>	<b>70.442</b>	<b>Total credit and counterparty risk IRB</b>	<b>72.146</b>	73.893	73.156
70	395	68	States and central banks	68	395	70
116	0	36	Local and regional authorities, state-owned enterprises	123	65	191
5.628	5.944	4.357	Institutions	2.742	6.450	5.985
2.075	2.059	3.286	Enterprises	7.324	6.909	6.886
121	122	102	Mass market	1.505	1.388	1.386
0	0	0	Mass market - mortgage on real estate	3.227	7.712	4.114
1.228	1.405	1.532	Covered bonds	2.059	1.380	1.205
4.600	3.959	2.937	Equity positions	4.959	4.385	4.661
1.507	1.588	1.372	Other assets	2.269	1.943	1.840
<b>15.345</b>	<b>15.472</b>	<b>13.690</b>	<b>Total credit and counterparty risk standard method</b>	<b>24.276</b>	30.627	26.338
0	0	0	Position risk for equity instruments	0	0	0
499	481	494	Credit value adjustment risk (CVA)	890	1.001	1.050
5.295	5.295	5.458	Operational risk	7.079	6.811	6.794
1.429	0	0	Transitional scheme	14.727	10.048	11.786
<b>93.995</b>	<b>94.478</b>	<b>90.084</b>	<b>Risk weighted balance</b>	<b>119.118</b>	122.380	119.124
4.230	4.252	4.054	Minimum requirement for common equity Tier 1 capital ratio 4,5 %	5.360	5.507	5.361
			Buffer requirement			
2.350	2.362	2.252	Capital conservation buffer 2,5 %	2.978	3.060	2.978
2.820	2.834	2.703	Systemic risk buffer 3 %	3.574	3.671	3.574
940	945	1.351	Countercyclical capital buffer 1,5 %	1.787	1.224	1.191
6.110	6.141	6.306	Total buffer requirement to common equity Tier 1 capital ratio	8.338	7.955	7.743
3.990	3.305	4.582	Available common equity Tier 1 capital ratio after buffer requirement	2.729	1.486	2.690
18,72 %	17,40 %	19,98 %	Capital ratio	17,11 %	15,23 %	16,73 %
16,09 %	15,34 %	17,46 %	Tier 1 capital ratio	14,73 %	13,13 %	14,17 %
2,63 %	2,06 %	2,52 %	Tier 2 capital ratio	2,38 %	2,10 %	2,56 %
15,24 %	14,50 %	16,59 %	Common equity Tier 1 capital ratio	13,79 %	12,21 %	13,26 %
19,01 %	17,40 %	19,98 %	Capital ratio, IRB	19,53 %	16,59 %	18,57 %
16,34 %	15,34 %	17,46 %	Tier 1 capital ratio, IRB	16,81 %	14,30 %	15,73 %
15,48 %	14,50 %	16,59 %	Common equity Tier 1 capital ratio, IRB	15,74 %	13,31 %	14,71 %
7,67 %	7,38 %	8,40 %	Leverage Ratio	6,72 %	5,90 %	6,30 %

<sup>1)</sup> SpareBank 1 SR-Bank exercises option to call Tier 2 with NO0010628530 at par (100 %). Nominal value is NOK 750 mio. Call date is 2. December 2016. The call is approved by the Norwegian FSA (Finanstilsynet).

## Note 10 Financial derivatives

Group

At fair value through profit and loss	Contract amount	Fair value at 30.09.16	
	30.09.16	Assets	Liabilities
<b>Currency instruments</b>			
Currency forward contracts	2.959	42	68
Currency swaps	49.279	219	1.379
Currency options	122	1	1
<b>Total currency instruments</b>	<b>52.360</b>	<b>262</b>	<b>1.448</b>
<b>Interest rate instruments</b>			
Interest rate swaps(including cross-currency)	64.202	1.219	1.642
Other interest rate contracts	150	1	1
<b>Total interest rate instruments</b>	<b>64.352</b>	<b>1.220</b>	<b>1.643</b>
<b>Hedging / Interest rate instruments</b>			
Interest rate swaps (including cross currency)	59.788	2.405	46
<b>Total hedging / Interest rate instruments</b>	<b>59.788</b>	<b>2.405</b>	<b>46</b>
<b>Accrued interests</b>			
Accrued interests		766	417
<b>Total accrued interests</b>		<b>766</b>	<b>417</b>
<b>Total currency and interest rate instruments</b>			
Total currency instruments	52.360	262	1.448
Total interest rate instruments	124.140	3.625	1.689
Total accrued interests		766	417
<b>Total financial derivatives</b>	<b>176.500</b>	<b>4.653</b>	<b>3.554</b>

