



## Interim Financial Statements Q2 2017

---

Key figures .....	3
Report of the Board of Directors .....	4
Income Statement.....	16
Balance Sheet.....	17
Statement of Changes in Equity .....	18
Cash Flow Statement .....	19
Notes to the Financial Statements .....	20-32
Note 1 Accounting policies .....	20
Note 2 Impairment losses on loans and guarantees recognised in the income statement	21
Note 3 Impairment losses on loans and guarantees recognised in the balance sheet .....	21
Note 4 Non-performing and impaired loans .....	21
Note 5 Other assets .....	22
Note 6 Other debt, guarantees and other liabilities .....	22
Note 7 Customer deposits by sector and industry .....	23
Note 8 Customer loans by sector and industry .....	23
Note 9 Capital adequacy.....	24
Note 10 Financial derivatives .....	26
Note 11 Securities issued and subordinated loan capital .....	26
Note 12 Segment reporting.....	27
Note 13 Net income/losses from financial instruments.....	29
Note 14 Pensions.....	29
Note 15 Sale of loans .....	30
Note 16 Liquidity risk .....	30
Note 17 Information about fair value .....	30
Note 18 Events after the balance sheet date .....	32
Statement by the Board of Directors and Chief Executive Officer.....	33
Results from the Interim Financial Statements .....	34
Contact information and 2017 financial calendar.....	36

---

## Key figures SpareBank 1 SR-Bank Group

MAIN FIGURES	01.01.17 - 30.06.17		01.01.16 - 30.06.16		2016	
	MNOK	%	MNOK	%		%
Net interest income	1.523	1,52	1.409	1,47	2.871	1,48
Net commission and other income	771	0,77	741	0,77	1.443	0,74
Net income on financial investments	232	0,23	284	0,30	654	0,34
<b>Total income</b>	<b>2.526</b>	<b>2,52</b>	<b>2.434</b>	<b>2,53</b>	<b>4.968</b>	<b>2,56</b>
<b>Total operating costs</b>	<b>1.067</b>	<b>1,07</b>	<b>1.006</b>	<b>1,05</b>	<b>2.032</b>	<b>1,05</b>
<b>Operating profit before impairment losses</b>	<b>1.459</b>	<b>1,46</b>	<b>1.428</b>	<b>1,49</b>	<b>2.936</b>	<b>1,51</b>
Impairment losses on loans and guarantees	299	0,30	455	0,47	778	0,40
<b>Pre-tax profit</b>	<b>1.160</b>	<b>1,16</b>	<b>973</b>	<b>1,01</b>	<b>2.158</b>	<b>1,11</b>
Tax expense	243	0,24	181	0,19	403	0,21
<b>Profit after tax</b>	<b>917</b>	<b>0,92</b>	<b>792</b>	<b>0,82</b>	<b>1.755</b>	<b>0,90</b>
	<b>30.06.17</b>		<b>30.06.16</b>			
<b>PROFITABILITY</b>						
Return on equity <sup>1)</sup>	9,9 %		9,3 %		10,0 %	
Cost ratio <sup>2)</sup>	42,2 %		41,3 %		40,9 %	
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,52 %		1,47 %		1,48 %	
<b>BALANCE SHEET</b>						
Gross loans to customers	164.958		156.738		157.638	
Gross loans to customers including SB1 BK and SB1 NK <sup>4)</sup>	184.317		183.438		182.332	
Growth in loans	5,2 %		4,3 %		1,6 %	
Growth in loans incl SB1 BK and SB1 NK <sup>4)</sup>	0,5 %		1,1 %		-0,9 %	
Deposits from customers	99.758		89.633		85.914	
Growth in deposits	11,3 %		-1,3 %		-3,9 %	
Total assets	212.879		196.763		193.408	
Average total assets	201.892		193.372		194.264	
<b>LOSSES AND NON-PERFORMING COMMITMENTS</b>						
Impairment losses ratio	0,37 %		0,58 %		0,50 %	
Impairment losses ratio, including loans SB1 BK and SB1 NK <sup>4)</sup>	0,33 %		0,50 %		0,42 %	
Non-performing commitments, percentage of gross loans	0,50 %		0,56 %		0,68 %	
Non-performing commitments, percentage of gross loans, incl. loans SB1 BK and NK <sup>4)</sup>	0,45 %		0,48 %		0,59 %	
Other doubtful commitments, percentage of gross loans	0,84 %		0,78 %		0,72 %	
Other doubtful commitments, percentage of gross loans, incl. loans SB1 BK and NK <sup>4)</sup>	0,76 %		0,67 %		0,62 %	
<b>SOLIDITY</b>						
Common equity Tier 1 capital ratio	14,7 %		13,5 %		14,7 %	
Tier 1 capital ratio	15,7 %		14,4 %		15,6 %	
Capital ratio	17,9 %		16,8 %		17,5 %	
Tier 1 capital	18.938		17.266		18.227	
Risk weighted balance	120.683		119.705		116.651	
Leverage ratio	7,2 %		6,4 %		7,3 %	
<b>Liquidity</b>						
Liquidity Coverage Ratio (LCR) <sup>5)</sup>	212 %		173,0 %		174,0 %	
Deposit-to-loan ratio	60,5 %		57,2 %		54,5 %	
<b>BRANCHES AND STAFF</b>						
Number of branches	36		49		36	
Number of man-years	1.125		1.148		1.127	
Number of man-years including temps	1.186		1.182		1.172	
<b>SpareBank 1 SR-Bank share</b>	<b>30.06.17</b>	<b>31.12.16</b>	<b>31.12.15</b>	<b>31.12.14</b>	<b>31.12.13</b>	
Market price	71,50	60,75	39,30	52,50	60,25	
Market capitalisation	18.286	15.537	10.051	13.427	15.409	
Book equity per share(including dividends) (group)	72,72	71,54	66,14	60,28	55,00	
Earnings per share, NOK	3,59	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	9,96	8,84	5,75	6,40	8,28	
Price / Book equity (group)	0,98	0,85	0,59	0,87	1,10	
Effective return <sup>6)</sup>	21,4 %	58,4 %	-21,3 %	-10,2 %	66,0 %	

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

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

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

<sup>4)</sup> SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are abbreviated to SB1 BK and SB1 NK

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

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

## A good result characterised by greater activity and lower losses

### Second Quarter 2017

---

- Pre-tax profit: NOK 648 million (NOK 486 million)
  - Net profit for the quarter: NOK 514 million (NOK 406 million)
  - Return on equity after tax: 11.0% (9.4%)
  - Earnings per share: NOK 2.01 (NOK 1.59)
  - Net interest income: NOK 784 million (NOK 711 million)
  - Net commissions and other operating income: NOK 400 million (NOK 389 million)
  - Net income from financial investments: NOK 143 million (NOK 205 million)
  - Operating costs: NOK 548 million (NOK 514 million)
  - Impairment losses on loans: NOK 131 million (NOK 305 million)
- (Q2 2016 figures in brackets)

