

FIRST QUARTER 2017

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SpareBank **1**
SR-BANK

Interim Financial Statements Q1 2017

| | |
|--|-------|
| Key figures | 3 |
| Report of the Board of Directors | 4 |
| Income Statement..... | 15 |
| Balance Sheet | 16 |
| Statement of Changes in Equity | 17 |
| Cash Flow Statement | 18 |
| Notes to the Financial Statements | 19-31 |
| Note 1 Accounting policies | 19 |
| Note 2 Impairment losses on loans and guarantees recognised in the income statement | 20 |
| Note 3 Impairment losses on loans and guarantees recognised in the balance sheet | 20 |
| Note 4 Non-performing and impaired loans | 20 |
| Note 5 Other assets | 21 |
| Note 6 Other debt, guarantees and other liabilities | 21 |
| Note 7 Customer deposits by sector and industry | 22 |
| Note 8 Customer loans by sector and industry | 22 |
| Note 9 Capital adequacy..... | 23 |
| Note 10 Financial derivatives | 25 |
| Note 11 Securities issued and subordinated loan capital | 25 |
| Note 12 Segment reporting..... | 26 |
| Note 13 Net income/losses from financial instruments..... | 28 |
| Note 14 Pensions..... | 28 |
| Note 15 Sale of loans | 29 |
| Note 16 Liquidity risk | 29 |
| Note 17 Information about fair value | 29 |
| Note 18 Events after the balance sheet date | 31 |
| Results from the Interim Financial Statements | 32 |
| Contact information and 2017 financial calendar..... | 34 |

Key figures SpareBank 1 SR-Bank Group

| MAIN FIGURES | 01.01.17 - 31.03.17 | | 01.01.16 - 31.03.16 | | 2016 | |
|--|---------------------|-----------------|---------------------|-----------------|-----------------|-------------|
| | MNOK | % | MNOK | % | | % |
| Net interest income | 739 | 1,53 | 698 | 1,44 | 2.871 | 1,48 |
| Net commission and other income | 371 | 0,77 | 352 | 0,73 | 1.443 | 0,74 |
| Net income on financial investments | 89 | 0,18 | 79 | 0,16 | 654 | 0,34 |
| Total income | 1.199 | 2,49 | 1.129 | 2,33 | 4.968 | 2,56 |
| Total operating costs | 519 | 1,08 | 492 | 1,02 | 2.032 | 1,05 |
| Operating profit before impairment losses | 680 | 1,41 | 637 | 1,31 | 2.936 | 1,51 |
| Impairment losses on loans and guarantees | 168 | 0,35 | 150 | 0,31 | 778 | 0,40 |
| Pre-tax profit | 512 | 1,06 | 487 | 1,01 | 2.158 | 1,11 |
| Tax expense | 109 | 0,23 | 101 | 0,21 | 403 | 0,21 |
| Profit after tax | 403 | 0,84 | 386 | 0,80 | 1.755 | 0,90 |
| | 31.03.17 | | 31.03.16 | | | |
| PROFITABILITY | | | | | | |
| Return on equity ¹⁾ | 8,7 % | | 9,0 % | | 10,0 % | |
| Cost ratio ²⁾ | 43,3 % | | 43,6 % | | 40,9 % | |
| Combined weighted total average spread for lending and deposits ³⁾ | 1,53 % | | 1,44 % | | 1,48 % | |
| BALANCE SHEET | | | | | | |
| Gross loans to customers | 159.843 | | 155.172 | | 157.638 | |
| Gross loans to customers including SB1 BK and SB1 NK ⁴⁾ | 183.182 | | 183.939 | | 182.332 | |
| Growth in loans | 3,0 % | | 7,2 % | | 1,6 % | |
| Growth in loans incl SB1 BK and SB1 NK ⁴⁾ | -0,4 % | | 2,9 % | | -0,9 % | |
| Deposits from customers | 93.125 | | 87.023 | | 85.914 | |
| Growth in deposits | 7,0 % | | 1,2 % | | -3,9 % | |
| Total assets | 200.182 | | 194.763 | | 193.408 | |
| Average total assets | 195.967 | | 194.300 | | 194.264 | |
| LOSSES AND NON-PERFORMING COMMITMENTS | | | | | | |
| Impairment losses ratio | 0,42 % | | 0,39 % | | 0,50 % | |
| Impairment losses ratio, including loans SB1 BK and SB1 NK ⁴⁾ | 0,37 % | | 0,33 % | | 0,42 % | |
| Non-performing commitments, percentage of gross loans | 0,46 % | | 0,49 % | | 0,68 % | |
| Non-performing commitments, percentage of gross loans, incl. loans SB1 BK and NK ⁴⁾ | 0,40 % | | 0,41 % | | 0,59 % | |
| Other doubtful commitments, percentage of gross loans | 0,95 % | | 0,61 % | | 0,72 % | |
| Other doubtful commitments, percentage of gross loans, incl. loans SB1 BK and NK ⁴⁾ | 0,83 % | | 0,51 % | | 0,62 % | |
| SOLIDITY | | | | | | |
| Common equity Tier 1 capital ratio | 14,7 % | | 13,4 % | | 14,7 % | |
| Tier 1 capital ratio | 15,6 % | | 14,3 % | | 15,6 % | |
| Capital ratio | 17,5 % | | 16,8 % | | 17,5 % | |
| Tier 1 capital | 18.482 | | 16.955 | | 18.227 | |
| Risk weighted balance | 118.410 | | 118.527 | | 116.651 | |
| Leverage ratio | 7,1 % | | 6,4 % | | 7,3 % | |
| Liquidity | | | | | | |
| Liquidity Coverage Ratio (LCR) ⁵⁾ | 200 % | | 130,0 % | | 174,0 % | |
| Deposit-to-loan ratio | 58,3 % | | 56,1 % | | 54,5 % | |
| BRANCHES AND STAFF | | | | | | |
| Number of branches | 36 | | 49 | | 36 | |
| Number of man-years | 1.142 | | 1.169 | | 1.127 | |
| Number of man-years including temps | 1.188 | | 1.194 | | 1.172 | |
| SpareBank 1 SR-Bank share | 31.03.17 | 31.12.16 | 31.12.15 | 31.12.14 | 31.12.13 | |
| Market price | 64,25 | 60,75 | 39,30 | 52,50 | 60,25 | |
| Market capitalisation | 16.432 | 15.537 | 10.051 | 13.427 | 15.409 | |
| Book equity per share(including dividends) (group) | 72,91 | 71,54 | 66,14 | 60,28 | 55,00 | |
| Earnings per share, NOK | 1,58 | 6,87 | 6,83 | 8,20 | 7,28 | |
| Dividends per share | n.a | 2,25 | 1,50 | 2,00 | 1,60 | |
| Price / Earnings per share | 10,17 | 8,84 | 5,75 | 6,40 | 8,28 | |
| Price / Book equity (group) | 0,88 | 0,85 | 0,59 | 0,87 | 1,10 | |
| Effective return ⁶⁾ | 5,8 % | 58,4 % | -21,3 % | -10,2 % | 66,0 % | |

¹⁾ Operating result as a percentage of average equity

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

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

⁴⁾ SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are abbreviated to SB1 BK and SB1 NK

⁵⁾ High quality liquid assets divided by total net cash outflows in a 30-day, serious stress scenario

⁶⁾ Percentage change in the market price in the last period, including paid share dividend

A good result in a still demanding market

Q1 2017

- Pre-tax profit: NOK 512 million (NOK 487 million)
 - Net profit for the quarter: NOK 403 million (NOK 386 million)
 - Return on equity after tax: 8.7% (9.0%)
 - Earnings per share: NOK 1.58 (NOK 1.51)
 - Net interest income: NOK 739 million (NOK 698 million)
 - Net commissions and other operating income: NOK 371 million (NOK 352 million)
 - Net income from financial investments: NOK 89 million (NOK 79 million)
 - Operating costs: NOK 519 million (NOK 492 million)
 - Impairment losses on loans: NOK 168 million (NOK 150 million)
 - Total lending growth over last 12 months: -0.4% (2.9%)
 - Growth in deposits over last 12 months: 7.0% (1.2%)
 - Common equity tier 1 capital ratio: 14.7% (13.4%)
 - Tier 1 capital ratio: 15.6% (14.3%)
- (Q1 2016 figures in brackets)

Financial performance - Q1 2017

The group's pre-tax profit was NOK 512 million (NOK 487 million), NOK 13 million lower than in the fourth quarter of 2016. The return on equity after tax for the quarter was 8.7% (9.0%) compared with 9.5% in the fourth quarter of 2016. The group's financial performance in the first quarter of 2017 was characterised by rising interest income, higher commissions and other operating income, and lower costs from the previous quarter, despite the introduction of the new financial activity tax from 2017. Less income from financial investments resulted in lower pre-tax profit compared with the quarter before.

Net interest income rose to NOK 739 million (NOK 698 million) from NOK 733 million in the fourth quarter of 2016. The average interest margin (net interest income as a percentage of average total assets) was 1.53% in the first quarter of 2017 (1.44%) compared with 1.50% in the fourth quarter of 2016. Increased net interest margin was a result of better risk pricing in both the corporate and retail market divisions.

Net commissions and other operating income amounted to NOK 371 million (NOK 352 million) compared with NOK 355 million in the fourth quarter of 2016. Increased income from both Regnskapshuset and EiendomsMegler 1 made positive contributions. Income from Regnskapshuset increased by NOK 10 million compared with the fourth quarter of 2016 to NOK 28 million (NOK 23 million) in the first quarter of 2017, while fees from EiendomsMegler 1 rose by NOK 8 million to NOK 93 million in the first quarter of 2017 (NOK 68 million) due to the improvement in housing

market activity in the Stavanger region. Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt amounted to NOK 36 million (NOK 41 million), NOK 6 million higher than in the fourth quarter of 2016.

Net income from financial investments was NOK 89 million (NOK 79 million) compared with NOK 139 million in the fourth quarter of 2016. Capital gains from financial instruments decreased by NOK 35 million from the fourth quarter of 2016, where reduced capital gains on securities explains NOK 25 million of the reduction. Income from ownership interests decreased by NOK 15 million, mainly due to the lower profit share from SpareBank 1 Gruppen.

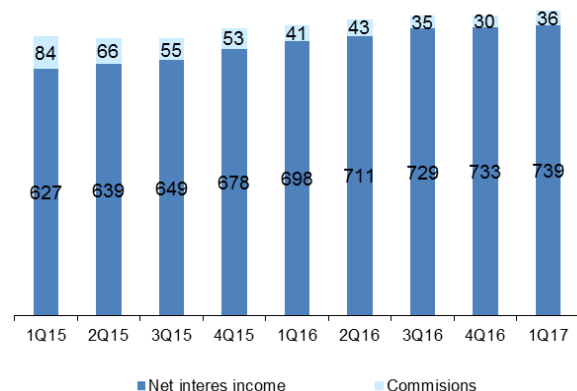
Operating costs totalled NOK 519 million (NOK 492 million), a reduction of NOK 21 million compared with the fourth quarter of 2016. Personnel costs increased by NOK 13 million from the fourth quarter of 2016. Almost NOK 11 million of this was due to the 5% financial activity tax on personell costs that was introduced on 1 January 2017. Other operating costs were reduced by NOK 34 million compared with the quarter before. The reduction is due to the fact that the fourth quarter of 2016 saw a high level of activity with several projects and initiatives. External consultants, marketing, and ICT were among the areas where costs were reduced in the first quarter of 2017, and the costs were back to normal level this quarter.

Impairment losses on loans were NOK 168 million (NOK 150 million) compared with NOK 162 million in the fourth quarter of 2016.

Net interest income

The group's net interest income totalled NOK 739 million in the first quarter of 2017 (NOK 698 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 36 million in the first quarter of 2017 (NOK 41 million). The combined total of net interest income and commissions increased by NOK 36 million, compared with the first quarter of 2016. The rise was due to increases in interest for large portions of the retail market portfolio with effect from January 2017, and improved risk pricing of large parts of the corporate market portfolio that was carried out in the first half of 2016.

Fig. 1 Interest income



The average interest margin increased to 1.53% in the first quarter of 2017 from 1.44% in the first quarter of 2016.

Net commissions and other operating income

Net commissions and other operating income in the first quarter of 2017 totalled NOK 371 million (NOK 352 million). The NOK 19 million increase from the first quarter of 2016 is largely attributable to income from estate agency services increasing by NOK 25 million to NOK 93 million in the first quarter of 2017 (NOK 68 million) due to the improvement in housing market activity in the Stavanger region.

Income from SpareBank 1 Regnskapshuset SR increased by NOK 5 million to NOK 28 million in the first quarter of 2017 (NOK 23 million), in part due to the acquisition of Regnskaps Partner Bergen AS with effect from 1 January 2017.

Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt decreased by NOK 5 million to NOK 36 million in the first quarter of 2017 (NOK 41 million), primarily due to the group having bought back loans from the mortgage companies totalling NOK 5.4 billion in the last 12 months.

Other commissions decreased by 2.7% from the first quarter of 2016, primarily due to lower arrangements fees, although income from money-transfer services and insurance made positive contributions.