Counterparty risk associated with derivatives is reduced via ISDA agreements and CSA supplements. The CSA supplement regulates the counterparty risk through payments of margins in relation to exposure limits. The contract sum and effect of reinvestment costs covered by offsetting agreements amounted to NOK 155.5 billion and NOK 3.0 billion as of the third quarter of 2016.

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

Group

Change in debt raised through issuance of securities	Balance as at 30.09.16	Issued/ sale own 2016	Past due/ redeemed 2016	FX rate- and other changes 2016	31.12.15
Bonds and certificates, nominal val	71.750	14.551	-8.940	-2.721	68.860
Adjustments	1.763			-554	2.317
Accrued interests	626			-176	802
<b>Total debt raised through issuance of securities</b>	<b>74.139</b>	<b>14.551</b>	<b>-8.940</b>	<b>-3.451</b>	<b>71.979</b>

Change in additional Tier 1 and Tier 2 capital instruments	Balance as at 30.09.16	Issued/ sale own 2016	Past due/ redeemed 2016	FX rate- and other changes 2016	31.12.15
Term subordinated loan capital, nominal amount	2.321	0	-179	-50	2.550
Perpetual subordinated loan capital, nominal amount	0				0
Tier 1 capital instruments, nominal amount	796			1	795
Adjustments	76			-26	102
Accrued interests	63			51	12
<b>Total additional Tier 1 and Tier 2 capital instruments</b>	<b>3.256</b>	<b>0</b>	<b>-179</b>	<b>-24</b>	<b>3.459</b>

The nominal value of the net outstanding covered bonds in SR-Boligkredit is NOK 20.1 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, the 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. SR-Boligkredit AS was established in the second quarter of 2015. The activities in SR-Boligkredit AS are divided between the retail market and own account trading/staff/support in the parent bank segments. Commission income from Sparebank 1 Boligkredit and SpareBank 1 Næringskredit are reported under 'Net commissions and other income'.