### First half-year 2017

---

- Pre-tax profit: NOK 1,160 million (NOK 973 million)
  - Net profit for the quarter: NOK 917 million (NOK 792 million)
  - Return on equity after tax: 9.9% (9.3%)
  - Earnings per share: NOK 3.59 (NOK 3.10)
  - Net interest income: NOK 1,523 million (NOK 1,409 million)
  - Net commissions and other operating income: NOK 771 million (NOK 741 million)
  - Net income from financial investments: NOK 232 million (NOK 284 million)
  - Operating costs: NOK 1,067 million (NOK 1,006 million)
  - Normalised<sup>1</sup> growth in costs: 0.9% (-5.0%)
  - Impairment losses on loans: NOK 299 million (NOK 455 million)
  - Total lending growth over last 12 months: 0.5% (1.1%)
  - Growth in deposits over last 12 months: 11.3% (-1.3%)
  - Common equity tier 1 capital ratio: 14.7% (13.5%)
  - Tier 1 capital ratio: 15.7% (14.4%)
- (H1 2016 figures in brackets)

### Financial performance – Q2 2017

---

The group's pre-tax profit was NOK 648 million (NOK 486 million), an improvement of NOK 136 million since the first quarter of 2017. The return on equity after tax for the quarter was 11.0% (9.4%) compared with 8.7% in the first quarter of 2017. The group's results for the quarter was positively influenced by good activity in all areas of the group, with increased net interest income, increased commissions, and increased income from financial investments. Costs were also affected by the higher activity and increased slightly in the second quarter of 2017, while impairment losses on loans were reduced from the previous quarter.

Net interest income rose by NOK 45 million to NOK 784 million (NOK 711 million) in the second quarter of

2017 from NOK 739 million in the previous quarter. The increase was due to a combination of both lending and deposit volumes rising during the quarter, a reduction in the 3-month NIBOR that resulted in expanded lending margins, and an extra interest day in the second quarter. The average interest margin (net interest income as a percentage of average total assets) was 1.52% (1.48%) compared with 1.53% in the first quarter of 2017.

Net commissions and other operating income rose by NOK 29 million to NOK 400 million (NOK 389 million) in the second quarter of 2017. EiendomsMegler 1 was primarily responsible for the increase, with commissions up NOK 19 million on the previous quarter, while arrangement fees rose by NOK 11 million in the same period. Commissions from

---

<sup>1</sup> The normalised growth 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.

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt amounted to NOK 39 million (NOK 43 million), NOK 3 million higher than in the first quarter of 2017.

Net income from financial investments was NOK 143 million (NOK 205 million) in the second quarter of 2017 compared with NOK 89 million in the first quarter of 2017. The profit contribution from financial instruments was up NOK 37 million on the previous quarter due to capital gains on securities, as well as lower negative effects from basis swaps<sup>2</sup>. Income from ownership interests increased by NOK 18 million from the previous quarter, primarily due to the lower negative share of the result from SpareBank 1 Mobilbetaling and the reduction in the negative effects of basis swaps in SpareBank 1 Boligkreditt. The reduction in income from financial investments compared with the second quarter of 2016 was due to the income in 2016 including a received of cash payment of NOK 94 million linked to the sale of Visa Europe Ltd.

Operating costs increased by NOK 29 million from the previous quarter to NOK 548 million (NOK 514 million) in the second quarter of 2017 due to higher level of activity in the quarter. Higher personnel costs came to NOK 6 million. Other operating costs were up NOK 23 million on the previous quarter, with ICT costs rising by NOK 11 million, marketing costs rising by NOK 5 million, and costs in EiendomsMegler 1 and Regnskapshuset SR rising by a total of NOK 6 million compared with the previous quarter. The rise in ICT costs was due to factors such as the group's focus on further digital development and the robotisation/automation of standardised work processes. Compared with the second quarter of 2016, costs rose by NOK 34 million. NOK 10 million of this increase was due to higher personnel costs because of the financial activity tax that was introduced on 1 January 2017. Bonus provisions increased by NOK 7 million, ICT costs rose by NOK 8 million, while higher activity in EiendomsMegler 1 and Regnskapshuset SR resulted in a total of NOK 10 million in higher costs compared with the same quarter last year.

Impairment losses on loans were NOK 131 million (NOK 305 million) compared with NOK 168 million in the first quarter of 2017.

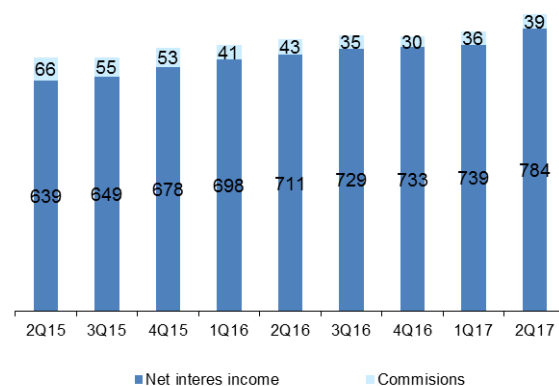
<sup>2</sup> Basis swaps are derivatives contracts that are entered into in connection with long-term funding in international capital markets where the currency is converted to Norwegian kroner. These are hedging instruments and seen over the instruments'

## Financial performance – H1 2017

### Net interest income

The group's net interest income totalled NOK 1,523 million in the first half of 2017 (NOK 1,409 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 75 million in the first half of 2017 (NOK 84 million). The combined total of net interest income and commissions increased by NOK 105 million, compared with the first half of 2016. The increase was due to a combination of increased lending and deposit volumes, as well as lower financing costs due to a 29 basis point reduction in the 3-month NIBOR since the start of the year. Interest rate increases for parts of the retail market portfolio that took effect from January 2017 also made a positive contribution.

Fig. 1 Interest income



The average interest margin increased to 1.52% in the first half of 2017 from 1.47% for the same period last year.

### Net commissions and other operating income

Net commissions and other operating income in the first half of 2017 totalled NOK 771 million (NOK 741 million). The NOK 30 million increase on last year is largely attributable to income from estate agency services increasing by NOK 29 million to NOK 205 million in the first half of 2017 (NOK 176 million) due to the improvement in housing market activity in the Stavanger region.

Income from SpareBank 1 Regnskapshuset SR increased by NOK 8 million to NOK 55 million in the

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

first half of 2017 (NOK 47 million), in part as a result of the acquisition of Regnskaps Partner Bergen AS with effect from 1 January 2017.

Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt were down NOK 9 million to NOK 75 million in the first half of 2017 (NOK 84 million). The reduction was a consequence of the group buying back NOK 7.3 billion in loans from the jointly-owned SpareBank 1 mortgage companies in the last 12 months.

Other commissions were up 0.5% on the first half of 2016, with money-transfer services, insurance, savings and investments making positive contributions, while lower arrangement fees had the opposite effect.

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

Net income from financial investments in the first half of 2017 totalled NOK 232 million (NOK 284 million). Dividends amounted to NOK 9 million (NOK 105 million). Dividends in the first half of 2016 included NOK 94 million in a received cash payment in connection with the sale of Visa Europe Ltd to Visa Inc. Income from ownership interests decreased by NOK 72 million from NOK 216 million in the first half of 2016 to NOK 144 million in the first half of 2017.

Table 1, The share of net profit

The share of net profit after tax	30.06.17	30.06.16
SpareBank 1 Gruppen	134	141
SpareBank 1 Boligkreditt	-27	20
SpareBank 1 Næringskreditt	8	12
BN Bank	34	36
SpareBank 1 Kredittkort	7	14
SpareBank 1 Mobilbetaling	-14	-12
Other	2	5
<b>Total income from ownership interests</b>	<b>144</b>	<b>216</b>

The share of the net profit from SpareBank 1 Gruppen decreased by NOK 7 million compared with the same period last year.