Net income from financial investments

Net income from financial investments in the first quarter of 2017 totalled NOK 89 million (NOK 79 million). Dividends amounted to NOK 5 million (NOK 8 million), while income from ownership interests decreased by NOK 41 million from NOK 104 million in the first quarter of 2016 to NOK 63 million in the first quarter of 2017, mainly due to the negative effects of basis swaps¹ in SpareBank 1 Boligkreditt.

Table 1, The share of net profit

| The share of net profit after tax | 31.03.17 | 31.03.16 |
|--|-----------|------------|
| SpareBank 1 Gruppen | 66 | 61 |
| SpareBank 1 Boligkreditt | -18 | 22 |
| SpareBank 1 Næringskreditt | 5 | 6 |
| BN Bank | 21 | 14 |
| SpareBank 1 Kredittkort | 2 | 6 |
| SpareBank 1 Mobilbetaling | -13 | - |
| Other | -13 | -5 |
| Total income from ownership interests | 63 | 104 |

The share of the net profit from SpareBank 1 Gruppen increased by NOK 5 million compared with the same period last year. The good result was primarily due to P&C insurance, which posted an improved insurance result and higher net financial income. Underlying operations in the other companies in SpareBank 1 Gruppen were stable and good.

The share of the net profit from SpareBank 1 Boligkreditt decreased by NOK 40 million compared with the same period last year. The reduction and negative profit share was due to the negative effects of basis swaps¹ in the first quarter of 2017, while basis swaps produced positive effects in the first quarter of 2016. The group's share of the basis swap effects decreased by NOK 50 million from NOK 21 million in the first quarter of 2016 to NOK -29 million in the first quarter of 2017.

¹ Basis swaps are derivatives contracts that are entered into in connection with long-term funding in international capital markets where the currency is converted to Norwegian kroner. These are hedging instruments and seen over the instruments'

term of maturity the changes in market value are zero. The accounting effects will therefore be reversed over time, unless the instrument is redeemed.

The share of the net profit from BN Bank increased by NOK 7 million from the first quarter of 2016 to the first quarter of 2017. This was due to the reversal of earlier individual loss provisions, as well as a good underlying operating result.

The negative share of the result from SpareBank 1 Mobilbetaling amounting to NOK -13 million (NOK -6 million) was linked to the group's investment in mCASH, which was the SpareBank 1 Alliance's mobile payment solution. MCASH will be merged with Vipps in 2017.

Net income from financial instruments amounted to NOK 21 million in the first quarter of 2017 (capital losses of NOK 33 million). Capital gains on securities amounted to NOK 25 million (capital losses of NOK 66 million), while capital losses on interest and currency trading amounted to NOK 4 million (capital gains of NOK 33 million).

The capital gains on securities amounting to NOK 25 million (capital losses of NOK 66 million) were due to a combination of capital losses of NOK 7 million (capital losses of NOK 53 million) in the interest portfolio, which were counteracted by positive effects totalling NOK 25 million (NOK 8 million) from hedging instruments, as well as capital gains of NOK 7 million (capital losses of NOK 21 million) from the portfolio of shares and equity certificates.

The capital losses on interest and currency trading of NOK 4 million (capital gains NOK 33 million) included negative effects from basis swaps¹ amounting to NOK -16 million (NOK 13 million in positive effects).

Operating costs

The group's operating costs amounted to NOK 519 million in the first quarter of 2017, an increase of NOK 27 million (5.5%) compared with the first quarter of last year.

Personnel costs increased by NOK 11 million (3.7%) from the first quarter of 2016 to NOK 306 million in the first quarter of 2017. The total increase was due to the 5% financial activity tax on personell cost that was introduced from 1 January 2017. The number of full-time equivalents in the group fell by six man-years during the same period. The number of full-time equivalents in subsidiaries rose by eight man-years due to the high level of activity in EiendomsMegler 1 and Regnskapshuset, while the parent bank reduced

its full-time equivalents by 14 man-years due to an increasing degree of self-service among the group's customers and other operational streamlining.

Other operating costs increased by NOK 16 million (8.1%) to NOK 213 million in the first quarter of 2017. NOK 7 million of this was due to higher costs in EiendomsMegler 1 due to the improvement in housing market activity in the Stavanger region. The remainder of the increase was due to a number of items, the most important of which were personnel, marketing, and ICT costs.

The group's normalised² total rise in costs from the first quarter of 2016 to the first quarter of 2017 was NOK 0.5 million (0.1%). The group maintains a constant focus on holding costs down through efficient operations, combined with costs linked to further technological development being prioritised. The group's cost/income ratio, costs measured as a percentage of income, was 43.3% in the first quarter of 2017 (43.6%).

Impairment losses on loans and non-performance

In the first quarter of 2017, the group recognised net impairment losses on loans totalling NOK 168 million (NOK 150 million). This corresponds to impairments as a percentage of gross loans of 0.42% (0.39%). Inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the write-down as a percentage of gross loans corresponded to 0.37% (0.33%). The impairment losses on loans in the first quarter of 2017 largely involved write-downs linked to individual commitments within oil-related activities.

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.

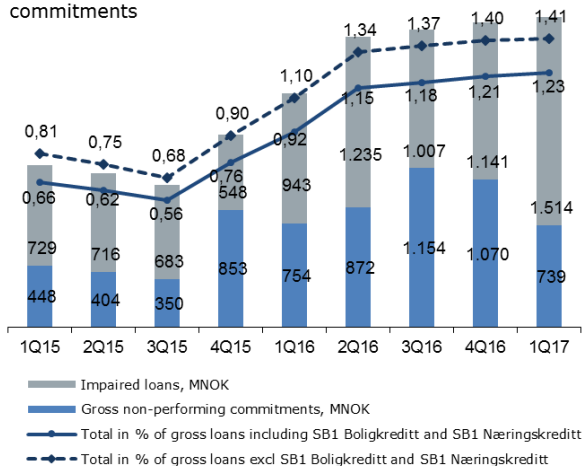
Gross non-performing commitments aggregated NOK 739 million (NOK 754 million) at the end of the first quarter of 2017. This corresponded to 0.46% (0.49%) of gross loans, or 0.40% (0.41%) inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The portfolio of impaired (not non-performing) loans totalled NOK 1,514 million (NOK 943 million). This corresponded to 0.95% (0.61%) of gross loans, or 0.83% (0.51%) inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The NOK 373 million increase in

² The normalised rise in costs does not include costs from EiendomsMegler 1 AS and Regnskapshuset SR AS. Financial

activity tax, bonuses, and restructuring costs are also excluded from the calculation.

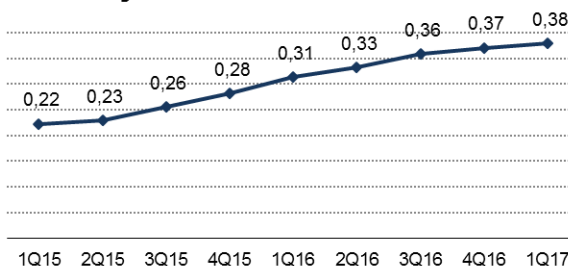
impaired loans since the previous quarter is primarily attributable to net changes in impairment assessments within the offshore supply segment, while the reduction in non-performing loans is due to a combination of reduced volume in relation to a major customer and a realised loss for another customer. The changes relate to customers who were already under extra monitoring and are in line with the expectation that the group will have to take higher write-downs than the average in an economic cycle in 2017 as well. Total non-performing and impaired loans at the end of the first quarter of 2017 came to NOK 2,253 million (NOK 1,697 million). Measured as a percentage of gross loans, this resulted in an increase in the last 12 months from 1.10% to 1.41%, and an increase from 0.92% to 1.23%, inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

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 23% (16%) and 24% (27%) at the end of the first quarter of 2017. 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 99 million. The loan loss provision ratio, measured as collective impairment losses as a percentage of gross loans, inclusive of the volume sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, increased to 0.38% at the end of the first quarter of 2017 (0.31%).

Fig. 3 Collective impairment losses as % of gross loans including loans sold to SB1 Boligkreditt and SB1 Næringskreditt



IFRS 9 Financial Instruments will replace the current IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018. This will affect, among other things, how the group will assess the need for impairment losses. According to the current rules under IAS 39, impairment losses must only be made when objective evidence exists that a loss event has happened after initial recognition. According to IFRS 9 though, impairment losses must be recognised based on expected credit losses (ECL). In the last year, SpareBank 1 SR-has work on models and adapting to the new regulations. This work will continue throughout 2017. Based on a preliminary review, the transition to IFRS 9 is not expected to have significant effects. The effect on the capital adequacy ratio will, according to our preliminary calculations, be limited or non-existent as a consequence of the deduction provisions associated with regulatory expected losses since the group's total impairments according to IFRS 9 are lower than these. Given this, it therefore does not appear that SpareBank 1 SR-Bank will require a 5-year implementation period, which the capital adequacy regulations allow.

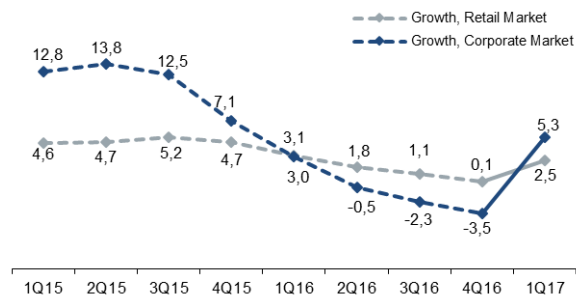
For more information about the implementation of IFRS 9 please see note 1 of the interim financial statements and note 42 in the consolidated annual financial statements for 2016.

Loans to and deposits from customers

Gross loans at the end of the first quarter of 2017 amounted to NOK 159.8 billion (NOK 155.2 billion). Inclusive of loans totalling NOK 23.3 billion (NOK 28.7 billion) sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, gross loans amounted to NOK 183.2 billion (NOK 183.9 billion) at the end of the first quarter of 2017. Gross lending growth in the last 12 months was -0.4% (2.9%).

Loans to the retail market accounted for 62.9% (62.5%) of total loans (inclusive of loans sold to SpareBank 1 Boligkreditt) at the end of the first quarter of 2017.

Fig. 4 12 month lending growth (%)



* Following the merger with the parent bank on 1 January 2017, the volume from SR-Finans is included in the figures from and including the first quarter of 2017. This results in break in the historic figures.

The group's total loan exposure of NOK 183.2 billion (NOK 183.9 billion) included a majority of commitments with a probability of default of less than 0.5%. These commitments represented 59.3% (60.2%) of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These accounted for around 68.8% (68.4%) of loan exposure and 98.5% (98.6%) of customers. 18.2% (18.5%) of the total loan exposure was to customers who had loans in excess of NOK 100 million.

Deposits from customers rose by 7.0% (1.2%) over the last 12 months to NOK 93.1 billion (NOK 87.0 billion). Deposits primarily increased due to larger deposits from public sector customers. At the end of the first quarter of 2017, deposits from the corporate market and public sector accounted for 54.2% (51.6%) of the group's customer deposits. At the end of the first quarter of 2017, the deposit-to-loan ratio was 58.3% (56.1%).

In addition to ordinary customer deposits, the group also has capital under management in alternative investment products. These amounted to NOK 18.5 billion (NOK 16.5 billion) at the end of the first quarter of 2017. 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

³ 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

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.

SR-Finans was merged into the parent bank with effect from 1 January 2017 and is included in the divisions' results and balances from the same date. The segment note (note 12) has been modified and contains comparable figures in which the results and balances from SR-Finans are included in the divisions' results and balances from 1 January 2016.

Retail market division³

The retail market division's contribution before impairment losses on loans amounted to NOK 355 million in the first quarter (NOK 292 million). The result was NOK 63 million higher than in the same period last year and this was due to the merger with SR-Finans, higher margins, and increased commissions. The merger entailed the transfer of car and consumer loans to the division, as well as employees linked to the retail market in SR-Finans. Costs increased by NOK 13 million (9.5%) from the first quarter of 2016 to the first quarter of 2017 due to factors such as the 5% financial activity tax, merger, and increased market activity.

Commissions, exclusive of commissions from SpareBank 1 Boligkreditt, increased by 6% in the first quarter of 2017, with the greatest growth within money-transfer services. Commissions from insurance and fund services also rose compared with the same quarter last year.

A better labour market and housing market in Rogaland and Agder resulted in greater demand for mortgages. Lending growth over the last 12 months was 2.6% at the end of the first quarter of 2017, inclusive of the volume transferred from SR-Finans. Exclusive of the effects of the merger, the 12-month lending growth was 0.8%. Deposits have increased by 1.3% in the last 12 months. The division expects higher demand for home mortgages due to greater optimism in the business sector. Write-downs were low during the quarter and the proportion of non-performing commitments over 30 days was 0.52% of total lending at the end of the first quarter of 2017 (0.30%). The increase was due to the inclusion of non-

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

performing loans transferred from SR-Finans in the retail market division's portfolio from the first quarter of 2017.

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) within a loan-to-value ratio of 85% amounted to 90.6% (90.1%) at the end of the first quarter of 2017. The IRB risk weighting for home mortgages was 22.5% (22.8%) at the end of the quarter, and reflected a solid, stable portfolio.

The growth in sales via digital channels continues and increased by 25% in the first quarter of 2017. This was a result of changes in customer behaviour and the fact that more products are now available via the digital channels. The division also launched a chatbot and will in the future benefit from the effects of the planned merger between mCash and Vipps.