SpareBank 1 SR-Bank Group 01.01.16 - 30.09.16									
Income statement (MNOK)	Retail Market	Corporate Market	Capital Market <sup>1)</sup>	Own account trading/support	Eiendoms-Megler 1	SR-Finans	Other activities	Eliminations	Total
Interest income	1.235	1.307	12	1.452	2	267	2	-113	4.163
Interest expense	355	340	-24	1.378	0	88	0	-112	2.025
<b>Net interest income <sup>1)</sup></b>	<b>880</b>	<b>967</b>	<b>36</b>	<b>74</b>	<b>2</b>	<b>179</b>	<b>2</b>	<b>-2</b>	<b>2.138</b>
Commission income <sup>1)</sup>	508	237	36	8	263	3	128	-45	1.139
Commission expenses	27	18	3	13	0	14	23	-43	54
Other operating income	0	0	0	4	0	0	0	-1	3
<b>Net commission and other income</b>	<b>481</b>	<b>220</b>	<b>33</b>	<b>-1</b>	<b>263</b>	<b>-10</b>	<b>106</b>	<b>-3</b>	<b>1.088</b>
Dividend income	5	0	2	99	0	0	0	-1	105
Income from investment in associates	0	18	0	534	0	0	0	-246	306
Net gains/losses on financial instruments	3	0	19	51	0	0	-2	33	104
<b>Net income on investment securities</b>	<b>8</b>	<b>18</b>	<b>20</b>	<b>684</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>-214</b>	<b>515</b>
Personnel expenses	266	123	39	213	153	24	58	-3	873
Administrative expenses	59	18	11	203	26	6	8	-1	331
Other operating expenses	71	20	9	92	70	11	16	-1	288
<b>Total operating expenses</b>	<b>396</b>	<b>162</b>	<b>60</b>	<b>507</b>	<b>248</b>	<b>41</b>	<b>82</b>	<b>-5</b>	<b>1.492</b>
<b>Operating profit before losses</b>	<b>973</b>	<b>1.043</b>	<b>30</b>	<b>249</b>	<b>16</b>	<b>127</b>	<b>24</b>	<b>-214</b>	<b>2.249</b>
Change in individual write-downs in the period	19	413	0	0	0	45	0	0	478
Change in group write-downs in the period	4	130	0	0	0	4	0		138
<b>Pre-tax profit</b>	<b>950</b>	<b>500</b>	<b>30</b>	<b>249</b>	<b>16</b>	<b>78</b>	<b>24</b>	<b>-214</b>	<b>1.633</b>
<b>Net interest income <sup>1)</sup></b>									
External net interest income	880	967	36	74	0	268	2	-89	2.138
Internal net interest income	0	0	0	0	2	-88	0	86	0
Net interest income	880	967	36	74	2	180	2	-2	2.138
				0					
<b>Balance sheet (MNOK)</b>				0					
Loans to customers	92.127	55.187	460	2.769	0	6.862	0	-52	157.352
Individual loss provisions	-69	-355	0	0	0	-56	0	-64	-544
Group loss provisions	-49	-537	0	0	0	-70	0	0	-656
Certificates/bonds/financial derivatives	0	0	4.490	24.042	0	0	18	-2.159	26.390
Other assets	34	963	309	21.281	177	4	757	-12.850	10.676
<b>Total assets</b>	<b>92.044</b>	<b>55.258</b>	<b>5.259</b>	<b>48.092</b>	<b>177</b>	<b>6.740</b>	<b>775</b>	<b>-15.125</b>	<b>193.219</b>
Deposits from customers	48.157	37.503	1.863	6	0	0	0	-289	87.240
Other debt and equity <sup>1)</sup>	43.887	17.754	3.397	48.086	177	6.740	775	-14.836	105.979
<b>Total debt and equity</b>	<b>92.044</b>	<b>55.258</b>	<b>5.259</b>	<b>48.092</b>	<b>177</b>	<b>6.740</b>	<b>775</b>	<b>-15.125</b>	<b>193.219</b>
<b>Loans sold to SpareBank 1 Boligkredit and SpareBank 1 Næringskredit</b>	<b>25.170</b>	<b>520</b>							<b>25.690</b>



Note 12 Segment reporting (continued)