The share of the net profit from SpareBank 1 Boligkreditt decreased by NOK 47 million compared with the same period last year. The reduction and negative profit share was due to the negative effects of basis swaps<sup>1</sup> in the first half of 2017, while basis swaps produced positive effects in the first half of 2016. The group's share of the basis swap effects decreased by NOK 56 million from NOK 9 million in the first half of 2016 to NOK -47 million in the first half of 2017.

Net income from financial instruments amounted to NOK 79 million in the first half of 2017 (capital losses

of NOK 37 million): capital gains on securities amounted to NOK 57 million (capital losses of NOK 102 million), while capital gains on interest and currency trading amounted to NOK 22 million (capital gains of NOK 65 million).

The capital gains on securities amounting to NOK 57 million (capital losses of NOK 102 million) were due to a combination of capital losses of NOK 41 million (capital losses of NOK 91 million) in the interest portfolio, which were counteracted by positive effects totalling NOK 63 million (NOK 43 million) from hedging instruments, as well as capital gains of NOK 35 million (capital losses of NOK 54 million) from the portfolio of shares and equity certificates. Of the NOK 35 million in capital gains on shares and equity certificates, NOK 12 million was due to the higher share price for Sandnes Sparebank, NOK 8 million was due to increases in the value of investments in funds under the direction of SR-Forvaltning, and NOK 6 million was due to the increase in the value of the investment in SpareBank 1 Østlandet (formerly Sparebanken Hedmark). The shares in SpareBank 1 Østlandet was sold in the second quarter of 2017.

Capital gains from interest and currency trading amounted to NOK 22 million (capital gains of NOK 65 million). NOK 45 million (NOK 58 million) came from currency customers- and own-account trading, whilst negative effects from basis swaps<sup>1</sup> was NOK 23 million (NOK 12 million in positive effects).

### **Operating costs**

The group's operating costs amounted to NOK 1,067 million in the first half of 2017, an increase of NOK 61 million (6.1%) compared with the first half of 2016.

Personnel costs were up by NOK 27 million (4.6%) on the first half of 2016 to NOK 618 million in the first half of 2017. EiendomsMegler 1 and Regnskapshuset SR were responsible for NOK 16 million of the increase. NOK 21 million was due to the 5% financial activity tax on personnel costs that was introduced on 1 January 2017. The number of full-time equivalents in the group has risen by four in the last 12 months, with the subsidiaries seeing an increase of three full-time equivalents due to increased activity in EiendomsMegler 1 and Regnskapshuset SR, and the parent bank seeing an increase of one full-time equivalent.

Other operating costs increased by NOK 34 million (8.2%) to NOK 449 million in the first half of 2017. NOK 11 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 NOK 10 million more in ICT costs and higher costs linked to both consultants and marketing. The rise in ICT costs and costs linked to consultants can largely be attributed to factors such as the group's focus on further digital development and the robotisation/automation of standardised work processes.

The group's normalised total growth in costs from the first half of 2016 to the first half of 2017 amounted to NOK 7,3 million (0.9%), which is below the target of a maximum of 2.0% normalised growth in costs in 2017. 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 42.2% in the first half of 2017 (41.3%).

### Impairment losses on loans and non-performance

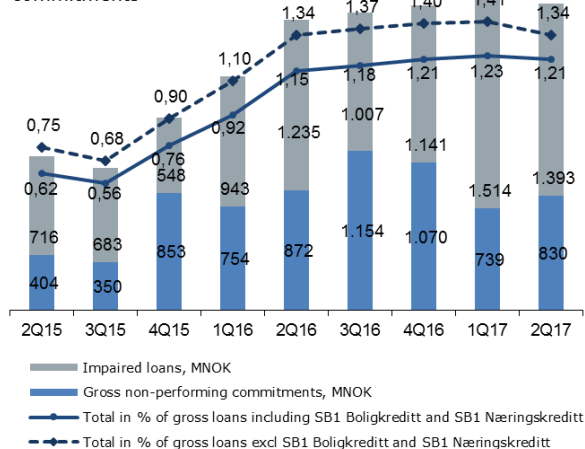
In the first half of 2017, the group recognised net impairment losses on loans totalling NOK 299 million (NOK 455 million). This corresponds to impairments as a percentage of gross loans of 0.37% (0.58%). Inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the write-down as a percentage of gross loans corresponded to 0.33% (0.50%). The impairment losses on loans in the first half 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 risk profile in the group's loan portfolio in order to reduce future losses.

Gross non-performing commitments aggregated NOK 830 million (NOK 872 million) at the end of the second quarter of 2017. This corresponded to 0.50% (0.56%) of gross loans, or 0.45% (0.48%) inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The portfolio of impaired (not non-performing) loans totalled NOK 1,393 million (NOK 1,235 million). This corresponded to 0.84% (0.78%) of gross loans, or 0.76% (0.67%) inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Total non-performing and impaired loans at the end of the second quarter of 2017 came to NOK 2,223 million (NOK 2,107 million). Measured as a percentage of gross loans, this amounted to 1.34% (1.34%). Including loans sold to SpareBank 1

Boligkreditt and SpareBank 1 Næringskreditt, this resulted in an increase from 1.15% to 1.21%.

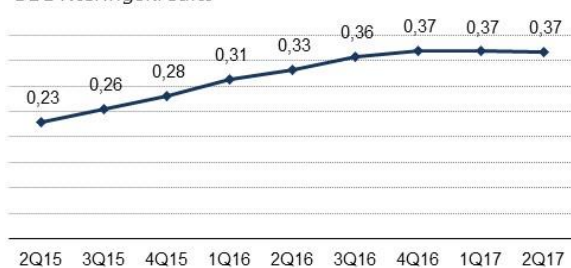
Fig 2. Impaired loans and gross non-performing commitments



The loan loss provision ratios, measured as individual impairment losses as a percentage of non-performing and impaired loans, were 26% (29%) and 30% (27%) at the end of the second quarter of 2017. The provision ratio will vary over time depending on valuations of commitments' collateral.

In the last 18 months, collective impairment losses have increased by a total of NOK 160 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, was stable at 0.37% at the end of the second quarter of 2017 (0.33%).

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). SpareBank 1 SR-Bank has been working on models and adapting to the new regulations since 2016. 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 pursuant 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.

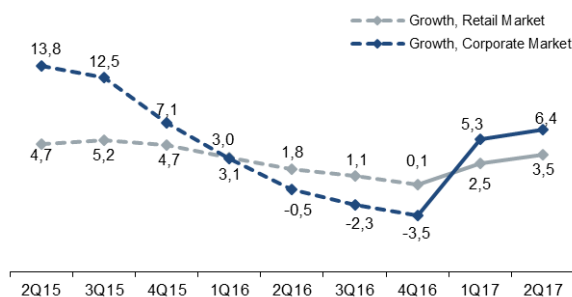
For more information about the implementation of IFRS 9 please see note 1 of the interim financial statements and note 42 in the consolidated annual financial statements for 2016.