Corporate market division ³

On 1 January 2017, SpareBank 1 SR-Finans's former corporate customers were transferred to the corporate market division. Employees linked to the corporate market in SR-Finans were transferred to the parent bank's corporate market division at the same time.

The corporate market division's contribution before impairment losses on loans was NOK 356 million in the first quarter of 2017 (NOK 345 million), NOK 11 million higher than in the first quarter of 2016. The higher result was due in part to the merger with SR-Finans and increased margins. Costs increased by NOK 15 million from the first quarter of 2016 to the first quarter of 2017, primarily due to the increase in employees because of the merger, the 5% financial activity tax from 1 January 2017, and increased operating costs linked to SR-Finans.

The division's lending growth, including the volume transferred from SR-Finans, was 9.7% seen in isolation for the first quarter of 2017. Exclusive of the effect of the merger, lending growth was 1.3% in the first quarter of 2017. Less investment activity in the customer portfolio resulted in lending growth, exclusive of the merger effect, decreasing by 1.1% in the last 12 months.

The division's deposits have increased by 17.8% in the last 12 month and deposits in the first quarter of 2017

increased by 17.6%. Deposits primarily increased due to increased deposits from customers in the public sector.

The quality of the corporate market portfolio is considered to be good. The proportion of commitments with a probability of default of less than 2.5% through a full loss cycle was 76.7% of the portfolio at the end of the first quarter of 2017 (75.7%). Because of the weak macroeconomic situation in the region, the proportion of commitments with a probability of default higher than 2.5% is expected to increase somewhat going forward. The property sector portfolio represents the group's largest concentration in a single sector and accounted for 15.3% (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 162 million and NOK 1 million in increased collective impairment losses were recognised in the first quarter of 2017, compared with NOK 82 million in individual impairment losses and NOK 57 million in collective impairment losses in the first quarter of 2016. The division's ordinary pre-tax profit was NOK 13 million lower than in the corresponding quarter 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.

Capital market division⁴

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

SR-Bank Markets's pre-tax result was NOK 35 million in the first quarter of 2017, NOK 39 million higher than in the corresponding quarter last year. The income generated is recognised as income in the business areas to which the customers are assigned, primarily the corporate market division.

Prior to the allocation of customer income to other business areas, SR-Bank Markets had achieved operating income of NOK 60 million in the first quarter of 2017. This represents an increase of NOK 29 million

⁴ 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.

from the same quarter last year and is primarily attributable to a rise in the value of the bank's bond portfolio in the first quarter of 2017. Income from sales of equities and bonds was relatively stable compared with the first quarter of 2016.

The pre-tax profit before the allocation of customer income amounted to NOK 40 million in the first quarter of 2017, an increase of NOK 32 million compared with the corresponding quarter in 2016.

Subsidiaries

EiendomsMegler 1 SR-Eiendom AS

The company's pre-tax result amounted to NOK 5.2 million in the first quarter of 2017 (NOK -5.5 million). The improvement in the result is primarily due to the housing market situation in the Stavanger region with more sales in the first quarter of 2017 than in the first quarter of 2016.

In the first quarter of 2017, 1,611 (1,211) properties with a total value of around NOK 5 billion were sold. The supply of new assignments has been satisfactory given the market situation and was overall 25% higher 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 3.4% over the last 12 months. The housing market in the Stavanger region was positive in the first quarter of 2017 and saw a strong increase in sales. House prices have levelled off and the drop in prices for the last 12 months was -1.4%. By comparison, the 12-month drop in prices at the end of 2016 was -2.6%. The turnover time for used housing in the Stavanger region is now slightly more than 50 days. The housing market in Kristiansand is stable and good, and prices have increased by 2.9% in the last 12 months. The turnover time is now around 65 days.

The overall market has increased in all of the four counties in which the company operates. Compared with the first quarter of 2016, sales of used homes and holiday homes have risen by around 20% so far in 2017. Rogaland saw the largest increase at 35%.

The supply of new homes is good, but sales in Rogaland are still somewhat affected by the downturn in the oil sector. Sales of new homes in Kristiansand and Bergen are uniformly good. The market for new

housing improved in the first quarter of 2017, and this trend is expected to continue in 2017.

There was a good supply of commercial property for both lease and sale. The vacancy rate for office premises in the Stavanger region stabilised in the first quarter of 2017. Activity in the lease market has increased and steadily more tenants are looking for premises suitable for the anticipated 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 a continued rise in activity in the housing market in our market area in 2017. A high level of activity is still expected in Hordaland, while the housing market in the Agder counties is expected to remain stable. The positive development of the housing market in Rogaland is expected to continue during the year with more house sales, faster turnover, and prices rising slightly.

SpareBank 1 Regnskapshuset SR AS

The company was established in the first quarter of 2015 and has since its start-up grown from NOK 0 to almost NOK 100 million in turnover. At the end of the first quarter of 2017, the company has six offices, four in Rogaland and two in Bergen, and more than 1,600 customers. One acquisition was made in 2016, Regnskaps Partner Bergen AS, which has a turnover of around NOK 12 million. The company was taken over with effect from 1 January 2017.

SpareBank 1 Regnskapshuset SR achieved a pre-tax profit of NOK 2.4 million in the first quarter of 2017 (NOK 0.6 million). The result includes depreciation of intangible assets of NOK 0.5 million (NOK 0.4 million).

Since its start-up, Regnskapshuset has gained a solid market position in Rogaland and Hordaland, and is experiencing a good influx of new customers who want help with introducing modern and efficient accounting. At the same time, work on digitalising the current customer portfolio is ongoing. Significant resources have been invested in internal infrastructure such as a common IT platform and business system, as well as improving the professional and systems training of the company's 96 employees. Customers are demanding cloud-based services and going forward the company will offer bespoke IT solutions for customers irrespective of industry/size.

SR-Forvaltning AS

SR-Forvaltning is licensed to provide active management and securities management services. The management company has three securities funds: SR-Utbytte, SR-Kombinasjon and SR-Rente, which were launched around 4 years ago. The company also manages portfolios for SpareBank 1 SR-Bank's pension fund, as well as external customers on the basis of discretionary mandates. The external customer base comprises pension funds, public and private enterprises, and affluent individuals. Since its start-up in 1999, the company has produced a good, long-term, risk-adjusted return for its customers, in both absolute and relative terms.

Pre-tax profit in the first quarter of 2017 amounted to NOK 7.5 million (NOK 7.5 million). The company saw good customer growth in the quarter, especially with respect to discretionary mandates. The assets under management at the end of the first quarter of 2017 amounted to NOK 10.2 billion (NOK 9.2 billion).

In the first quarter of 2017, the equity fund SR-Utbytte produced a return of 2.79% (benchmark 3.31%), the bond fund SR-Rente produced 3.41% (benchmark 0.24%), and the combination fund SR-Kombinasjon produced 2.80%, which is 1.03% better than the respective benchmark that was 1.77 %.

SR-Forvaltning's investment philosophy is long-term and value oriented. The company primarily invests in companies with a low share price in relation to book value and earnings, and which pay solid dividends.

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.

At the end of the first quarter of 2017, the company had issued covered bonds with a nominal value of NOK 28.6 billion (NOK 14.2 billion). At the end of the first quarter of 2017, SR-Boligkreditt had purchased loans for NOK 30.4 billion (NOK 15.6 billion) from SpareBank 1 SR-Bank.

SR-Boligkreditt achieved net interest income of NOK 67.6 million in the first quarter of 2017 (NOK 32.8 million) and a pre-tax profit of NOK 27.0 million (NOK 38.3 million). Net interest income primarily increased

due to the increase in mortgages 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 first quarter of 2017 was unchanged at 19.5%.

SpareBank 1 Gruppen achieved a pre-tax profit of NOK 432 million in the first quarter of 2017 (NOK 385 million), its best ever first quarter result. The solid result was primarily due to P&C insurance, which posted an improved insurance result and higher net financial income. Underlying operations in the 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 first quarter of 2017.

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 achieved a pre-tax profit of NOK -169 million in the first quarter of 2017 (NOK 140 million). The negative result was primarily due to the effects of basis swaps¹, which were reduced by NOK 340 million from NOK 128 million in the first quarter of 2016 to NOK -212 million in first quarter of 2017. At the end of the first quarter of 2017, the company's total lending volume amounted to NOK 175.7 billion (NOK 172.6 billion), NOK 22.8 billion (NOK 28.2 billion) of which were home mortgages bought from SpareBank 1 SR-Bank. At the end of the first quarter of 2017, the bank owned 13.9% of the company. This stake is normally adjusted annually based on its share of the sold volume at the end of each year.

SpareBank 1 Næringskreditt achieved a pre-tax profit of NOK 28 million in the first quarter of 2017 (NOK 30 million). At the end of the first quarter of 2017, the company's total lending volume amounted to NOK 10.5 billion (NOK 13.6 billion), NOK 0.5 billion (NOK 0.5 billion) of which were loans bought from SpareBank 1 SR-Bank. At the end of the first quarter of 2017, the bank owned 21.9% of the company.

BN Bank ASA

BN Bank is a nationwide bank with its head office in Trondheim. The bank is owned by the banks in the SpareBank 1 Alliance. SpareBank 1 SR-Bank owns a 23.5% stake. BN Bank achieved a pre-tax profit of NOK 114.8 million in the first quarter of 2017, an increase of NOK 34.8 million from the first quarter of 2016. The increased result in 2017 is due to the reversal of earlier individual loss provisions, as well as a good underlying operating result.

SpareBank 1 Kredittkort AS

SpareBank 1 Kredittkort is owned by the SpareBank 1 banks. SpareBank 1 SR-Bank owns a stake of 17.9%. The company provides credit card solutions for the SpareBank 1 banks and achieved a pre-tax profit of

NOK 12.6 million in the first quarter of 2017 (NOK 6.1 million).

SpareBank 1 Mobilbetaling AS

SpareBank 1 Mobilbetaling is owned by the SpareBank 1 banks. SpareBank 1 SR-Bank owns a stake of 19.7%. The company is behind the mobile payment solution mCASH, among other things, and is trying to strengthen the SpareBank 1 banks' position in mobile surfaces through friend-to-friend payments and mobile payments in retail outlets. At the end of the first quarter of 2017, more than 6,000 organisations and 9,300 sales outlets had adopted mCASH. mCash has almost 550,000 registered users.

On 13 February 2017, it was announced that the SpareBank 1 banks, together with more than 100 other Norwegian banks, had signed a letter of intent to become co-owners of Vipps, DNB's payment solution for mobile phones. When this happens, SpareBank 1 will become the second largest owner of Vipps after DNB. The company will continue to build on the knowledge gained in both Vipps and mCash. The partnership will better equip SpareBank 1 to face the competition from major international players in the market for mobile phone payment solutions. The Norwegian Competition Authority approved the merger of Vipps and mCash on 17 March 2017 and the transaction is expected to be completed in the third quarter of 2017.

SpareBank 1 Mobilbetaling posted a pre-tax loss of NOK -27.2 million for the first quarter of 2017 (NOK -5.9 million). The loss is due to operating costs and expensed investment costs.

Funding and liquidity

SpareBank 1 SR-Bank had good liquidity at the end of the first quarter of 2017 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 buffer⁵ was NOK 28.7 billion at the end of the first quarter of 2017, and would cover normal operations for 37 months in the event of closed markets. NOK 2.0 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 17.3 billion in home mortgages ready for covered bond funding.

⁵ Liquidity buffer: cash, short-term investments, and drawing rights in Norges Bank (bonds including covered bonds).

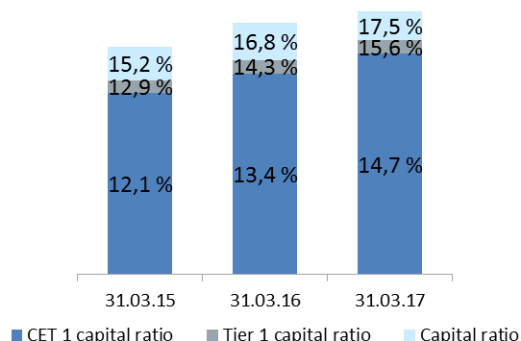
Assuming deposits and lending remain unchanged and no new borrowing during the period.

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. At the end of the first quarter of 2017, the Financial Supervisory Authority of Norway's Liquidity Indicator ⁶ was 116.2% (104.7%) for the parent bank and 113.6% (107.0%) on a consolidated basis.

Capital ratio

At the end of the first quarter of 2017, the common equity tier 1 capital ratio was 14.7%, up from 13.4% at the same time in 2016.

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 Pillar 2 premium is an institution-specific premium intended to ensure that Norwegian banks have adequate capital to cover the risk associated with operations, including risks not covered by the regulatory minimum requirement. The Financial Supervisory Authority of Norway has in its assessment of the group stipulated a Pillar 2 premium of 2.0%.

The total common equity tier 1 capital ratio requirement for SpareBank 1 SR-Bank, inclusive of the countercyclical buffer and Pillar 2 premium, as at 31 March 2017 was 13.5%. The requirements are met by a good margin. Banks classified as systemically important financial institutions are also subject to a special capital buffer requirement. SpareBank 1 SR-Bank has not been identified as a systemically important financial institution.