SpareBank 1 SR-Bank Group 01.01.15 - 30.09.15									
Income statement (MNOK)	Retail Market	Corporate Market	Capital Market <sup>1)</sup>	Own account trading/support	Eiendoms-Megler 1	SR-Finans	Other activities	Eliminations	Total
Interest income	1.422	1.241	871	641	3	293	0	-127	4.344
Interest expense	622	470	819	537	0	104	0	-123	2.429
<b>Net interest income <sup>1)</sup></b>	<b>800</b>	<b>771</b>	<b>52</b>	<b>104</b>	<b>3</b>	<b>189</b>	<b>0</b>	<b>-4</b>	<b>1.915</b>
Commission income	570	251	24	10	301	3	96	-38	1.217
Commission expenses	29	19	4	2	0	19	25	-37	61
Other operating income	0	0	0	4	0	0	0	0	4
<b>Net commission and other income</b>	<b>541</b>	<b>232</b>	<b>20</b>	<b>12</b>	<b>301</b>	<b>-16</b>	<b>71</b>	<b>-1</b>	<b>1.160</b>
Dividend income	3	0	1	12	0	0	1	0	16
Income from investment in associates	0	40	0	490	0	0	0	-218	312
Net gains/losses on financial instruments	9	-28	-16	-7	0	0	-12	44	-11
<b>Net income on investment securities</b>	<b>12</b>	<b>12</b>	<b>-15</b>	<b>494</b>	<b>0</b>	<b>0</b>	<b>-11</b>	<b>-175</b>	<b>317</b>
Personnel expenses	264	124	49	177	167	22	32	-4	831
Administrative expenses	81	19	9	200	34	7	4	1	355
Other operating expenses	75	26	7	103	76	10	14	-2	309
<b>Total operating expenses</b>	<b>420</b>	<b>169</b>	<b>65</b>	<b>480</b>	<b>277</b>	<b>39</b>	<b>50</b>	<b>-5</b>	<b>1.495</b>
<b>Operating profit before losses</b>	<b>933</b>	<b>846</b>	<b>-8</b>	<b>130</b>	<b>27</b>	<b>134</b>	<b>10</b>	<b>-175</b>	<b>1.897</b>
Change in individual write-downs in the period	10	114	0	0	0	15	0	0	139
Change in group write-downs in the period	4	85	0	0	0	0	0	0	89
<b>Pre-tax profit</b>	<b>919</b>	<b>647</b>	<b>-8</b>	<b>130</b>	<b>27</b>	<b>119</b>	<b>10</b>	<b>-175</b>	<b>1.669</b>
<b>Net interest income <sup>1)</sup></b>									
External net interest income	800	771	52	104	0	293	0	-105	1.915
Internal net interest income	0	0	0	0	3	-104	0	101	0
Net interest income	800	771	52	104	3	189	0	-4	1.915
<b>Balance sheet (MNOK)</b>									
Loans to customers	85.591	56.187	720	2.441	0	6.981	0	-9	151.911
Individual loss provisions	-65	-284	0	0	0	-17	0	0	-366
Group loss provisions	-44	-361	0	0	0	-62	0	0	-467
Certificates/bonds/financial derivatives	0	0	6.375	15.843	0	1	16	5.349	27.583
Other assets	58	972	246	24.039	185	5	549	-13.215	12.839
<b>Total assets</b>	<b>85.540</b>	<b>56.514</b>	<b>7.340</b>	<b>42.323</b>	<b>185</b>	<b>6.908</b>	<b>565</b>	<b>-7.875</b>	<b>191.500</b>
Deposits from customers	46.917	36.833	4.625	781	0	0	0	-176	88.980
Other debt and equity <sup>1)</sup>	38.623	19.681	2.715	41.542	185	6.908	565	-7.699	102.520
<b>Total debt and equity</b>	<b>85.540</b>	<b>56.514</b>	<b>7.340</b>	<b>42.323</b>	<b>185</b>	<b>6.908</b>	<b>565</b>	<b>-7.875</b>	<b>191.500</b>
<b>Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt</b>	<b>30.483</b>	<b>546</b>							<b>31.029</b>

1) Other liabilities contains allocated arrangements between the segments. The interest on intercompany receivables for the retail market division and the corporate market division is determined on the basis of expected observable market interest rates (NIBOR) plus expected additional costs in connection with the group's long-term funding (credit premium). Deviations between the Group's actual funding costs and the applied interest on intercompany receivables are eliminated in the parent bank.

## Note 13 Net income/losses from financial instruments

Parent bank				Group		
01.01.15 - 31.12.15	01.01.15 - 30.09.15	01.01.16 - 30.09.16		01.01.16 - 30.09.16	01.01.15 - 30.09.15	01.01.15 - 31.12.15
-79	-37	-23	Net gains/losses on equity instruments	9	-6	-39
-274	-194	-102	Net gains/losses for bonds and certificates	-112	-195	-275
91	64	106	Net derivatives; bonds and certificates	106	64	91
-66	0	1	Net counterparty risk, inclusive of CVA	1	0	-66
-35	-22	-13	Net derivatives; other assets	-13	-22	-35
0	-12	18	Net derivatives; liabilities	14	-13	-3
85	88	-24	Net derivatives; basis swap spread	1	82	88
105	79	87	Net gain currency	98	79	104
-173	-34	50	<b>Net income/losses from financial instruments</b>	<b>104</b>	<b>-11</b>	<b>-135</b>

## 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:

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

Change in pension obligations (NOK million):

		Parent bank				Group				
2015	Q3 2015	Q3 2016	01.01.15 - 30.09.15	01.01.16 - 30.09.16		01.01.16 - 30.09.16	01.01.15 - 30.09.15	Q3 2016	Q3 2015	2015
625	429	507	625	238	Net obligations opening balance	263	674	546	468	674
-187	11	-31	-164	193	Actuarial liabilities and losses recognised in comprehensive income	205	-172	-32	13	-200
88	20	5	68	19	Net pension cost	21	73	6	21	95
-66	0	0	-65	36	Company contributions	37	-69	0	0	-71
-9	-2	-1	-6	-6	Payments from operations	-8	-6	-2	-2	-9
-213	-60	0	-60	0	Curtailments included in the income statement	0	-63	0	-63	-226
238	398	480	398	480	<b>Net pension obligations closing balance</b>	<b>518</b>	<b>437</b>	<b>518</b>	<b>437</b>	<b>263</b>