### Loans to and deposits from customers

Gross loans at the end of the second quarter of 2017 amounted to NOK 165.0 billion (NOK 156.7 billion). Inclusive of loans totalling NOK 19.4 billion (NOK 26.7 billion) sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, gross loans amounted to NOK 184.3 billion (NOK 183.4 billion) at the end of the second quarter of 2017. Gross lending growth including covered bond companies in the last 12 months was 0.5% (1.1%), while lending growth in the first half of 2017 was 1.1% (-0.25%).

Loans to the retail market accounted for 63.2% (62.8%) of total loans (inclusive of loans sold to SpareBank 1 Boligkreditt) at the end of the second 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 a break in the historical figures.

The group's total loan exposure of NOK 184.3 billion (NOK 183.4 billion) included a majority of commitments with a probability of default of less than 0.5%. These commitments represented 61.3% (60.6%) of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These accounted for around 68.9% (68.8%) of loan exposure and 98.5% (98.6%) of customers. 18.0% (18.4%) of the total loan exposure was to customers who had loans in excess of NOK 100 million.

Deposits from customers rose by 11.3% (-1.3%) over the last 12 months to NOK 99.8 billion (NOK 89.6 billion). Deposits primarily increased due to larger deposits from public sector customers. At the end of the second quarter of 2017, deposits from the corporate market and public sector accounted for 54.4% (50.2%) of the group's customer deposits. At the end of the second quarter of 2017, the deposit-to-loan ratio was 60.5% (57.2%).

In addition to ordinary customer deposits, the group also has capital under management in alternative investment products. These increased to NOK 19.6 billion (NOK 16.4 billion) at the end of the second 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 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 comparisons with last year in the comments below are therefore based on historical financial statements from before the merger. 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 division<sup>3</sup>**

The retail market division's contribution before impairment losses on loans increased in the first half of 2017 to NOK 772 million (NOK 644 million). The result was NOK 128 million higher than in the same period last year and this was due to the merger with SR-Finans, higher interest 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 29 million (11.7%) from the first half of 2016 to the first half 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 4% in the first half of 2017, with the greatest growth within money-transfer services, insurance, savings and investments.

The total number of sales rose by 10% in the second quarter of 2017 compared with the same period last year, while sales in the digital channels rose by 32%. More than half of all sales still take place in the branches, where advice linked to loans, personal finances, and the establishment of customer relationships are the most important services.

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 3.6% at the end of the second quarter of 2017, inclusive of the volume transferred from SR-Finans. Exclusive of the effects of the merger, the 12-month lending growth was 1.7%. Deposits have increased by 1.9% in the last 12 months. The Group expects higher demand for home mortgages due to greater optimism in the business sector. Impairments 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 second quarter of 2017 (0.26%). The increase was due to the inclusion of non-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 90.2%

(90.2%) at the end of the second quarter of 2017. The IRB risk weighting for home mortgages was 21.7% (22.5%) at the end of the quarter, and reflected a solid, stable portfolio.

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

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 765 million in the first half of 2017 (NOK 708 million), NOK 57 million higher than in the same period last year. The higher result was due in part to the merger with SR-Finans and increased margins. Costs increased by NOK 19 million from the first half of 2016 to the first half 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 9.3% seen in isolation for the first half of 2017. Exclusive of the effect of the merger, lending growth was 0.9% in the first half of 2017. Less investment activity in the customer portfolio resulted in lending growth, exclusive of the merger effect, decreasing by 0.7% in the last 12 months.

The division's deposits have increased by 24.8% in the last 12 months and by 27.1% in the first half of 2017. Deposits primarily increased due to increased deposits from new public sector customers.

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 77.7% of the portfolio at the end of the second quarter of 2017 (76.5%). The property sector portfolio represents the group's largest concentration in a single sector and accounted for 15.2% (15.1%) 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.

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

---

<sup>3</sup> The interest on intercompany receivables for the retail market division and the corporate market division is determined on the basis of expected observable market interest rates (NIBOR) plus expected additional costs in connection with the group's long-term funding (credit

Net individual impairment losses of NOK 277 million and NOK 2 million in increased collective impairment losses were recognised in the first half of 2017, compared with NOK 309 million in individual impairment losses and NOK 88 million in collective impairment losses in the first half of 2016. The division's ordinary pre-tax profit was NOK 175 million higher 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 division<sup>4</sup>**

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

SR-Bank Markets's pre-tax profit was NOK 44 million for the first half of 2017, NOK 39 million higher than for the corresponding period last year. The income generated is recognised as income in the business areas to which the customers are assigned, primarily the corporate market division.

Prior to the allocation of customer income to other business areas, SR-Bank Markets had achieved operating income of NOK 106 million in the first half of 2017. This represents an increase of NOK 41 million from the same period last year and is primarily attributable to a rise in the value of the bank's bond portfolio in the first half of 2017. Income from sales of equities and bonds was relatively stable compared with the first half of 2016. Corporate finance completed a number of projects in the first half of 2017.

The pre-tax profit before the allocation of customer income amounted to NOK 69 million in the first half of 2017, an increase of NOK 45 million compared with the first half of 2016.

#### **Subsidiaries**

---

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

The company achieved a pre-tax profit of NOK 21.1 million in the first half of 2017 (NOK 12.9 million). The improvement in the result is primarily due to the better housing market in the Stavanger region with

more sales in the first half of 2017 than in the same period last year.

In the first half of 2017, 3,519 (3,060) properties with a total value of around NOK 10.7 billion were sold. The supply of new assignments has been good and, overall, was 12% 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 was still good, with turnover times of around 20 days and a slowdown in price rises over the last 12 months (1.1%). The housing market in the Stavanger region was positive in the first half of 2017 with a strong increase in sales. The fall in house prices seems to have halted and over the last 12 months prices have risen by just over 1%. The turnover time has decreased and is now around 50 days (more than 60 days at the same time last year). By comparison, the 12-month drop in prices at the end of June 2016 was 7.2%. The housing market in Kristiansand is stable and good, and prices have increased by 1.2% in the last 12 months. The turnover time is falling and is now around 50 days.

The overall market has increased in all of the four counties in which the company operates. Compared with the first half of 2016, sales of used homes and holiday homes have risen by around 6.8% so far in 2017. Rogaland saw the largest increase at around 14.6%.

The supply of new homes is good and sales in Rogaland are improving considerably. Sales of new homes in Kristiansand and Bergen are uniformly good. The market for new housing improved in the first half of 2017, and this trend is expected to continue in the autumn of 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 second 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.

---

<sup>4</sup> The capital market division serves customers throughout the group and customer income is now recognised, in its entirety, in the business area to which the customer belongs.

The company expects a continued rise in activity in the housing market in our market area in the second half of 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 for the rest of the year with more house sales, faster turnover, and prices rising slightly.

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

SpareBank 1 Regnskapshuset SR achieved a pre-tax profit of NOK 5.2 million in the first half of 2017 (NOK 4.5 million). The result includes depreciation of intangible assets of NOK 0.9 million (NOK 0.8 million).

The company was established in 2015 and has since its start-up grown from NOK 0 to almost NOK 100 million in annual turnover. At the end of the second quarter of 2017, the company has seven offices, four in Rogaland and three in Bergen, and more than 1,600 customers.