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 purpose of the countercyclical

⁶ The proportion of illiquid assets funded by debt with a maturity of more than 1 year.

capital buffer is to make the banks more solid and robust in relation to lending losses. The capital buffer requirement was 1.5 percentage points as at 31 March 2017. The Ministry of Finance has decided to increase the requirement to 2.0 percentage points from 31 December 2017. The total minimum requirement for common equity tier 1 capital will thus increase to 14.0% at year-end 2017.

SpareBank 1 SR-Bank's goal is to achieve a common equity tier 1 capital ratio of 15.0%, including a management buffer of 1 percentage points, by the end of 2017. The goal will be achieved through good profitability.

The tier 1 capital ratio was 15.6% (14.3%), while the total capital ratio rose to 17.5% from 16.8%. This was within the minimum requirement for total capital ratio of 17.0% with a good margin.

The bank's share

The share price for the bank's share (SRBANK) was NOK 64.25 at the end of the first quarter of 2017. This represents an increase of 5.8% since year-end 2016. The main Oslo Stock Exchange index rose by 0.6% in the same period. 15.1% (4.6%) of outstanding SRBANK shares were traded in the first quarter of 2017.

The table below shows the 20 largest shareholders as at 31 March 2017:

| Table 2, 20 largest shareholders | Number of shares (1,000) | % |
|--|--------------------------|---------------|
| Sparebankstiftelsen SR-Bank | 72.419 | 28,3 % |
| State Street Bank and Trust Co, U.S.A. | 7.805 | 3,1 % |
| SpareBank 1-stiftinga Kvinnherad | 6.227 | 2,4 % |
| Vpf Nordea Norge Verdi | 6.058 | 2,4 % |
| Folketrygdfondet | 5.275 | 2,1 % |
| Verdipapirfondet DNB Norge (IV) | 4.726 | 1,8 % |
| Odin Norge | 4.271 | 1,7 % |
| Danske Invest Norske Instit. II | 3.595 | 1,4 % |
| State Street Bank and Trust Co, U.S.A. | 2.925 | 1,1 % |
| Pareto Aksje Norge | 2.815 | 1,1 % |
| Clipper AS | 2.565 | 1,0 % |
| Gjensidige Forsikring ASA | 2.308 | 0,9 % |
| State Street Bank and Trust Co, U.S.A. | 2.251 | 0,9 % |
| JPMorgan Chase Bank, U.S.A. | 1.880 | 0,7 % |
| Verdipapirfondet Alfred Berg Gambak | 1.834 | 0,7 % |
| KAS Bank NV, Nederland | 1.805 | 0,7 % |
| Danske Invest Norske Aksjer Inst. | 1.787 | 0,7 % |
| Swedbank Generator | 1.738 | 0,7 % |
| State Street Bank and Trust Co, U.S.A. | 1.734 | 0,7 % |
| Vpf Nordea Norge Avkastning | 1.664 | 0,7 % |
| Total 20 largest | 135.681 | 53,1 % |

There were 10,726 (10,129) shareholders of SRBANK at the end of the first quarter of 2017. The proportion owned by foreign companies and individuals was 22.5%, whilst 46.7% were owned by residents of Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned a combined 53.1% of the shares. The bank holds 206,757 treasury shares, while group employees owned 1.7%.

Accounting policies

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

Events after the balance sheet date

No material events have been registered after 31 March 2017 that affect the interim financial statements as prepared.

Outlook

Moderate growth is still expected in the global economy in 2017. Norwegian economic growth is expected to be low and still affected by the low activity in oil-related activities. Oil investments decreased by 16% in 2016 compared with the year before. The Norwegian Petroleum Directorate expects a further reduction in investments in the petroleum sector of around 10% in 2017 compared with 2016. This will probably affect the overall level of activity in the region in 2017 as well. Both oil companies and the supply industry have rationalised operations and reduced costs to adapt to the new level of turnover. This is affecting the overall level of activity, although some export-oriented industries are experiencing growth due to the weak Norwegian krone. Continued low to moderate activity is expected within building, as well as in some commodity segments. While expectations indicate low growth, the last six months have seen significantly greater optimism than at the start of 2016.

While expectations indicate low growth, the last six months have seen significantly greater optimism than at the start of 2016. Unemployment in Norway fell in March for the fourth month in a row. In Rogaland, unemployment has fallen from 4.6% a year ago to 4.4% as per March 2017. Unemployment also fell in both Hordaland and Agder. EiendomsMegler 1 is

reporting increased activity in the housing market in the Stavanger region and while the 12-month price rise for homes in Norway as a whole was decreased from 12.8% as per December 2016 to 11.7% as per March 2017, the price fall in Stavanger levelled off from -2.6% as per December 2016 to -1.4% as per March 2017. Activity in the housing market in Rogaland is expected to continue to rise during 2017 with more sold homes and slightly higher prices. A high level of activity in Hordaland and stability in the Agder counties are also expected.

The group's long-term return on equity target is at least 12%. The group also has a common equity tier 1 capital ratio target of 15% by the end of 2017. SpareBank 1 SR-Bank is a solid, profitable group and has in recent years increased its financial strength in line with the authorities' requirements. This was achieved through earnings via a business model involving good breadth in earnings and efficient operations.

The group's prognoses take account of the fact that the group will in 2017 have to make necessary impairments that exceed the average in an economic cycle. Some of the bank's customers in the oil industry are experiencing a prolonged, demanding market. At the same time, macroeconomic indicators such as unemployment and house prices have performed better than previously expected. Given this, the need for impairments in 2017 is expected to be on a par with the level in 2016, or slightly lower. The board would like to stress that a certain level of uncertainty is associated with all assessments of future conditions.

The lending volume is expected to increase moderately by 2-4% in 2017 with loans to retail customers expected to increase the most.

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 is competitive going forward.

Stavanger, 26 April 2017

The Board of Directors of SpareBank 1 SR-Bank ASA

Income statement

| Parent bank | | | Note | Group | | |
|-----------------|---------------------|---------------------|--|---------------------|---------------------|-------------|
| 01.01.16 - 2016 | 01.01.17 - 31.03.16 | 01.01.17 - 31.03.17 | | 01.01.17 - 31.03.17 | 01.01.16 - 31.03.16 | 2016 |
| | | | Income statement (MNOK) | | | |
| 4.868 | 1.251 | 1.209 | Interest income | 1.392 | 1.400 | 5.563 |
| 2.407 | 648 | 538 | Interest expense | 653 | 702 | 2.692 |
| 2.461 | 603 | 671 | Net interest income | 739 | 698 | 2.871 |
| 1.054 | 269 | 255 | Commission income | 389 | 369 | 1.511 |
| 68 | 18 | 18 | Commission expenses | 19 | 19 | 72 |
| 5 | 2 | 1 | Other operating income | 1 | 2 | 4 |
| 991 | 253 | 238 | Net commission and other income | 371 | 352 | 1.443 |
| 109 | 8 | 5 | Dividend income | 5 | 8 | 110 |
| 776 | 0 | 0 | Income from investment in associates | 63 | 104 | 384 |
| 145 | -42 | 44 | Net gains/losses on financial instruments | 21 | -33 | 160 |
| | | | Note 13 | | | |
| 1.030 | -34 | 49 | Net income on financial investments | 89 | 79 | 654 |
| 4.482 | 822 | 958 | Total income | 1.199 | 1.129 | 4.968 |
| 854 | 220 | 230 | Personnel expenses | 306 | 295 | 1.166 |
| 411 | 89 | 98 | Administrative expenses | 112 | 102 | 464 |
| 269 | 65 | 71 | Other operating costs | 101 | 95 | 402 |
| 1.534 | 374 | 399 | Total operating costs | 519 | 492 | 2.032 |
| 2.948 | 448 | 559 | Operating profit before impairment losses | 680 | 637 | 2.936 |
| 684 | 149 | 167 | Impairment losses on loans and guarantees | 168 | 150 | 778 |
| | | | Note 2, 3 and 4 | | | |
| 2.264 | 299 | 392 | Pre-tax profit | 512 | 487 | 2.158 |
| 343 | 78 | 98 | Tax expense | 109 | 101 | 403 |
| 1.921 | 221 | 294 | Profit after tax | 403 | 386 | 1.755 |
| | | | Other comprehensive income | | | |
| -62 | -148 | -53 | Unrecognised actuarial gains and losses | -53 | -157 | -62 |
| 15 | 37 | 13 | Deferred tax concerning changed estimates/pension plan changes | 13 | 39 | 15 |
| -47 | -111 | -40 | Total items not reclassified through profit or loss | -40 | -118 | -47 |
| -62 | 0 | 0 | Change in value of financial assets available for sale | 0 | 0 | -62 |
| 0 | 0 | 0 | Share of profit associated companies and joint ventures | 2 | -15 | -7 |
| -62 | 0 | 0 | Total items reclassified through profit or loss | 2 | -15 | -69 |
| -109 | -111 | -40 | Other comprehensive income | -38 | -133 | -116 |
| 1.812 | 110 | 254 | Total comprehensive income | 365 | 253 | 1.639 |
| | | | Earnings per share (group) | 1,58 | 1,51 | 6,87 |

Balance sheet

| Parent bank | | | | Note | Group | | |
|-------------|----------|----------------|---|------|----------------|----------|----------|
| 31.12.16 | 31.03.16 | 31.03.17 | | | 31.03.17 | 31.03.16 | 31.12.16 |
| | | | Balance sheet (MNOK) | | | | |
| 1.079 | 1.497 | 965 | Cash and balances with central banks | | 965 | 1.497 | 1.079 |
| 10.138 | 11.388 | 7.147 | Balances with credit institutions | | 7.148 | 5.059 | 4.334 |
| 120.252 | 131.838 | 128.358 | Loans to customers | 3, 8 | 158.628 | 154.221 | 156.372 |
| 22.042 | 21.763 | 22.201 | Certificates, bonds and other fixed-income securities | | 22.078 | 20.963 | 21.024 |
| 5.057 | 5.537 | 4.964 | Financial derivatives | 10 | 4.329 | 5.403 | 4.315 |
| 433 | 288 | 436 | Shares, ownership stakes and other securities | 17 | 623 | 428 | 596 |
| 22 | 162 | 22 | Business available for sale | | 22 | 162 | 22 |
| 2.884 | 3.172 | 2.898 | Investment in associates | | 4.537 | 5.017 | 4.460 |
| 3.713 | 2.698 | 3.840 | Investment in subsidiaries | | 0 | 0 | 0 |
| 698 | 1.571 | 1.198 | Other assets | 5 | 1.852 | 2.013 | 1.206 |
| 166.318 | 179.914 | 172.029 | Total assets | 12 | 200.182 | 194.763 | 193.408 |
| 3.231 | 4.729 | 4.543 | Balances with credit institutions | | 2.847 | 4.174 | 2.674 |
| 86.184 | 87.158 | 93.374 | Deposits from customers | 7 | 93.125 | 87.023 | 85.914 |
| 52.987 | 62.320 | 49.578 | Listed debt securities | 11 | 77.946 | 75.737 | 79.183 |
| 2.711 | 3.261 | 2.825 | Financial derivatives | 10 | 2.623 | 3.064 | 2.515 |
| 1.999 | 3.899 | 2.166 | Other liabilities | 6 | 2.338 | 4.160 | 2.188 |
| 2.646 | 3.310 | 2.671 | Subordinated loan capital | 11 | 2.671 | 3.310 | 2.646 |
| 149.758 | 164.677 | 155.157 | Total liabilities | | 181.550 | 177.468 | 175.120 |
| 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 |
| 575 | 384 | 575 | Proposed dividend | | 575 | 384 | 575 |
| 52 | 163 | 52 | Fund for unrealised gains | | 52 | 163 | 52 |
| 7.952 | 6.488 | 7.970 | Other equity | | 9.621 | 8.381 | 9.680 |
| 0 | 221 | 294 | Profit/loss at period end | | 403 | 386 | 0 |
| 16.560 | 15.237 | 16.872 | Total equity | | 18.632 | 17.295 | 18.288 |
| 166.318 | 179.914 | 172.029 | Total liabilities and equity | 12 | 200.182 | 194.763 | 193.408 |

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 31.12.2015 | 6.394 | 1.587 | 8.770 | 163 | 16.914 |
| Profit after tax | | | 1.866 | -111 | 1.755 |
| Unrecognised actuarial gains and losses after tax | | | -47 | | -47 |
| Change in value of financial assets available for sale | | | -62 | | -62 |
| Share of profit associated companies and joint ventures | | | -7 | | -7 |
| Total items not reclassified through profit or loss | | | 1.750 | -111 | 1.639 |
| Adjusted equity accosiates | | | 121 | | 121 |
| Dividend 2015, resolved in 2016 | | | -384 | | -384 |
| Purchase/sale of own shares | | | -2 | | -2 |
| Items reclassified through profit or loss | 0 | 0 | -386 | 0 | -386 |
| Equity as of 31.12.2016 | 6.394 | 1.587 | 10.255 | 52 | 18.288 |
| Profit after tax | | | 403 | | 403 |
| Unrecognised actuarial gains and losses after tax | | | -40 | | -40 |
| Change in value of financial assets available for sale | | | 0 | | 0 |
| Share of profit associated companies and joint ventures | | | 2 | | 2 |
| Total items not reclassified through profit or loss | | | 365 | 0 | 365 |
| Adjusted equity accosiates | | | -14 | | -14 |
| Dividend 2016, resolved in 2017 | | | | | 0 |
| Purchase/sale of own shares | | | -7 | | -7 |
| Items reclassified through profit or loss | 0 | 0 | -7 | 0 | -7 |
| Equity as of 31.03.2017 | 6.394 | 1.587 | 10.599 | 52 | 18.632 |