## 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 3.3 years at the end of the third quarter of 2016. The total LCR was 123% at the end of the third quarter and the average total LCR was 130% in the quarter. The LCR in NOK and EUR at the end of the quarter was 62% and 332%, respectively.

## Note 17 Information about fair value

### Group

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

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

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

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

Fair value 30.09.16	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Net lending to customers			9,841	9,841
Commercial paper and bonds at fair value	12,976	6,571		19,547
Financial derivatives		4,653		4,653
Equities, units and other equity interests	237	119	223	579
Operations that will be sold			23	23
<b>Liabilities</b>				
Financial derivatives		3,554		3,554

No transfers between levels 1 and 2

*Note 17 Information about fair value (continued)*

Fair value 30.09.15	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Net lending to customers			10.934	10.934
Commercial paper and bonds at fair value	11.599	8.885		20.484
Financial derivatives		7.099		7.099
Equities, units and other equity interests	205	20	289	514
Operations that will be sold			136	136
<b>Liabilities</b>				
Financial derivatives		3.224		3.224
No transfers between levels 1 and 2				

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

Group	Loans to customers	Shares, ownership stakes and other securities available for sale	Business available for sale
Balance 01.01	10.565	236	168
Additions	139	54	1
Disposals	-762	-8	-146
Transferred from or to measurement according to prices in an active market or observable market data			
Change in value <sup>1)</sup>	-101	-59	0
<b>Balance 30.09</b>	<b>9.841</b>	<b>223</b>	<b>23</b>
Nominal value/cost price	9.522	228	30
Fair value adjustment	319	-5	-7
<b>Balance 30.09</b>	<b>9.841</b>	<b>223</b>	<b>23</b>

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

SpareBank 1 SR-Bank is a member of Visa Norge FLI. Visa Norge FLI is, as a group member of Visa Europe, also a shareholder in Visa Europe Ltd. In November 2015, an agreement was announced concerning the sale of Visa Europe Ltd to Visa Inc. The transaction will significantly increase the equity in Visa Norge IFS. SpareBank 1 SR-Bank's ownership interests in Visa Norge IFS are considered a financial asset in the available for sale category (AFS investment) and must therefore be recognised at fair value as long as this can be reliably measured. The remuneration consists of shares in Visa Inc., a cash settlement and a postponed cash payment. On 31 December 2015, the estimated value of the shares resulted in income in other comprehensive income of NOK 95 million. SpareBank 1 SR-Bank received the cash settlement in the second quarter of 2016. This amounted to NOK 94 million, compared with the amount calculated at the end of 2015 of NOK 72 million. The cash settlement was posted as dividends via the income statement in the second quarter of 2016. SpareBank 1 SR-Bank still has an ownership item linked to the postponed cash payment and shares in Visa Norge totalling NOK 34 million. This item is posted in other comprehensive income and will not affect the result until it is realised.

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

Fixed-rate loans are measured on the basis of the interest rate agreed with the customer. Loans are discounted using the applicable interest curve, having taken into account a market premium, which is adjusted for the profit margin. The conducted sensitivity analyses indicate an increase in the discount rate of 10 basis points would have a negative effect on the result amounting to NOK 27 million.