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 modern, efficient accounting services. Customers are demanding cloud-based and automated services, and in the future the company will offer bespoke IT solutions for customers irrespective of industry/size. At the same time, the company is currently expending a lot of resources on the robotisation of work process and will, besides using its own resources, capitalise on the expertise SpareBank 1 SR-Bank has as a leading actor in this area. New business areas within advice and payroll/HR are being built up as the company is experiencing great demand for these types of service.

#### **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 half of 2017 amounted to NOK 16.9 million (NOK 14.9 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 second quarter of 2017 amounted to NOK 10.6 billion (NOK 9.0 billion).

In the first half of 2017, the equity fund SR-Utbytte produced a return of 9.60% (benchmark 5.04%), the bond fund SR-Rente produced 4.33% (benchmark 0.37%), and the combination fund SR-Kombinasjon produced 6.97%, which is 4.28 percentage points better than the respective benchmark of 2.69%.

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 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 second quarter of 2017, the company had issued covered bonds with a nominal value of NOK 34.1 billion (NOK 21.6 billion) and bought loans worth NOK 35.6 billion (NOK 21.6 billion) from SpareBank 1 SR-Bank.

SR-Boligkreditt achieved a pre-tax profit of NOK 66.5 million in the first half of 2017 (NOK 72.2 million). Lower result was due to negative effects of basis swaps of NOK -87.4 million in the first half of 2017 compared with positive effects of basis swaps in the first half of 2016 of NOK 17.3 million. Net interest income increased in the same periode by 88.3 million due to the increase in mortgages bought from SpareBank 1 SR-Bank. Therefore, the increase in net interest income must be viewed in the context of the development of net interest income in the retail market division in SpareBank 1 SR-Bank.

#### **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 owned a 19.5% stake in SpareBank 1 Gruppen at the end of the second quarter of 2017.

SpareBank 1 Gruppen achieved a net profit of NOK 904 million in the first half of 2017 (NOK 912 million). 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 second 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 -260 million in the first half of 2017 (NOK 126 million). The negative result was primarily due to the effects of basis swaps, which were reduced by NOK 389 million from NOK 53 million in the first half of 2016 to NOK -336 million in first half of 2017. At the end of the second quarter of 2017, the company's total lending volume amounted to NOK 173.6 billion (NOK 172.6 billion), NOK 18.8 billion (NOK 26.2 billion) of

which were home mortgages bought from SpareBank 1 SR-Bank. At the end of the second quarter of 2017, the bank owned 13.9% of the company. At the same point in time, the bank's share of the loan portfolio in SpareBank 1 Boligkreditt was 10.9%. 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 48 million in the first half of 2017 (NOK 58 million). At the end of the second quarter of 2017, the company's total lending volume amounted to NOK 10.2 billion (NOK 12.9 billion), NOK 0.5 billion (NOK 0.5 billion) of which were loans bought from SpareBank 1 SR-Bank. At the end of the second 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 188.9 million in the first half of 2017 (NOK 200.5 million). The reduction in the result was due in part to lower dividend receipts in 2017, as well as increased marketing costs and personnel costs because of the transition to a new pension scheme.

#### **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 52 million in the first half of 2017 (NOK 104 million). The reduction in the result was due to a combination of lower transaction income and increased transaction costs due to a new EU interchange agreement, as well as increased costs in connection with the takeover of the Norwegian Confederation of Trade Unions' (LO) portfolio.

#### **SpareBank 1 Mobilbetaling AS**

SpareBank 1 Mobilbetaling is owned by the SpareBank 1 banks. SpareBank 1 SR-Bank owns a stake of 19.7%. Among other things, the company is behind the mCASH mobile phone payments solution.

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. From and including 1 September 2017, it will no longer be possible to use mCASH.

SpareBank 1 Mobilbetaling posted a pre-tax loss of NOK -34.4 million for the first half of 2017 (NOK -63,2 million). The loss is due to operating costs and expensed investment costs.

### Funding and liquidity

SpareBank 1 SR-Bank had very good liquidity at the end of the second 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 buffer<sup>5</sup> was NOK 35.9 billion at the end of the second quarter of 2017, and would cover normal operations for 38 months in the event of closed markets. NOK 6.5 billion of the bank's external funding will fall due in the next 12 months. In addition to the liquidity buffer, the bank has NOK 16.3 billion in home mortgages ready for covered bond funding.

The group's liquidity situation is very good and in the last year the group has continued to enjoy a high proportion of long-term funding. At the end of the second quarter of 2017, the Financial Supervisory Authority of Norway's Liquidity Indicator 1<sup>6</sup> was 118.1% (108.3%) for the parent bank and 116.0% (108.3%) on a consolidated basis.

### Capital ratio

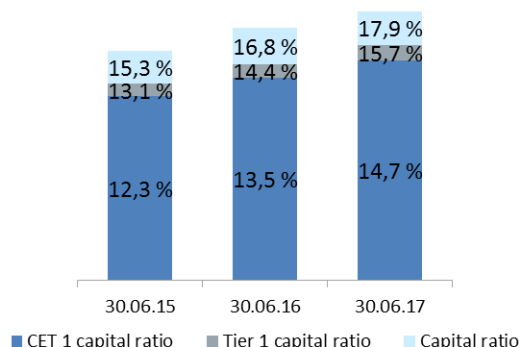
At the end of the second quarter of 2017, the common equity tier 1 capital ratio was 14.7%, up from 13.5% at the same time in 2016.

At the end of the second quarter of 2017, SpareBank 1 SR-Bank owned a 13.9% stake in SpareBank 1 Boligkreditt, while the share of mortgages sold to the company amounted to 10.9%. The stake is normally adjusted on an annual basis in line with the share of the volume sold at the end of the year. A corresponding adjustment at the end of the second

<sup>5</sup> Liquidity buffer: cash, short-term investments, and drawing rights in Norges Bank (bonds including covered bonds). Assuming deposits and lending remain unchanged and no new borrowing during the period.

quarter of 2017 would have amounted to an increase in the common equity tier 1 capital ratio of 0.25 percentage points.

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 30 June 2017 was 13.5%. The requirement is 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 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 30 June 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

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

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%, which includes a management buffer of 1 percentage point, by the end of 2017. The goal will be achieved through good profitability.

The tier 1 capital ratio was 15.7% (14.4%), while the total capital ratio rose to 17.9% from 16.8%, well within the capital adequacy requirement of 17.0%.

### **The bank's share**

The share price for the bank's share (SRBANK) was NOK 71.50 at the end of the second quarter of 2017. This represents an increase of 14.8% from the end of the first quarter of 2017, corrected for paid dividends. The main Oslo Stock Exchange index rose by 1.6% in the same period. 8.6% (2.5%) of outstanding SRBANK shares were traded in the second quarter of 2017. On 1 June 2017, the SR-Bank share was included in the Oslo Stock Exchange's main index and this may result in increased trading of the share going forward.