Cash flow statement

| Parent bank | | | Cash flow statement | Group | | |
|-------------|---------------------|---------------------|--|---------------------|---------------------|---------|
| 2016 | 01.01.16 - 31.03.16 | 01.01.17 - 31.03.17 | | 01.01.17 - 31.03.17 | 01.01.16 - 31.03.16 | 2016 |
| 16.959 | 5.549 | -8.332 | Change in gross lending to customers | -2.205 | 18 | -2.448 |
| 4.256 | 1.085 | 1.098 | Interest receipts from lending to customers | 1.286 | 1.262 | 5.095 |
| -3.448 | -2.474 | 7.190 | Change in deposits from customers | 7.211 | -2.421 | -3.530 |
| -839 | -70 | -65 | Interest payments on deposits from customers | -65 | -71 | -835 |
| -1.963 | -3.736 | 3.171 | Change in receivables and debt from credit institutions | -3.773 | -3.080 | -1.837 |
| -491 | -115 | -148 | Interest on receivables and debt to financial institutions | -147 | -149 | -629 |
| -1.728 | -1.449 | -159 | Change in certificates and bonds | -1.035 | -1.430 | -1.510 |
| 443 | 117 | 118 | Interest receipts from commercial paper and bonds | 117 | 116 | 422 |
| 991 | 137 | 114 | Commission receipts | 244 | 232 | 1.445 |
| 60 | -6 | -48 | Capital gains from sale of trading | -57 | -9 | 59 |
| -1.495 | -354 | -398 | Payments for operations | -509 | -470 | -1.990 |
| -544 | -102 | -250 | Taxes paid | -282 | -155 | -637 |
| -481 | 2.748 | 1.047 | Other accruals | -249 | 2.735 | 369 |
| 11.720 | 1.330 | 3.338 | A Net change in liquidity from operations | 536 | -3.422 | -6.026 |
| -85 | -26 | -12 | Investments in tangible fixed assets | -23 | -32 | -167 |
| 0 | 0 | 0 | Receipts from sale of tangible fixed assets | 0 | 0 | 0 |
| -1.090 | 0 | -1.035 | Change in long-term investments in equities | -51 | -4 | -168 |
| 368 | 0 | 193 | Receipts from sales of long-term investments in equities | 10 | 8 | 376 |
| 886 | 8 | 5 | Dividends from long-term investments in equities | 5 | 8 | 681 |
| 79 | -18 | -849 | B Net cash flow, investments | -59 | -20 | 722 |
| 8.395 | 820 | 4.187 | Debt raised by issuance of securities | 6.426 | 5.639 | 29.255 |
| -15.813 | -908 | -7.563 | Repayments - issued securities | -7.663 | -927 | -19.332 |
| -835 | -370 | -360 | Interest payments on securities issued | -486 | -414 | -1.075 |
| 0 | 0 | 5 | Additional subordinated loan capital issued | 5 | 0 | 0 |
| -746 | -159 | 0 | Repayments - additional capital instruments | 0 | -159 | -746 |
| -132 | -14 | -5 | Interest payments on subordinated loans | -5 | -14 | -132 |
| -384 | 0 | 0 | Dividend to share holders | 0 | 0 | -384 |
| -9.515 | -631 | -3.736 | C Net cash flow, financing | -1.723 | 4.125 | 7.586 |
| 2.284 | 681 | -1.247 | A+B+C Net cash flow during the period | -1.246 | 683 | 2.282 |
| 1.109 | 1.109 | 3.393 | Cash and cash equivalents as at 1 January | 3.393 | 1.111 | 1.111 |
| 3.393 | 1.790 | 2.147 | Cash and cash equivalents as at 31 March | 2.148 | 1.794 | 3.393 |
| | | | Cash and cash equivalents specified | | | |
| 1.079 | 1.497 | 965 | Cash and balances with central banks | 965 | 1.497 | 1.079 |
| 2.314 | 293 | 1.182 | Balances with credit institutions | 1.183 | 297 | 2.314 |
| 3.393 | 1.790 | 2.147 | Cash and cash equivalents | 2.148 | 1.794 | 3.393 |

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

Notes to the financial statements

(in MNOK)

Note 1 Accounting policies

1.1 Basis of preparation

These interim financial statements for SpareBank 1 SR-Bank ASA cover the period 1 January - 31 March 2017. 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 2016.

Merger SpareBank 1 SR-Bank and SpareBank 1 SR-Finans AS

On 1 January 2017, SpareBank 1 SR-Bank ASA merged with its subsidiary SpareBank 1 SR-Finans AS. The merger has no effect on the comparable figures in the consolidated financial statements. As far as the parent bank is concerned, it has been decided that the financial statements for 2016 will not be restated since the figures are immaterial. The 2017 and 2016 figures for the parent bank will therefore not be directly comparable. Note 12 Segment Reporting has been reworked to reflect the new reporting structure and shows the segment at a consolidated level for 2016 as well.

Application of IFRIC 21 for reporting in the first quarter of 2017

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. 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 do not have to book the entire levy for the guarantee fund in the first quarter and will come into force on 1 January 2017. Pending the Financial Supervisory Authority of Norway's Regulation, SpareBank 1 SR-Bank continued its previous practice in 2016 by accruing the levy on a monthly basis.

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 most important standards, IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. The group has started preparing for the implementation of IFRS 9 and examining the consequences it will have. Work continued on models in 2016 and the first quarter of 2017, as well as on clarifications concerning valuation, classification, etc. The work on models and analysis of the economic consequences will continue throughout 2017, meaning that the group will be ready for implementation on 1 January 2018. Please see note 42 on IFRS 9 Financial Instruments in the annual financial statements for 2016. The group has assessed the effects of IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases and does not believe these will have significant consequences.

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 | | |
|-----------------------|----------|----------|--|-----------------------|----------|------|
| 01.01.16 - 01.01.17 - | | | | 01.01.17 - 01.01.16 - | | |
| 2016 | 31.03.16 | 31.03.17 | | 31.03.17 | 31.03.16 | 2016 |
| 234 | 60 | -8 | Change in individual impairment losses provisions for the period | -54 | 59 | 277 |
| 147 | 60 | -1 | Change in collective impairment loss provisions for the period | 1 | 60 | 158 |
| 6 | 1 | 0 | Amortised cost | 0 | 1 | 6 |
| 126 | 24 | 132 | Actual loan losses on commitments for which provisions have been made | 132 | 24 | 142 |
| 178 | 6 | 45 | Actual loan losses on commitments for which no provision has been made | 45 | 9 | 208 |
| 0 | 0 | 1 | Change in assets taken over for the period | 47 | 0 | 0 |
| -7 | -2 | -3 | Recoveries on commitments previously written-off | -3 | -3 | -13 |
| 684 | 149 | 166 | The period's net losses / (reversals) on loans and advances | 168 | 150 | 778 |

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

| Parent bank | | | | Group | | |
|-------------|----------|----------|--|----------|----------|----------|
| 31.12.16 | 31.03.16 | 31.03.17 | | 31.03.17 | 31.03.16 | 31.12.16 |
| 288 | 288 | 522 | Provisions for Individual impairment losses at start of period | 521 | 318 | 318 |
| 0 | 0 | 74 | Provisions for Individual impairment losses at start of period SR-Finans | 74 | 0 | 0 |
| 33 | 19 | 70 | Increases in previous provisions for individual impairment losses | 70 | 19 | 33 |
| -46 | -29 | -31 | Reversal of provisions from previous periods | -77 | -30 | -51 |
| 380 | 95 | 84 | New provisions for individual impairment losses | 84 | 95 | 443 |
| -7 | -1 | 1 | Amortised cost | 1 | -1 | -7 |
| -126 | -24 | -132 | Actual loan losses during the period for which provisions for individual impairment losses have been made previously | -132 | -24 | -141 |
| 522 | 348 | 588 | Provisions for individual impairment losses at period end | 541 | 377 | 595 |
| 304 | 30 | 177 | Net losses | 177 | 33 | 350 |

Note 4 Non-performing and impaired loans

| Parent bank | | | | Group | | |
|-------------|----------|----------|--|----------|----------|----------|
| 31.12.16 | 31.03.16 | 31.03.17 | | 31.03.17 | 31.03.16 | 31.12.16 |
| | | | Non-performing loans and advances | | | |
| 917 | 715 | 739 | Gross non-performing loans above 90 days | 739 | 754 | 1.070 |
| 231 | 112 | 172 | Provisions for Individual impairment losses | 172 | 122 | 275 |
| 686 | 603 | 567 | Net non-performing loans and advances | 567 | 632 | 795 |
| 25 % | 16 % | 23 % | Loan loss provision ratio | 23 % | 16 % | 26 % |
| | | | Other problem commitments | | | |
| 1.069 | 906 | 1.660 | Problem commitments | 1.514 | 943 | 1.141 |
| 291 | 236 | 416 | Provisions for Individual impairment losses | 369 | 255 | 320 |
| 778 | 670 | 1.244 | Net other problem commitments | 1.145 | 688 | 821 |
| 27 % | 26 % | 25 % | Loan loss provision ratio | 24 % | 27 % | 28 % |

Note 5 Other assets

| Parent bank | | | | Group | | |
|-------------|----------|----------|--|--------------|----------|----------|
| 31.12.16 | 31.03.16 | 31.03.17 | | 31.03.17 | 31.03.16 | 31.12.16 |
| 0 | 2 | 0 | Intangible assets | 96 | 91 | 89 |
| 354 | 352 | 349 | Tangible fixed assets | 501 | 418 | 495 |
| 10 | 14 | 13 | Income earned but not received from SpareBank 1 Bolig- and Næringskredit | 13 | 14 | 10 |
| 30 | 142 | 151 | Prepaid expenses | 156 | 150 | 32 |
| 9 | 0 | 0 | Over funding of pension liabilities | 0 | 0 | 9 |
| 200 | 35 | 200 | Capital contribution SR-Pensjonskasse | 200 | 35 | 200 |
| 46 | 972 | 461 | Unsettled trades | 461 | 972 | 46 |
| 49 | 54 | 24 | Other assets | 425 | 333 | 325 |
| 698 | 1.571 | 1.198 | Total other assets | 1.852 | 2.013 | 1.206 |

Note 6 Other debt, guarantees and other liabilities

| Parent bank | | | | Group | | |
|---|----------|----------|--|---------------|----------|----------|
| 31.12.16 | 31.03.16 | 31.03.17 | | 31.03.17 | 31.03.16 | 31.12.16 |
| 202 | 242 | 187 | Accrued expenses and prepaid revenue | 275 | 326 | 283 |
| 315 | 606 | 364 | Deferred tax | 347 | 614 | 360 |
| 351 | 390 | 417 | Pension liabilities | 434 | 423 | 378 |
| 88 | 4 | 3 | Other specified provisions | 3 | 4 | 5 |
| 621 | 520 | 469 | Taxes payable | 508 | 583 | 681 |
| 146 | 1.732 | 459 | Unsettled trades | 459 | 1.732 | 146 |
| 276 | 405 | 267 | Other liabilities | 312 | 478 | 335 |
| 1.999 | 3.899 | 2.166 | Total other liabilities | 2.338 | 4.160 | 2.188 |
| Guarantees issued (amounts guaranteed) | | | | | | |
| 9.759 | 9.897 | 9.157 | Guarantees customers | 9.277 | 9.951 | 9.835 |
| 588 | 0 | 588 | Guarantees other | 588 | 0 | 588 |
| 10.347 | 9.897 | 9.745 | Total guarantees | 9.865 | 9.951 | 10.423 |
| Other liabilities | | | | | | |
| 5.371 | 5.644 | 5.031 | Unused credit lines for financial institutions | 0 | 0 | 0 |
| 19.154 | 16.978 | 17.635 | Unused credit lines for customers | 20.045 | 17.487 | 21.037 |
| 1.558 | 2.122 | 3.900 | Approved loan commitments | 3.900 | 2.226 | 1.650 |
| 23 | 13 | 28 | Letters of credit | 28 | 13 | 23 |
| 26.106 | 24.757 | 26.594 | Total other liabilities | 23.973 | 19.726 | 22.710 |