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

*Note 17 Information about fair value (continued)*

Fair value of financial instruments at amortised cost

Group	Balance	Fair value
	30.09.2016	30.09.2016
<b>Assets</b>		
Cash and balances with central banks	172	172
Balances with credit institutions	1.073	1.073
Loans to customers <sup>1)</sup>	146.312	146.312
Certificates and bond held to maturity	2.190	2.203
<b>Total assets at amortised cost</b>	<b>149.747</b>	<b>149.760</b>
<b>Liabilities</b>		
Balances with credit institutions	4.729	4.729
Deposits from customers <sup>1)</sup>	87.240	87.240
Listed debt securities	74.140	73.770
Subordinated loan capital	3.256	3.228
<b>Total liabilities at amortised cost</b>	<b>169.365</b>	<b>168.967</b>

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

*Note 18 Events after the balance sheet date*

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

## QUARTERLY INCOME STATEMENT

SpareBank 1 SR-Bank Group, MNOK	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2016	2016	2016	2015	2015	2015	2015	2014	2014
Interest income	1.384	1.379	1.400	1.408	1.431	1.436	1.477	1.588	1.568
Interest expense	655	668	702	730	782	797	850	933	947
<b>Net interest income</b>	<b>729</b>	<b>711</b>	<b>698</b>	<b>678</b>	<b>649</b>	<b>639</b>	<b>627</b>	<b>655</b>	<b>621</b>
Commission income	365	405	369	388	372	418	427	423	421
Commission expenses	18	17	19	17	21	20	20	19	20
Other operating income	0	1	2	1	2	1	1	1	2
<b>Net commission and other income</b>	<b>347</b>	<b>389</b>	<b>352</b>	<b>372</b>	<b>353</b>	<b>399</b>	<b>408</b>	<b>405</b>	<b>403</b>
Dividend income	0	97	8	1	1	8	7	1	10
Income from investment in associates	90	112	104	110	78	101	133	138	150
Net gains/losses on financial instrument	141	-4	-33	-124	-67	-15	71	-23	-18
<b>Net income on financial investments</b>	<b>231</b>	<b>205</b>	<b>79</b>	<b>-13</b>	<b>12</b>	<b>94</b>	<b>211</b>	<b>116</b>	<b>142</b>
<b>Total income</b>	<b>1.307</b>	<b>1.305</b>	<b>1.129</b>	<b>1.037</b>	<b>1.014</b>	<b>1.132</b>	<b>1.246</b>	<b>1.176</b>	<b>1.166</b>
Personnel expenses	282	296	295	114	221	300	310	308	307
Administrative expenses	115	114	102	125	114	122	119	128	114
Other operating costs	89	104	95	129	94	114	101	94	99
<b>Total operating cost</b>	<b>486</b>	<b>514</b>	<b>492</b>	<b>368</b>	<b>429</b>	<b>536</b>	<b>530</b>	<b>530</b>	<b>520</b>
<b>Operating profit before impairment losses</b>	<b>821</b>	<b>791</b>	<b>637</b>	<b>669</b>	<b>585</b>	<b>596</b>	<b>716</b>	<b>646</b>	<b>646</b>
Impairment losses on loans and guarantees	161	305	150	192	96	44	88	93	69
<b>Pre-tax profit</b>	<b>660</b>	<b>486</b>	<b>487</b>	<b>477</b>	<b>489</b>	<b>552</b>	<b>628</b>	<b>553</b>	<b>577</b>
Tax expense	126	80	101	35	112	121	132	105	123
<b>Profit after tax</b>	<b>534</b>	<b>406</b>	<b>386</b>	<b>442</b>	<b>377</b>	<b>431</b>	<b>496</b>	<b>448</b>	<b>454</b>

### Profitability

Return on equity per quarter <sup>1)</sup>	12,2 %	9,4 %	9,0 %	10,6 %	9,3 %	10,8 %	12,7 %	11,7 %	12,2 %
Cost percentage <sup>2)</sup>	37,2 %	39,4 %	43,6 %	35,5 %	42,3 %	47,3 %	42,5 %	45,1 %	44,6 %
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,48 %	1,48 %	1,44 %	1,40 %	1,39 %	1,44 %	1,45 %	1,51 %	1,48 %