The table below shows the 20 largest shareholders as at 30 June 2017:

	Number of shares (1,000)	%
Sparebankstiftelsen SR-Bank	72.419	28,3 %
Folketrygdfondet	12.978	5,1 %
State Street Bank and Trust Co, U.S.A.	7.738	3,0 %
SpareBank 1-stiftinga Kvinnherad	6.227	2,4 %
Vpf Nordea Norge Verdi	6.058	2,4 %
Verdipapirfondet DNB Norge (IV)	4.274	1,7 %
Odin Norge	4.121	1,6 %
Danske Invest Norske Instit. II	3.595	1,4 %
State Street Bank and Trust Co, U.S.A.	2.737	1,1 %
Pareto Aksje Norge	2.703	1,1 %
Clipper AS	2.565	1,0 %
KLP Aksjenorge Indeks	1.895	0,7 %
JPMorgan Chase Bank, U.S.A.	1.880	0,7 %
Danske Invest Norske Aksjer Inst.	1.817	0,7 %
KAS Bank NV, Nederland	1.805	0,7 %
State Street Bank and Trust Co, U.S.A.	1.684	0,7 %
Vpf Nordea Norge Avkastning	1.664	0,7 %
Westco	1.659	0,6 %
Pareto AS	1.641	0,6 %
State Street Bank and Trust Co, U.S.A.	1.521	0,6 %
<b>Total 20 largest</b>	<b>140.981</b>	<b>55,1 %</b>

There were 10,579 (9,820) shareholders at the end of the second quarter of 2017. The proportion owned by foreign companies and individuals was 20.7% (16.5%), whilst 46.2% (50.0%) were owned by residents of Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned a

combined 55.1% (62.4%) of the shares. The bank holds 206,757 treasury shares, while group employees owned 1.7% (1.9%).

### **Accounting policies**

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

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

No material events have been registered after 30 June 2017 that affect the interim financial statements as prepared.

### **Outlook**

Moderate to increasing growth is expected in the global economy in the second half of 2017. Norwegian economic growth is showing signs of improvement, but will still be affected by the varying activity in oil-related activities. Oil investments decreased by 16% in 2016 compared with the year before. In 2017, the Norwegian Petroleum Directorate expects a further reduction in investments in the petroleum sector of around 10% in relation to 2016, although these estimates have recently been revised in a more positive direction.

The total level of activity in Rogaland will be moderate in 2017, but is expected to improve in the years ahead. 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. Export-oriented industries are experiencing growth due to a weak Norwegian kroner and greater competitiveness. The building and construction industry is seeing the positive effects of an improving local housing market and moderate to increasing activity is expected in this sector going forward. Continued, stable activity is expected within most sectors in Hordaland and the Agder counties.

At the same time as expectations indicate low to moderate growth, the first half of 2017 saw significantly greater optimism than in 2016. Unemployment in Norway has been gradually reduced in the first half of 2017 and was 2.8% in July 2017. In Rogaland, unemployment has fallen from 4.6% a year ago to 4.0% as per July 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 4.8% as per

July 2017, the price fall in Stavanger changed from -2.6% as per December 2016 to growth of 1.3% as per July 2017. It is expected that the fall in house prices in Rogaland over the past 1-2 years has halted, and that we will experience a moderat growth in the housing market going forward. 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 amount to around NOK 500-700 million. This is slightly lower than the estimates issued at the start of 2017.

The lending volume is expected to increase moderately by 2-4% in 2017 with loans to retail customers expected to increase the most. The board would like to stress that a certain level of uncertainty is associated with all assessments of future conditions.

The group is investing in new technology to increase efficiency further, provide an even better customer experience, and increase sales. The results of this focus include offering new money-transfer services via Vipps, greater availability and better services via the development of its own 'chat robot', and the first bank in Norway to offer a solution for consent-based loan application. Together with good customer growth, correct risk pricing for loans, and cost control, this will ensure the group is very competitive going forward.

Stavanger, 8 August 2017

The Board of Directors of SpareBank 1 SR-Bank ASA



## Income Statement

Parent bank					Note	Group				
Q2 2016	Q2 2016	Q2 2017	01.01.16 - 30.06.16	01.01.17 - 30.06.17		01.01.17 - 30.06.17	01.01.16 - 30.06.16	Q2 2017	Q2 2016	Q2 2016
					<b>Income statement (MNOK)</b>					
4.868	1.213	1.216	2.464	2.425	Interest income	2.829	2.779	1.437	1.379	5.563
2.407	603	524	1.251	1.062	Interest expense	1.306	1.370	653	668	2.692
2.461	610	<b>692</b>	1.213	<b>1.363</b>	<b>Net interest income</b>	<b>1.523</b>	1.409	<b>784</b>	711	2.871
1.054	265	262	534	517	Commission income	806	774	417	405	1.511
68	15	18	33	36	Commission expenses	38	36	19	17	72
5	1	2	3	3	Other operating income	3	3	2	1	4
991	251	<b>246</b>	504	<b>484</b>	<b>Net commission and other income</b>	<b>771</b>	741	<b>400</b>	389	1.443
109	97	4	105	9	Dividend income	9	105	4	97	110
776	551	466	551	466	Income from investment in associates	144	216	81	112	384
145	-21	89	-63	133	Net gains/losses on financial instruments	13 79	-37	58	-4	160
1.030	627	<b>559</b>	593	<b>608</b>	<b>Net income on financial investments</b>	<b>232</b>	284	<b>143</b>	205	654
4.482	1.488	<b>1.497</b>	2.310	<b>2.455</b>	<b>Total income</b>	<b>2.526</b>	2.434	<b>1.327</b>	1.305	4.968
854	217	234	437	464	Personnel expenses	14 618	591	312	296	1.166
411	99	116	188	214	Administrative expenses	239	216	127	114	464
269	65	64	130	135	Other operating costs	210	199	109	104	402
1.534	381	<b>414</b>	755	<b>813</b>	<b>Total operating costs</b>	<b>1.067</b>	1.006	<b>548</b>	514	2.032
2.948	1.107	<b>1.083</b>	1.555	<b>1.642</b>	<b>Operating profit before impairment losses</b>	<b>1.459</b>	1.428	<b>779</b>	791	2.936
684	263	130	412	297	Impairment losses on loans and guarantees	2, 3 and 4 299	455	131	305	778
2.264	844	<b>953</b>	1.143	<b>1.345</b>	<b>Pre-tax profit</b>	12 <b>1.160</b>	973	<b>648</b>	486	2.158
343	64	117	142	215	Tax expense	243	181	134	80	403
1.921	780	<b>836</b>	1.001	<b>1.130</b>	<b>Profit after tax</b>	<b>917</b>	792	<b>514</b>	406	1.755
					<b>Other comprehensive income</b>					
-62	-76	9	-224	-44	Unrecognised actuarial gains and losses	-44	-237	9	-80	-62
15	19	-2	56	11	Deferred tax concerning changed estimates/pension plan changes	11	59	-2	20	15
-47	-57	7	-168	-33	<b>Total items not reclassified through profit or loss</b>	-33	-178	7	-60	-47
-62	-61	0	-61	0	Change in value of financial assets available for sale	0	-61	0	-61	-62
0	0	0	0	0	Share of profit associated companies and joint ventures	2	-40	0	-25	-7
-62	-61	0	-61	0	<b>Total items reclassified through profit or loss</b>	2	-101	0	-86	-69
-109	-118	7	-229	-33	<b>Other comprehensive income</b>	-31	-279	7	-146	-116
1.812	662	843	772	1.097	<b>Total comprehensive income</b>	886	513	521	260	1.639
					<b>Earnings per share (group)</b>	3,59	3,10	2,01	1,59	6,87