Note 7 Customer deposits by sector and industry

| Parent bank | | | | Group | | |
|-------------|----------|---------------|---|---------------|----------|----------|
| 31.12.16 | 31.03.16 | 31.03.17 | | 31.03.17 | 31.03.16 | 31.12.16 |
| 1.166 | 1.187 | 1.181 | Agriculture/forestry | 1.181 | 1.187 | 1.166 |
| 460 | 416 | 597 | Fishing/Fish farming | 597 | 416 | 460 |
| 1.226 | 1.501 | 1.151 | Mining/extraction | 1.151 | 1.501 | 1.226 |
| 1.305 | 1.011 | 1.133 | Industry | 1.133 | 1.011 | 1.305 |
| 1.968 | 1.803 | 1.882 | Power and water supply/building and construction | 1.882 | 1.803 | 1.968 |
| 2.529 | 2.355 | 2.127 | Retail trade, hotels and restaurants | 2.126 | 2.355 | 2.529 |
| 2.084 | 1.916 | 2.134 | Foreign trade shipping, pipeline transport and other transport activities | 2.134 | 1.916 | 2.084 |
| 5.640 | 5.642 | 5.652 | Real estate | 5.652 | 5.642 | 5.640 |
| 9.710 | 11.823 | 9.547 | Service industry | 9.300 | 11.690 | 9.440 |
| 17.923 | 17.332 | 25.950 | Public sector and financial services | 25.950 | 17.332 | 17.923 |
| 44.011 | 44.986 | 51.354 | Total corporate sector | 51.106 | 44.853 | 43.741 |
| 42.908 | 42.012 | 42.539 | Retail customers | 42.539 | 42.012 | 42.908 |
| 6 | | 136 | Accrued interests corporate sector and retail customers | 135 | 158 | 6 |
| -741 | 0 | -655 | Net cooperate accounts currency | -655 | 0 | -741 |
| 86.184 | 87.158 | 93.374 | Deposits from customers | 93.125 | 87.023 | 85.914 |

Note 8 Loans by sector and industry

| Parent bank | | | | Group | | |
|-------------|----------|----------------|---|----------------|----------|----------|
| 31.12.16 | 31.03.16 | 31.03.17 | | 31.03.17 | 31.03.16 | 31.12.16 |
| 4.199 | 4.164 | 4.472 | Agriculture/forestry | 4.543 | 4.431 | 4.549 |
| 506 | 583 | 748 | Fishing/Fish farming | 748 | 772 | 755 |
| 4.535 | 5.391 | 5.157 | Mining/extraction | 5.159 | 5.646 | 4.780 |
| 2.320 | 2.637 | 2.996 | Industry | 3.003 | 3.272 | 2.914 |
| 2.808 | 2.583 | 3.307 | Power and water supply/building and construction | 3.385 | 3.300 | 3.533 |
| 2.358 | 2.398 | 2.793 | Retail trade, hotels and restaurants | 2.870 | 2.810 | 2.885 |
| 9.189 | 8.915 | 9.722 | Foreign trade shipping, pipeline transport and other transport activities | 9.769 | 9.427 | 9.766 |
| 27.115 | 27.627 | 27.628 | Real estate | 27.630 | 27.761 | 27.269 |
| 6.317 | 5.855 | 7.979 | Service industry | 7.960 | 7.958 | 8.441 |
| 2.037 | | 2.127 | Public sector and financial services | 2.127 | 2.276 | 1.898 |
| 61.384 | 60.153 | 66.929 | Total corporate sector | 67.196 | 67.653 | 66.790 |
| 60.523 | 69.755 | 62.959 | Retail customers | 92.893 | 86.838 | 91.171 |
| 132 | 392 | 117 | Unallocated (excess value fixed interest loans and amort. lending fees) | 117 | 375 | 118 |
| 272 | 287 | 266 | Accrued interests corporate sector and retail customers | 292 | 306 | 301 |
| -741 | 0 | -655 | Net cooperate accounts currency | -655 | 0 | -741 |
| 121.282 | 132.693 | 129.616 | Gross loans | 159.843 | 155.172 | 157.639 |
| -434 | -344 | -585 | - Individual impairment losses provisions | -538 | -373 | -590 |
| -597 | -511 | -672 | - Collective impairment losses provisions | -677 | -578 | -676 |
| 120.251 | 131.838 | 128.358 | Loans to customers | 158.628 | 154.221 | 156.373 |

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 applied as of 30 June 2016: capital conservation buffer 2.5%, systemic risk buffer 3.0%, and countercyclical buffer 1.5%. These requirements were additional to the requirement for common equity tier 1 capital of 4.5%, meaning the combined minimum requirement for common equity tier 1 capital was 11.5% from 30 June 2016. The Financial Supervisory Authority of Norway has also set an individual Pillar 2 requirement of 2.0%, which was added to the minimum common equity tier 1 capital ratio requirement from 31 December 2016. The total minimum common equity tier 1 capital requirement will therefore be 13.5% from 31 December 2016. The countercyclical capital buffer will increase by 0.5 percentage points from 31 December 2017 and the minimum common equity tier 1 capital ratio requirement will thus increase to 14.0% from 31 December 2017.

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 | | |
|-----------------------|----------|----------|---|---------------|----------|----------|
| 31.12.16 | 31.03.16 | 31.03.17 | | 31.03.17 | 31.03.16 | 31.12.16 |
| 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 |
| 575 | 384 | 575 | Allocated to dividend | 575 | 384 | 575 |
| 52 | 163 | 52 | Reserve for unrealised gains | 52 | 163 | 52 |
| 7.952 | 6.488 | 7.970 | Other equity | 9.621 | 8.381 | 9.680 |
| | 221 | 294 | Profit for the period | 403 | 386 | |
| 16.560 | 15.237 | 16.872 | Total book equity | 18.632 | 17.295 | 18.288 |
| Tier 1 capital | | | | | | |
| 0 | -2 | 0 | Deferred taxes, goodwill and other intangible assets | -122 | -96 | -94 |
| -575 | -384 | -575 | Deduction for allocated dividends | -575 | -384 | -575 |
| -210 | -252 | -194 | Deduction for expected losses on IRB, net of write-downs | -289 | -315 | -263 |
| 0 | -111 | -146 | Profit for the period that cannot be included in total Tier 1 capital | -202 | -193 | 0 |
| 0 | 0 | 0 | financial institutions | 0 | -383 | -163 |
| -36 | -39 | -36 | Value of derivative liabilities at fair value | -49 | -57 | -50 |
| 15.739 | 14.449 | 15.921 | Total Common equity Tier 1 capital | 17.395 | 15.867 | 17.143 |
| 791 | 795 | 796 | Tier 1 capital instruments | 1.087 | 1.088 | 1.084 |
| 16.530 | 15.244 | 16.717 | Total Tier 1 capital | 18.482 | 16.955 | 18.227 |
| Tier 2 capital | | | | | | |
| 1.778 | 2.383 | 1.783 | Term subordinated loan capital ¹⁾ | 2.305 | 2.958 | 2.276 |
| -60 | -60 | -43 | Deduction for essential investments in financial institutions | -43 | -60 | -60 |
| 1.718 | 2.323 | 1.740 | Total Tier 2 capital | 2.262 | 2.898 | 2.216 |
| 18.248 | 17.567 | 18.457 | Net primary capital | 20.744 | 19.853 | 20.443 |

Note 9 Capital adequacy (continued)

| Credit risk Basel II | | | | | | |
|-----------------------------|---------------|----------------|---|----------------|----------------|----------------|
| 17.228 | 16.524 | 18.777 | SME | 18.780 | 16.526 | 17.231 |
| 18.176 | 19.879 | 19.819 | Specialised enterprises | 21.027 | 21.426 | 19.471 |
| 6.435 | 6.139 | 7.984 | Other corporations | 8.343 | 6.566 | 6.785 |
| 997 | 1.050 | 1.069 | Mass market SME | 1.266 | 1.246 | 1.194 |
| 15.599 | 18.771 | 16.011 | Mass market - mortgage on real estate | 26.410 | 28.585 | 25.899 |
| 1.992 | 869 | 2.024 | Other mass market | 2.059 | 897 | 2.027 |
| 10.439 | 7.745 | 10.738 | Equity positions | 0 | 0 | 0 |
| 70.866 | 70.977 | 76.422 | Total credit and counterparty risk IRB | 77.885 | 75.246 | 72.607 |
| 68 | 70 | 47 | States and central banks | 47 | 70 | 68 |
| 269 | 86 | 80 | Local and regional authorities, state-owned enterprises | 114 | 167 | 333 |
| 3.400 | 6.159 | 2.861 | Institutions | 3.212 | 5.815 | 2.169 |
| 3.324 | 2.079 | 8.197 | Enterprises | 8.057 | 6.770 | 7.446 |
| 546 | 154 | 1.701 | Mass market | 2.886 | 1.412 | 2.058 |
| 0 | 0 | 0 | Mass market - mortgage on real estate | 2.399 | 3.948 | 2.506 |
| 1.400 | 1.382 | 1.440 | Covered bonds | 1.904 | 1.719 | 1.817 |
| 2.938 | 4.599 | 3.054 | Equity positions | 4.907 | 4.624 | 4.950 |
| 824 | 1.585 | 843 | Other assets | 1.597 | 2.036 | 1.726 |
| 12.769 | 16.114 | 18.223 | Total credit and counterparty risk standard method | 25.123 | 26.561 | 23.073 |
| 415 | 399 | 422 | Credit value adjustment risk (CVA) | 968 | 872 | 701 |
| 5.458 | 5.458 | 5.591 | Operational risk | 7.473 | 7.084 | 7.054 |
| 0 | 0 | 0 | Transitional scheme | 6.961 | 8.764 | 13.216 |
| 89.508 | 92.948 | 100.658 | Risk weighted balance | 118.410 | 118.527 | 116.651 |
| 4.028 | 4.183 | 4.530 | Minimum requirement for common equity Tier 1 capital ratio 4,5 % | 5.328 | 5.334 | 5.249 |
| | | | Buffer requirement | | | |
| 2.238 | 2.324 | 2.516 | Capital conservation buffer 2,5 % | 2.960 | 2.963 | 2.916 |
| 2.685 | 2.788 | 3.020 | Systemic risk buffer 3 % | 3.552 | 3.556 | 3.500 |
| 1.343 | 929 | 1.510 | Countercyclical capital buffer 1,5 % | 1.776 | 1.185 | 1.750 |
| 6.266 | 6.042 | 7.046 | Total buffer requirement to common equity Tier 1 capital ratio | 8.289 | 7.704 | 8.166 |
| 5.446 | 4.225 | 4.345 | Available common equity Tier 1 capital ratio after buffer requirement | 3.778 | 2.829 | 3.728 |
| 20,39 % | 18,90 % | 18,34 % | Capital ratio | 17,52 % | 16,75 % | 17,52 % |
| 18,47 % | 16,40 % | 16,61 % | Tier 1 capital ratio | 15,61 % | 14,30 % | 15,63 % |
| 1,92 % | 2,50 % | 1,73 % | Tier 2 capital ratio | 1,91 % | 2,45 % | 1,90 % |
| 17,58 % | 15,55 % | 15,82 % | Common equity Tier 1 capital ratio | 14,69 % | 13,39 % | 14,70 % |
| 20,39 % | 18,90 % | 18,34 % | Capital ratio, IRB | 18,61 % | 18,09 % | 19,76 % |
| 18,47 % | 16,40 % | 16,61 % | Tier 1 capital ratio, IRB | 16,58 % | 15,45 % | 17,62 % |
| 17,58 % | 15,55 % | 15,82 % | Common equity Tier 1 capital ratio, IRB | 15,61 % | 14,46 % | 16,57 % |
| 9,17 % | 8,00 % | 9,00 % | Leverage Ratio | 7,11 % | 6,39 % | 7,28 % |

Note 10 Financial derivatives

Group

| At fair value through profit and loss | Contract amount | Fair value at 31.03.17 | |
|---|-----------------|------------------------|--------------|
| | 31.03.17 | Assets | Liabilities |
| Currency instruments | | | |
| Currency forward contracts | 328 | 1 | 1 |
| Currency swaps | 53.643 | 902 | 205 |
| Currency options | 4.481 | 79 | 23 |
| Total currency instruments | 58.452 | 982 | 229 |
| Interest rate instruments | | | |
| Interest rate swaps(including cross-currency) | 47.753 | 1.077 | 1.154 |
| Other interest rate contracts | 160 | 1 | 1 |
| Total interest rate instruments | 47.913 | 1.078 | 1.155 |
| Hedging / Interest rate instruments | | | |
| Interest rate swaps (including cross currency) | 63.576 | 1.704 | 249 |
| Total hedging / Interest rate instruments | 63.576 | 1.704 | 249 |
| Security | | | |
| Security | | 99 | 790 |
| Total security | | 99 | 790 |
| Accrued interests | | | |
| Accrued interests | | 466 | 200 |
| Total accrued interests | | 466 | 200 |
| Total currency and interest rate instruments | | | |
| Total currency instruments | 58.452 | 982 | 229 |
| Total interest rate instruments | 111.489 | 2.782 | 1.404 |
| | | 99 | 790 |
| Total accrued interests | | 466 | 200 |
| Total financial derivatives | 169.941 | 4.329 | 2.623 |

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.