### Balance sheet figures from quarterly accounts

Gross loans to customers	157.352	156.738	155.172	155.190	151.911	150.245	144.686	141.620	137.343
Gross loans to customers including SB1 Boligkreditt og Næringskreditt	183.042	183.438	183.939	183.896	182.940	181.440	178.750	174.492	170.270
Growth in loans over last 12 months <sup>4)</sup>	3,6 %	4,3 %	7,2 %	9,6 %	10,6 %	11,0 %	18,9 %	17,7 %	17,7 %
Growth in loans incl SB1 Boligkreditt and Næringskreditt	0,1 %	1,1 %	2,9 %	5,4 %	7,4 %	7,6 %	7,3 %	4,7 %	3,5 %
Deposits from customers	87.240	89.633	87.023	89.444	88.980	90.788	85.984	81.489	81.228
Growth in deposits over last 12 months	-2,0 %	-1,3 %	1,2 %	9,8 %	9,5 %	11,1 %	15,5 %	13,7 %	14,9 %
Total assets	193.219	196.763	194.763	192.049	191.500	181.889	176.913	174.926	168.310
Average total assets	195.489	192.792	194.300	192.315	185.459	177.861	175.938	172.179	166.894

### Losses and non-performing commitments

Impairment losses ratio, annualized <sup>5)</sup>	0,41 %	0,78 %	0,39 %	0,50 %	0,25 %	0,12 %	0,25 %	0,27 %	0,20 %
Non-performing commitments as a percentage of total loans	0,73 %	0,56 %	0,49 %	0,55 %	0,23 %	0,27 %	0,31 %	0,30 %	0,38 %
Other doubtful commitments as a percentage of total loans	0,64 %	0,78 %	0,61 %	0,35 %	0,45 %	0,48 %	0,50 %	0,36 %	0,39 %

### Solidity

Common equity Tier 1 capital ratio	13,8 %	13,5 %	13,4 %	13,3 %	12,2 %	12,3 %	12,1 %	11,5 %	11,3 %
Tier 1 capital ratio	14,7 %	14,4 %	14,3 %	14,2 %	13,1 %	13,1 %	12,9 %	12,3 %	13,1 %
Capital ratio	17,1 %	16,8 %	16,8 %	16,7 %	15,2 %	15,3 %	15,2 %	14,5 %	15,4 %
Tier 1 capital	17.552	17.266	16.955	16.882	16.063	15.771	15.206	14.828	15.304
Net primary capital	20.386	20.139	19.853	19.933	18.635	18.403	17.838	17.465	18.037
Risk weighted balance	119.118	119.705	118.527	119.124	122.380	120.363	117.589	120.189	117.278
Leverage ratio	6,7 %	6,4 %	6,4 %	6,3 %	5,9 %	6,3 %	6,1 %	6,1 %	

Se next page for definition of key figures

Liquidity	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2016	2016	2016	2015	2015	2015	2015	2014	2014
Liquidity Coverage Ratio (LCR) <sup>6)</sup>	123 %	173 %	130 %	128 %	164 %	111 %	113 %	94 %	
Deposit-to-loan ratio	55,4 %	57,2 %	56,1 %	57,6 %	58,6 %	60,4 %	59,4 %	57,5 %	59,1 %
<b>SpareBank 1 SR-Bank share</b>									
Market price at end of quarter	45,60	41,20	40,60	39,30	42,40	52,25	56,25	52,50	61,00
Market capitalisation	11.662	10.537	10.383	10.051	10.844	13.363	14.386	13.427	15.601
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)	69,36	67,16	67,68	66,14	64,02	62,56	62,40	60,28	59,21
Earnings per share, NOK (annualised)	2,09	1,59	1,51	1,73	1,47	1,69	1,94	1,75	1,78
Price/earnings per share	5,45	6,48	6,72	5,68	7,21	7,73	7,25	7,50	8,57
Price / Book equity (group)	0,66	0,61	0,60	0,59	0,66	0,84	0,90	0,87	1,03
Annualised turnover rate in quarter <sup>7)</sup>	3,1 %	2,5 %	4,6 %	3,4 %	5,1 %	5,6 %	7,4 %	7,7 %	3,0 %
Effective return <sup>8)</sup>	10,7 %	5,2 %	3,3 %	-7,3 %	-18,9 %	-3,6 %	7,1 %	-13,9 %	2,1 %

### Key figure definitions

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

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

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

<sup>4)</sup> High growth in loans in 2014 and 2015 is attributable to a buy-back of loans from SpareBank 1 Boligkreditt AS

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

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

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

<sup>8)</sup> Percentage change in the market price in the last period, including paid share dividend

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### Executive Management

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### 2016 Financial Calendar

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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	Thursday 27 October