## Balance sheet

Parent bank				Note	Group		
31.12.16	30.06.16	30.06.17			30.06.17	30.06.16	31.12.16
			<b>Balance sheet (MNOK)</b>				
1.079	910	747	Cash and balances with central banks		747	910	1.079
10.138	7.852	8.571	Balances with credit institutions		8.335	2.188	4.334
120.252	127.317	127.308	Loans to customers	3, 8	163.703	155.612	156.372
22.042	25.781	28.794	Certificates, bonds and other fixed-income securities		28.451	24.814	21.024
5.057	5.332	5.748	Financial derivatives	10	5.354	5.056	4.315
433	355	326	Shares, ownership stakes and other securities	17	528	535	596
22	22	22	Business available for sale		22	22	22
2.884	3.216	2.894	Investment in associates		4.277	4.792	4.460
3.713	3.720	3.898	Investment in subsidiaries		0	0	0
698	1.930	758	Other assets	5	1.462	2.834	1.206
<b>166.318</b>	<b>176.435</b>	<b>179.066</b>	<b>Total assets</b>	12	<b>212.879</b>	196.763	193.408
3.231	5.193	3.791	Balances with credit institutions		2.805	3.934	2.674
86.184	89.893	99.958	Deposits from customers	7	99.758	89.633	85.914
52.987	56.217	49.304	Listed debt securities	11	83.222	76.830	79.183
2.711	3.719	4.128	Financial derivatives	10	3.622	3.047	2.515
1.999	2.609	1.490	Other liabilities	6	1.633	2.867	2.188
2.646	3.284	3.105	Subordinated loan capital	11	3.105	3.284	2.646
<b>149.758</b>	<b>160.915</b>	<b>161.776</b>	<b>Total liabilities</b>		<b>194.145</b>	179.595	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	0	0	Proposed dividend		0	0	575
52	163	52	Fund for unrealised gains		52	163	52
0	0	150	Hybrid capital		150	0	0
7.952	6.375	7.977	Other equity		9.634	8.232	9.680
0	1.001	1.130	Profit/loss at period end		917	792	0
<b>16.560</b>	<b>15.520</b>	<b>17.290</b>	<b>Total equity</b>		<b>18.734</b>	17.168	18.288
<b>166.318</b>	<b>176.435</b>	<b>179.066</b>	<b>Total liabilities and equity</b>	12	<b>212.879</b>	196.763	193.408

## Statement of changes in equity

<b>SpareBank 1 SR-Bank Group</b> (Amounts in NOK million)	Share- capital	Premium reserve	Hybrid- capital	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 associates				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
<b>Equity as of 31.12.2016</b>	<b>6.394</b>	<b>1.587</b>		<b>10.255</b>	<b>52</b>	<b>18.288</b>
Profit after tax				917		917
Hybrid capital			150			150
Unrecognised actuarial gains and losses after tax				-33		-33
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				886	0	886
Adjusted equity associates				-8		-8
Dividend 2016, resolved in 2017				-575		-575
Purchase/sale of own shares				-7		-7
Items reclassified through profit or loss	0	0		-582	0	-582
<b>Equity as of 30.06.2017</b>	<b>6.394</b>	<b>1.587</b>	<b>150</b>	<b>10.551</b>	<b>52</b>	<b>18.734</b>

## Cash flow statement

Parent bank			Cash flow statement	Group		
01.01.16 - 2016	30.06.16	01.01.17 - 30.06.17		01.01.17 - 30.06.17	01.01.16 - 30.06.16	2016
16.959	9.894	-4.727	Change in gross lending to customers	-4.810	-1.608	-2.448
4.256	2.156	2.194	Interest receipts from lending to customers	2.601	2.528	5.095
-3.448	261	13.774	Change in deposits from customers	13.844	189	-3.530
-839	-150	-156	Interest payments on deposits from customers	-159	-152	-835
-1.963	176	803	Change in receivables and debt from credit institutions	-5.194	-834	-1.837
-491	-246	-291	Interest on receivables and debt to financial institutions	-394	-310	-629
-1.728	-5.467	-6.752	Change in certificates and bonds	-7.408	-5.281	-1.510
443	210	196	Interest receipts from commercial paper and bonds	197	209	422
991	413	382	Commission receipts	668	649	1.445
60	66	-39	Capital gains from sale of trading	-48	63	59
-1.495	-405	-782	Payments for operations	-1.042	-518	-1.990
-544	-403	-621	Taxes paid	-681	-462	-637
-481	1.661	-40	Other accruals	-1.290	407	369
11.720	8.166	3.941	<b>A Net change in liquidity from operations</b>	<b>-3.716</b>	-5.120	-6.026
-85	-51	-20	Investments in tangible fixed assets	-74	-58	-167
0	0	0	Receipts from sale of tangible fixed assets	0	0	0
-1.090	-750	-1.092	Change in long-term investments in equities	-57	-4	-168
368	0	301	Receipts from sales of long-term investments in equities	118	8	376
886	105	476	Dividends from long-term investments in equities	352	8	681
79	-696	-335	<b>B Net cash flow, investments</b>	<b>339</b>	-46	722
8.395	820	4.252	Debt raised by issuance of securities	11.437	13.988	29.255
-15.813	-7.121	-9.039	Repayments - issued securities	-9.139	-7.561	-19.332
-835	-710	-509	Interest payments on securities issued	-610	-804	-1.075
0	0	630	Additional subordinated loan capital issued	630	0	0
-746	-159	-215	Repayments - additional capital instruments	-215	-159	-746
-132	-35	-19	Interest payments on subordinated loans	-19	-35	-132
		150	Increase in debt established by issuing hybrid capital	150		
-384	-384	-512	Dividend to share holders	-512	-384	-384
-9.515	-7.589	-5.262	<b>C Net cash flow, financing</b>	<b>1.722</b>	5.045	7.586
2.284	-119	-1.656	<b>A+B+C Net cash flow during the period</b>	<b>-1.655</b>	-121	2.282
1.109	1.109	3.393	Cash and cash equivalents as at 1 January	3.393	1.111	1.111
3.393	990	1.737	Cash and cash equivalents as at 31 March	1.738	990	3.393
			<b>Cash and cash equivalents specified</b>			
1.079	910	747	Cash and balances with central banks	747	910	1.079
2.314	80	990	Balances with credit institutions	991	80	2.314
3.393	990	1.737	<b>Cash and cash equivalents</b>	<b>1.738</b>	990	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 - 30 June 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 half 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 in 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 - 2016	01.01.17 - 30.06.16	01.01.17 - 30.06.17		01.01.17 - 30.06.17	01.01.16 - 30.06.16	2016
234	247	75	Change in individual impairment losses provisions for the period	28	273	277
147	91	1	Change in collective impairment loss provisions for the period	2	93	158
6	4	3	Amortised cost	4	4	6
126	66	156	Actual loan losses on commitments for which provisions have been made	156	66	142
178	9	67	Actual loan losses on commitments for which no provision has been made	67	16	208
0	0	1	Change in assets taken over for the period	48	10	0
-7	-5	-6	Recoveries on commitments previously written-off	-6	-7	-13
684	412	297	<b>The period's net losses / (reversals) on loans and advances</b>	<b>299</b>	455	778