Note 11 Issuance of unsecured debt and additional capital instruments

Group

| Change in debt raised through issuance of securities | Balance as at 31.03.17 | Issued/ sale own 2017 | Past due/ redeemed 2017 | FX rate- and other changes 2017 | 31.12.16 |
|---|------------------------|-----------------------|-------------------------|---------------------------------|---------------|
| Bonds and certificates, nominal val | 75.884 | 6.426 | -7.663 | 585 | 76.536 |
| Adjustments | 1.591 | | | -359 | 1.950 |
| Accrued interests | 471 | | | -226 | 697 |
| Total debt raised through issuance of securities | 77.946 | 6.426 | -7.663 | 0 | 79.183 |

| Change in additional Tier 1 and Tier 2 capital instruments | Balance as at 31.03.17 | Issued/ sale own 2017 | Past due/ redeemed 2017 | FX rate- and other changes 2017 | 31.12.16 |
|---|------------------------|-----------------------|-------------------------|---------------------------------|--------------|
| Term subordinated loan capital, nominal amount | 1.784 | | | 6 | 1.778 |
| Perpetual subordinated loan capital, nominal amount | 0 | | | | 0 |
| Tier 1 capital instruments, nominal amount | 796 | 5 | | | 791 |
| Adjustments | 62 | | | -6 | 68 |
| Accrued interests | 29 | | | 20 | 9 |
| Total additional Tier 1 and Tier 2 capital instruments | 2.671 | 5 | 0 | 20 | 2.646 |

The nominal value of the net outstanding covered bonds in SR-Boligkredit is NOK 28.4 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, treasury and financial functions in the bank. The activities in SR-Boligkreditt AS are divided between the retail market and own account trading/staff/support in the parent bank segments. Commission income from Sparebank 1 Boligkreditt and SpareBank 1 Næringskreditt are reported under 'Net commissions and other income'. On 1 January 2017, SR-Finans was merged into the parent bank and the accounting figures for 2016 were distributed on the basis of estimates of 38% for the retail market and 62% for the corporate market in order to produce comparable figures.

| SpareBank 1 SR-Bank Group 01.01.17 - 31.03.17 | | | | | | | | |
|--|---------------|------------------|------------------------------|-----------------------------|-------------------|------------------|---------------|----------------|
| Income statement (MNOK) | Retail Market | Corporate Market | Capital Market ¹⁾ | Own account trading/support | Eiendoms-Megler 1 | Other activities | Eliminations | Total |
| Interest income | 462 | 454 | 34 | 446 | 0 | 1 | -5 | 1.392 |
| Interest expense | 111 | 100 | 25 | 422 | 0 | 0 | -5 | 653 |
| Net interest income ¹⁾ | 351 | 354 | 9 | 24 | 0 | 1 | 0 | 739 |
| Commission income ¹⁾ | 167 | 73 | 16 | 0 | 93 | 54 | -13 | 389 |
| Commission expenses | 10 | 6 | 2 | 6 | 0 | 8 | -13 | 19 |
| Other operating income | 0 | 0 | 0 | 2 | 0 | 0 | -1 | 1 |
| Net commission and other income | 157 | 67 | 13 | -4 | 93 | 46 | -1 | 371 |
| Dividend income | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 5 |
| Income from investment in associates | 0 | 0 | 0 | 0 | 0 | 0 | 63 | 63 |
| Net gains/losses on financial instruments | 1 | 6 | 33 | -31 | 0 | 0 | 12 | 21 |
| Net income on investment securities | 1 | 6 | 33 | -26 | 0 | 0 | 75 | 89 |
| Personnel expenses | 106 | 54 | 15 | 54 | 53 | 25 | -1 | 306 |
| Administrative expenses | 22 | 6 | 3 | 67 | 10 | 3 | 1 | 112 |
| Other operating expenses | 26 | 11 | 2 | 32 | 25 | 6 | -1 | 101 |
| Total operating expenses | 154 | 71 | 20 | 153 | 88 | 34 | -1 | 519 |
| Operating profit before losses | 355 | 356 | 35 | -159 | 5 | 13 | 74 | 680 |
| Change in individual write-downs in the period | 5 | 162 | 0 | 0 | 0 | 0 | 0 | 167 |
| Change in group write-downs in the period | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Pre-tax profit | 350 | 193 | 35 | -159 | 5 | 13 | 74 | 512 |
| Net interest income ¹⁾ | | | | | | | | |
| External net interest income | 351 | 354 | 9 | 24 | 0 | 1 | 0 | 739 |
| Internal net interest income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net interest income | 351 | 354 | 9 | 24 | 0 | 1 | 0 | 739 |
| | | | | 0 | | | | |
| Balance sheet (MNOK) | | | | 0 | | | | |
| Loans to customers | 96.986 | 60.305 | 325 | 2.404 | 0 | 0 | -177 | 159.843 |
| Individual loss provisions | -60 | -525 | 0 | 0 | 0 | 0 | 47 | -538 |
| Group loss provisions | -64 | -613 | 0 | 0 | 0 | 0 | 0 | -677 |
| Certificates/bonds/financial derivatives | 0 | 0 | 1.559 | 25.843 | 0 | 9 | -1.004 | 26.407 |
| Other assets | -103 | 970 | 585 | 16.762 | 153 | 952 | -4.172 | 15.147 |
| Total assets | 96.759 | 60.137 | 2.469 | 45.009 | 153 | 961 | -5.306 | 200.182 |
| Deposits from customers | 47.713 | 43.943 | 6 | 1.713 | 0 | 0 | -250 | 93.125 |
| Other debt and equity ¹⁾ | 49.046 | 16.194 | 2.463 | 43.296 | 153 | 961 | -5.056 | 107.057 |
| Total debt and equity | 96.759 | 60.137 | 2.469 | 45.009 | 153 | 961 | -5.306 | 200.182 |
| Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt | 22.826 | 513 | | | | | | 23.339 |

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 12 Segment reporting (continued)

| SpareBank 1 SR-Bank Group 01.01.16 - 31.03.16 | | | | | | | | |
|--|---------------|------------------|------------------------------|-----------------------------|-------------------|------------------|---------------|----------------|
| Income statement (MNOK) | Retail Market | Corporate Market | Capital Market ¹⁾ | Own account trading/support | Eiendoms-Megler 1 | Other activities | Eliminations | Total |
| Interest income | 444 | 488 | 296 | 209 | 1 | 0 | -37 | 1.400 |
| Interest expense | 143 | 131 | 282 | 182 | 0 | 0 | -37 | 702 |
| Net interest income ¹⁾ | 301 | 357 | 14 | 27 | 1 | 0 | 0 | 698 |
| Commission income | 162 | 86 | 20 | 2 | 68 | 45 | -14 | 369 |
| Commission expenses | 11 | 9 | 2 | 3 | 0 | 8 | -14 | 19 |
| Other operating income | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| Net commission and other income | 151 | 77 | 18 | 1 | 68 | 38 | 0 | 352 |
| Dividend income | 5 | 0 | 1 | 2 | 0 | -1 | 0 | 8 |
| Income from investment in associates | 0 | 0 | 0 | 0 | 0 | 0 | 104 | 104 |
| Net gains/losses on financial instruments | -3 | 4 | -13 | -21 | 0 | -1 | 1 | -33 |
| Net income on investment securities | 2 | 4 | -12 | -19 | 0 | -2 | 105 | 79 |
| Personnel expenses | 102 | 51 | 15 | 61 | 46 | 22 | -1 | 295 |
| Administrative expenses | 18 | 6 | 3 | 64 | 8 | 3 | 0 | 102 |
| Other operating expenses | 25 | 8 | 5 | 30 | 21 | 5 | 0 | 95 |
| Total operating expenses | 145 | 65 | 23 | 155 | 75 | 30 | 0 | 492 |
| Operating profit before losses | 309 | 373 | -4 | -147 | -6 | 6 | 105 | 637 |
| Change in individual write-downs in the period | 8 | 82 | 0 | 0 | 0 | 0 | 0 | 90 |
| Change in group write-downs in the period | 3 | 57 | 0 | 0 | 0 | 0 | 0 | 60 |
| Pre-tax profit | 298 | 234 | -4 | -147 | -6 | 6 | 105 | 487 |
| Net interest income ¹⁾ | | | | | | | | |
| External net interest income | 301 | 357 | 14 | 27 | 0 | 0 | 0 | 698 |
| Internal net interest income | 0 | 0 | 0 | 0 | 1 | 0 | -1 | 0 |
| Net interest income | 301 | 357 | 14 | 27 | 1 | 0 | -1 | 698 |
| Balance sheet (MNOK) | | | | | | | | |
| Loans to customers | 91.391 | 60.424 | 734 | 2.623 | 0 | 0 | 0 | 155.172 |
| Individual loss provisions | -69 | -304 | 0 | 0 | 0 | 0 | 0 | -373 |
| Group loss provisions | -72 | -506 | 0 | 0 | 0 | 0 | 0 | -578 |
| Certificates/bonds/financial derivatives | 0 | 0 | 4.610 | 23.062 | 0 | 17 | -1.323 | 26.366 |
| Other assets | 78 | 1.027 | 176 | 14.318 | 137 | 597 | -2.157 | 14.176 |
| Total assets | 91.328 | 60.641 | 5.520 | 40.003 | 137 | 614 | -3.480 | 194.763 |
| Deposits from customers | 47.099 | 37.288 | 2.768 | 4 | 0 | 0 | -136 | 87.023 |
| Other debt and equity ¹⁾ | 44.229 | 23.353 | 2.752 | 39.999 | 137 | 614 | -3.344 | 107.740 |
| Total debt and equity | 91.328 | 60.641 | 5.520 | 40.003 | 137 | 614 | -3.480 | 194.763 |
| Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt | 28.233 | 534 | | | | | | 28.767 |

Note 13 Net income/losses from financial instruments

| Parent bank | | | | Group | | |
|------------------------|------------------------|------------------------|---|------------------------|------------------------|------------------------|
| 01.01.16 - 31.12.16 | 01.01.16 - 31.03.16 | 01.01.17 - 31.03.17 | | 01.01.17 - 31.03.17 | 01.01.16 - 31.03.16 | 01.01.16 - 31.12.16 |
| 8 | -21 | -5 | Net gains/losses on equity instruments | 7 | -21 | 51 |
| -146 | -51 | -6 | Net gains/losses for bonds and certificates | -7 | -53 | -156 |
| 158 | 8 | 25 | Net derivatives; bonds and certificates | 25 | 8 | 158 |
| 2 | 1 | 1 | Net counterparty risk, inclusive of CVA | 1 | 1 | 2 |
| -25 | -2 | 6 | Net derivatives; other assets | 6 | -2 | -24 |
| 12 | -3 | -21 | Net derivatives; liabilities | -12 | -7 | 7 |
| 12 | 0 | 25 | Net derivatives; basis swap spread | -16 | 13 | -15 |
| 124 | 26 | 19 | Net gain currency | 17 | 28 | 137 |
| 145 | -42 | 44 | Net income/losses from financial instruments | 21 | -33 | 160 |

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 2016.

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

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

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

| Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 | Q1 2017 | Parent bank and group |
|---------|---------|---------|---------|---------|--|
| 2,30 % | 2,10 % | 2,10 % | 2,60 % | 2,40 % | Discount rate |
| 2,30 % | 2,10 % | 2,10 % | 2,60 % | 2,40 % | Expected return on assets |
| 2,50 % | 2,50 % | 2,25 % | 2,50 % | 2,50 % | Forecast salary increase |
| 2,25 % | 2,25 % | 2,00 % | 2,25 % | 2,25 % | National Insurance scheme's basic amount |
| 1,60 % | 1,60 % | 1,60 % | 2,00 % | 1,60 % | Pension adjustment |
| 2,00 % | 2,00 % | 2,00 % | 1,60 % | 1,60 % | Paid-up policy adjustment |

Change in pension obligations (NOK million):

| Parent bank | | | | Group | | |
|-------------|---------|------------------------|---|------------------------|------------|------------|
| 2016 | Q1 2016 | 01.01.17 - 31.12.17 | | 01.01.17 - 31.12.17 | Q1 2016 | 2016 |
| 238 | 238 | 351 | Net obligations opening balance | 378 | 263 | 263 |
| 0 | 0 | 10 | Merger SR-Finans | 0 | 0 | 0 |
| 62 | 148 | 53 | Actuarial liabilities and losses recognised in comprehensive income | 53 | 157 | 62 |
| 22 | 6 | 4 | Net pension cost | 4 | 6 | 23 |
| 0 | 0 | 0 | Company contributions | 0 | 0 | 0 |
| 36 | 0 | 0 | Transfer from premium fund to contribution fund | 0 | 0 | 38 |
| -7 | -2 | -1 | Payments from operations | -1 | -3 | -8 |
| 0 | 0 | 0 | Curtailments included in the income statement | 0 | 0 | 0 |
| 351 | 390 | 417 | Net pension obligations closing balance | 434 | 423 | 378 |

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 2016 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 2016 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 3.9 years at the end of the first quarter of 2017. The total LCR was 200% at the end of the first quarter and the average total LCR was 174% in the quarter. The LCR in NOK and EUR at the end of the quarter was 86% and 1928%, 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 31.12.17 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|--------|
| Assets | | | | |
| Net lending to customers | | | 8.793 | 8.793 |
| Commercial paper and bonds at fair value | 13.716 | 6.170 | | 19.886 |
| Financial derivatives | | 4.329 | | 4.329 |
| Equities, units and other equity interests | 264 | 138 | 221 | 623 |
| Operations that will be sold | | | 22 | 22 |
| Liabilities | | | | |
| Financial derivatives | | 2.623 | | 2.623 |

No transfers between levels 1 and 2

Note 17 Information about fair value (continued)

| Fair value 31.03.16 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|---------------|
| Assets | | | | |
| Net lending to customers | | | 10.422 | 10.422 |
| Commercial paper and bonds at fair value | 14.063 | 5.740 | | 19.803 |
| Financial derivatives | | 5.403 | | 5.403 |
| Equities, units and other equity interests | 179 | 13 | 235 | 427 |
| Operations that will be sold | | | 162 | 162 |
| Liabilities | | | | |
| Financial derivatives | | 3.064 | | 3.064 |
| No transfers between levels 1 and 2 | | | | |

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

| Group | Loans to customers | Shares, ownership stakes and other securities | Business available for sale |
|--|--------------------|---|-----------------------------|
| Balance 01.01 | 9.336 | 197 | 22 |
| Additions | 469 | 26 | |
| Disposals | -1.016 | -9 | |
| Transferred from or to measurement according to prices in an active market or observable market data | | | |
| Change in value ¹⁾ | 4 | 7 | |
| Balance 31.03 | 8.793 | 221 | 22 |
| Nominal value/cost price | 8.576 | 204 | 29 |
| Fair value adjustment | 217 | -7 | -7 |
| Balance 31.03 | 8.793 | 197 | 22 |

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

SpareBank 1 SR-Bank is a member of Visa Norge FLI. Visa Norge FLI is, as a group member of Visa Europe, also a shareholder in Visa Europe Ltd. In November 2015, an agreement was announced concerning the sale of Visa Europe Ltd to Visa Inc. The transaction will significantly increase the equity in Visa Norge IFS. SpareBank 1 SR-Bank's ownership interests in Visa Norge IFS are considered a financial asset in the available for sale category (AFS investment) and must therefore be recognised at fair value as long as this can be reliably measured. The remuneration consists of shares in Visa Inc., a cash settlement and a postponed cash payment. On 31 December 2015, the estimated value of the shares resulted in income in other comprehensive income of NOK 95 million. SpareBank 1 SR-Bank received the cash settlement in the second quarter of 2016. This amounted to NOK 94 million, compared with the amount calculated at the end of 2015 of NOK 72 million. The cash settlement was posted as dividends via the income statement in the second quarter of 2016. SpareBank 1 SR-Bank still has an ownership item linked to the postponed cash payment and shares in Visa Norge totalling NOK 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 26 million.

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

Note 17 Information about fair value (continued)

Fair value of financial instruments at amortised cost

| Group | Balance | Fair value |
|--|-------------------|-------------------|
| | 31.03.2017 | 31.03.2017 |
| Assets | | |
| Cash and balances with central banks | 965 | 965 |
| Balances with credit institutions | 7.148 | 7.148 |
| Loans to customers ¹⁾ | 149.835 | 149.835 |
| Certificates and bond held to maturity | 2.192 | 2.209 |
| Total assets at amortised cost | 160.140 | 160.157 |
| Liabilities | | |
| Balances with credit institutions | 2.847 | 2.847 |
| Deposits from customers ¹⁾ | 93.125 | 93.125 |
| Listed debt securities | 77.946 | 78.572 |
| Subordinated loan capital | 2.671 | 2.615 |
| Total liabilities at amortised cost | 176.589 | 177.159 |

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

Note 18 Events after the balance sheet date

No material events that have influence on the prepared interim financial statements have been registered after 31 March 2017.

Quarterly income statement

| SpareBank 1 SR-Bank Group, MNOK | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2016 | 2016 | 2016 | 2015 | 2015 | 2015 | 2015 |
| Interest income | 1.392 | 1.400 | 1.384 | 1.379 | 1.400 | 1.408 | 1.431 | 1.436 | 1.477 |
| Interest expense | 653 | 667 | 655 | 668 | 702 | 730 | 782 | 797 | 850 |
| Net interest income | 739 | 733 | 729 | 711 | 698 | 678 | 649 | 639 | 627 |
| Commission income | 389 | 372 | 365 | 405 | 369 | 388 | 372 | 418 | 427 |
| Commission expenses | 19 | 18 | 18 | 17 | 19 | 17 | 21 | 20 | 20 |
| Other operating income | 1 | 1 | 0 | 1 | 2 | 1 | 2 | 1 | 1 |
| Net commission and other income | 371 | 355 | 347 | 389 | 352 | 372 | 353 | 399 | 408 |
| Dividend income | 5 | 5 | 0 | 97 | 8 | 1 | 1 | 8 | 7 |
| Income from investment in associates | 63 | 78 | 90 | 112 | 104 | 110 | 78 | 101 | 133 |
| Net gains/losses on financial instrument | 21 | 56 | 141 | -4 | -33 | -124 | -67 | -15 | 71 |
| Net income on financial investments | 89 | 139 | 231 | 205 | 79 | -13 | 12 | 94 | 211 |
| Total income | 1.199 | 1.227 | 1.307 | 1.305 | 1.129 | 1.037 | 1.014 | 1.132 | 1.246 |
| Personnel expenses | 306 | 293 | 282 | 296 | 295 | 114 | 221 | 300 | 310 |
| Administrative expenses | 112 | 133 | 115 | 114 | 102 | 125 | 114 | 122 | 119 |
| Other operating costs | 101 | 114 | 89 | 104 | 95 | 129 | 94 | 114 | 101 |
| Total operating cost | 519 | 540 | 486 | 514 | 492 | 368 | 429 | 536 | 530 |
| Operating profit before impairment losses | 680 | 687 | 821 | 791 | 637 | 669 | 585 | 596 | 716 |
| Impairment losses on loans and guarantees | 168 | 162 | 161 | 305 | 150 | 192 | 96 | 44 | 88 |
| Pre-tax profit | 512 | 525 | 660 | 486 | 487 | 477 | 489 | 552 | 628 |
| Tax expense | 109 | 96 | 126 | 80 | 101 | 35 | 112 | 121 | 132 |
| Profit after tax | 403 | 429 | 534 | 406 | 386 | 442 | 377 | 431 | 496 |

Profitability

| | | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Return on equity per quarter ¹⁾ | 8,7 % | 9,5 % | 12,2 % | 9,4 % | 9,0 % | 10,6 % | 9,3 % | 10,8 % | 12,7 % |
| Cost percentage ²⁾ | 43,3 % | 44,0 % | 37,2 % | 39,4 % | 43,6 % | 35,5 % | 42,3 % | 47,3 % | 42,5 % |
| Combined weighted total average spread for lending and deposits ³⁾ | 1,53 % | 1,50 % | 1,48 % | 1,48 % | 1,44 % | 1,40 % | 1,39 % | 1,44 % | 1,45 % |

Balance sheet figures from quarterly accounts

| | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Gross loans to customers | 159.843 | 157.638 | 157.352 | 156.738 | 155.172 | 155.190 | 151.911 | 150.245 | 144.686 |
| Gross loans to customers including SB1 Bolig- and Næringskreditt | 183.182 | 182.332 | 183.042 | 183.438 | 183.939 | 183.896 | 182.940 | 181.440 | 178.750 |
| Growth in loans over last 12 months ⁴⁾ | 3,0 % | 1,6 % | 3,6 % | 4,3 % | 7,2 % | 9,6 % | 10,6 % | 11,0 % | 18,9 % |
| Growth in loans incl SB1 Bolig- and Næringskreditt | -0,4 % | -0,9 % | 0,1 % | 1,1 % | 2,9 % | 5,4 % | 7,4 % | 7,6 % | 7,3 % |
| Deposits from customers | 93.125 | 85.914 | 87.240 | 89.633 | 87.023 | 89.444 | 88.980 | 90.788 | 85.984 |
| Growth in deposits over last 12 months | 7,0 % | -3,9 % | -2,0 % | -1,3 % | 1,2 % | 9,8 % | 9,5 % | 11,1 % | 15,5 % |
| Total assets | 200.182 | 193.408 | 193.219 | 196.763 | 194.763 | 192.049 | 191.500 | 181.889 | 176.913 |
| Average total assets | 195.967 | 194.963 | 195.489 | 192.792 | 194.300 | 192.315 | 185.459 | 177.861 | 175.938 |

Losses and non-performing commitments

| | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Impairment losses ratio, annualized ⁵⁾ | 0,42 % | 0,41 % | 0,41 % | 0,78 % | 0,39 % | 0,50 % | 0,25 % | 0,12 % | 0,25 % |
| Impairment losses ratio, including loans SB1 Bolig- and Næringskreditt | 0,37 % | 0,35 % | 0,35 % | 0,66 % | 0,33 % | 0,42 % | 0,21 % | 0,10 % | 0,20 % |
| Non-performing commitments as a percentage of total loans | 0,46 % | 0,68 % | 0,73 % | 0,56 % | 0,49 % | 0,55 % | 0,23 % | 0,27 % | 0,31 % |
| Non-performing commitments as a percentage of total loans, including loans SB1 Bolig- and Næringskreditt | 0,40 % | 0,59 % | 0,63 % | 0,48 % | 0,41 % | 0,46 % | 0,19 % | 0,22 % | 0,25 % |
| Other doubtful commitments as a percentage of total loans | 0,95 % | 0,72 % | 0,64 % | 0,78 % | 0,61 % | 0,35 % | 0,45 % | 0,48 % | 0,50 % |
| Other doubtful commitments as a percentage of total loans, including loans Bolig- and Næringskreditt | 0,83 % | 0,62 % | 0,55 % | 0,67 % | 0,51 % | 0,30 % | 0,37 % | 0,40 % | 0,41 % |

See next page for definition of key figures

Quarterly income statement (continued)

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Solidity | | | | | | | | | |
| Common equity Tier 1 capital ratio | 14,7 % | 14,7 % | 13,8 % | 13,5 % | 13,4 % | 13,3 % | 12,2 % | 12,3 % | 12,1 % |
| Tier 1 capital ratio | 15,6 % | 15,6 % | 14,7 % | 14,4 % | 14,3 % | 14,2 % | 13,1 % | 13,1 % | 12,9 % |
| Capital ratio | 17,5 % | 17,5 % | 17,1 % | 16,8 % | 16,8 % | 16,7 % | 15,2 % | 15,3 % | 15,2 % |
| Tier 1 capital | 18.482 | 18.227 | 17.552 | 17.266 | 16.955 | 16.882 | 16.063 | 15.771 | 15.206 |
| Net primary capital | 20.744 | 20.443 | 20.386 | 20.139 | 19.853 | 19.933 | 18.635 | 18.403 | 17.838 |
| Risk weighted balance | 118.410 | 116.651 | 119.118 | 119.705 | 118.527 | 119.124 | 122.380 | 120.363 | 117.589 |
| Leverage ratio | 7,1 % | 7,3 % | 6,7 % | 6,4 % | 6,4 % | 6,3 % | 5,9 % | 6,3 % | 6,1 % |
| Liquidity | | | | | | | | | |
| Liquidity Coverage Ratio (LCR) ⁶⁾ | 200 % | 174 % | 123 % | 173 % | 130 % | 128 % | 164 % | 111 % | 113 % |
| Deposit-to-loan ratio | 58,3 % | 54,5 % | 55,4 % | 57,2 % | 56,1 % | 57,6 % | 58,6 % | 60,4 % | 59,4 % |
| SpareBank 1 SR-Bank share | | | | | | | | | |
| Market price at end of quarter | 64,25 | 60,75 | 45,60 | 41,20 | 40,60 | 39,30 | 42,40 | 52,25 | 56,25 |
| Market capitalisation | 16.432 | 15.537 | 11.662 | 10.537 | 10.383 | 10.051 | 10.844 | 13.363 | 14.386 |
| 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) | 72,91 | 71,54 | 69,36 | 67,16 | 67,68 | 66,14 | 64,02 | 62,56 | 62,40 |
| Earnings per share, NOK (annualised) | 1,58 | 1,68 | 2,09 | 1,59 | 1,51 | 1,73 | 1,47 | 1,69 | 1,94 |
| Price/earnings per share | 10,17 | 9,04 | 5,45 | 6,48 | 6,72 | 5,68 | 7,21 | 7,73 | 7,25 |
| Price / Book equity (group) | 0,88 | 0,85 | 0,66 | 0,61 | 0,60 | 0,59 | 0,66 | 0,84 | 0,90 |
| Annualised turnover rate in quarter ⁷⁾ | 15,1 % | 12,9 % | 3,1 % | 2,5 % | 4,6 % | 3,4 % | 5,1 % | 5,6 % | 7,4 % |
| Effective return ⁸⁾ | 5,8 % | 33,2 % | 10,7 % | 5,2 % | 3,3 % | -7,3 % | -18,9 % | -3,6 % | 7,1 % |

Key figure definitions

¹⁾ Operating result as a percentage of average equity

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

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

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

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

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

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

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

Contact Information

Address

Bjergsted Terrasse 1
Postboks 250
N-4066 Stavanger

Tel. (+47) 915 02 002

www.sr-bank.no

Executive Management



Arne Austreid, CEO
Tel. (+47) 900 77 334
Email: arne.austreid@sr-bank.no



Inge Reinertsen, CFO
Tel. (+47) 909 95 033
Email: inge.reinertsen@sr-bank.no

Investor Relations



Stian Helgøy, Vice President Investor Relations
Tel. (+47) 906 52 173
Email: stian.helgoy@sr-bank.no

2017 Financial Calendar

| | |
|-------------------------------------|----------------------|
| Preliminary annual results for 2016 | Wednesday 8 February |
| Annual General Meeting | Thursday 20 April |
| Ex-dividend | Friday 21 April |
| Dividend payment date | Friday 28 April |
| Q1 2017 | Thursday 27 April |
| Q2 2017 | Wednesday 9 August |
| Q3 2017 | Friday 27 October |