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

Parent bank				Group		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	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	25	75	Increases in previous provisions for individual impairment losses	75	26	33
-46	-41	-31	Reversal of provisions from previous periods	-77	-53	-51
380	331	189	New provisions for individual impairment losses	189	367	443
-7	-2	-2	Amortised cost	-2	-2	-7
-126	-66	-156	Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-156	-66	-141
522	535	671	<b>Provisions for individual impairment losses at period end</b>	<b>624</b>	591	595
304	75	223	<b>Net losses</b>	<b>223</b>	82	350

## Note 4 Non-performing and impaired loans

Parent bank				Group		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
			<b>Non-performing loans and advances</b>			
917	831	830	Gross non-performing loans above 90 days	830	872	1.070
231	242	213	Provisions for Individual impairment losses	213	256	275
686	589	617	<b>Net non-performing loans and advances</b>	<b>617</b>	616	795
25 %	29 %	26 %	<b>Loan loss provision ratio</b>	<b>26 %</b>	29 %	26 %
			<b>Other problem commitments</b>			
1.069	1.139	1.535	Problem commitments	1.393	1.235	1.141
291	293	458	Provisions for Individual impairment losses	411	335	320
778	846	1.077	<b>Net other problem commitments</b>	<b>982</b>	900	821
27 %	26 %	30 %	<b>Loan loss provision ratio</b>	<b>30 %</b>	27 %	28 %

## Note 5 Other assets

Parent bank				Group		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
0	2	0	Intangible assets	96	92	89
354	359	340	Tangible fixed assets	533	472	495
10	13	12	Income earned but not received from SpareBank 1 Bolig- and Næringskreditt	12	13	10
30	118	130	Prepaid expenses	133	123	32
9	0	0	Over funding of pension liabilities	0	0	9
200	100	200	Capital contribution SR-Pensjonskasse	200	100	200
46	1.261	5	Unsettled trades	5	1.661	46
49	77	71	Other assets	483	373	325
698	1.930	758	<b>Total other assets</b>	<b>1.462</b>	2.834	1.206

## Note 6 Other debt, guarantees and other liabilities

Parent bank				Group		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
202	184	200	Accrued expenses and prepaid revenue	272	259	283
315	554	364	Deferred tax	349	595	360
351	507	411	Pension liabilities	428	546	378
88	76	48	Other specified provisions	48	76	5
621	141	215	Taxes payable	239	175	681
146	811	27	Unsettled trades	27	811	146
276	336	225	Other liabilities	270	405	335
1.999	2.609	1.490	<b>Total other liabilities</b>	<b>1.633</b>	2.867	2.188
<b>Guarantees issued (amounts guaranteed)</b>						
9.759	9.168	9.120	Guarantees customers	9.229	9.222	9.835
588	500	588	Guarantees other	588	500	588
10.347	9.668	9.708	<b>Total guarantees</b>	<b>9.817</b>	9.722	10.423
<b>Other liabilities</b>						
5.371	5.611	4.763	Unused credit lines for financial institutions	0	0	0
19.154	18.566	18.910	Unused credit lines for customers	21.967	19.801	21.037
1.558	2.199	5.118	Approved loan commitments	5.118	2.298	1.650
23	15	18	Letters of credit	18	15	23
26.106	26.391	28.809	<b>Total other liabilities</b>	<b>27.103</b>	22.114	22.710



## Note 7 Customer deposits by sector and industry

Parent bank				Group		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
1.166	1.220	1.251	Agriculture/forestry	1.251	1.221	1.166
460	338	666	Fishing/Fish farming	666	338	460
1.226	1.209	1.337	Mining/extraction	1.337	1.210	1.226
1.305	959	1.091	Industry	1.091	959	1.305
1.968	1.722	1.764	Power and water supply/building and construction	1.764	1.722	1.968
2.529	2.434	2.061	Retail trade, hotels and restaurants	2.061	2.434	2.529
2.084	1.962	2.066	Foreign trade shipping, pipeline transport and other transport activities	2.066	1.962	2.084
5.640	5.966	6.407	Real estate	6.407	5.966	5.640
9.710	10.692	9.504	Service industry	9.308	10.434	9.440
17.923	18.608	28.690	Public sector and financial services	28.690	18.608	17.923
44.011	45.110	<b>54.837</b>	<b>Total corporate sector</b>	<b>54.641</b>	44.854	43.741
42.908	44.490	<b>45.314</b>	<b>Retail customers</b>	<b>45.314</b>	44.490	42.908
6		261	Accrued interests corporate sector and retail customers	257	289	6
-741	0	-454	Net cooperate accounts currency	-454	0	-741
86.184	89.893	<b>99.958</b>	<b>Deposits from customers</b>	<b>99.758</b>	89.633	85.914

## Note 8 Loans by sector and industry

Parent bank				Group		
31.12.16	30.06.16	30.06.17		30.06.17	30.06.16	31.12.16
4.199	4.126	4.510	Agriculture/forestry	4.617	4.409	4.549
506	512	698	Fishing/Fish farming	698	705	755
4.535	5.488	4.940	Mining/extraction	4.942	5.739	4.780
2.320	2.622	3.363	Industry	3.369	3.240	2.914
2.808	2.806	3.324	Power and water supply/building and construction	3.417	3.527	3.533
2.358	2.520	2.902	Retail trade, hotels and restaurants	2.990	2.992	2.885
9.189	8.798	9.951	Foreign trade shipping, pipeline transport and other transport activities	10.006	9.326	9.766
27.115	26.999	27.621	Real estate	27.624	27.102	27.269
6.318	6.152	7.509	Service industry	7.531	8.254	8.441
1.749	1.687	1.973	Public sector and financial services	1.973	1.854	1.898
61.097	61.710	<b>66.791</b>	<b>Total corporate sector</b>	<b>67.167</b>	67.148	66.790
60.523	65.966	<b>61.906</b>	<b>Retail customers</b>	<b>97.853</b>	88.945	91.171
132	362	114	Unallocated (excess value fixed interest loans and amort. lending fees)	114	345	118
272	280	249	Accrued interests corporate sector and retail customers	278	300	301
-741	0	-454	Net cooperate accounts currency	-454	0	-741
121.283	128.318	<b>128.606</b>	<b>Gross loans</b>	<b>164.958</b>	156.738	157.639
-434	-459	-624	- Individual impairment losses provisions	-577	-514	-590
-597	-542	-674	- Collective impairment losses provisions	-678	-612	-676
120.252	127.317	<b>127.308</b>	<b>Loans to customers</b>	<b>163.703</b>	155.612	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	30.06.16	30.06.17		30.06.17	30.06.16	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	0	0	Allocated to dividend	0	0	575
52	163	52	Reserve for unrealised gains	52	163	52
0	0	150	Hybrid capital	150	0	0
7.952	6.376	7.977	Other equity	9.634	8.232	9.680
	1.001	1.130	Profit for the period	917	792	
16.560	15.521	17.290	<b>Total book equity</b>	<b>18.734</b>	17.168	18.288
<b>Tier 1 capital</b>						
0	-2	0	Deferred taxes, goodwill and other intangible assets	-120	-97	-94
-575	0	0	Deduction for allocated dividends	0	0	-575
-210	-220	-150	Deduction for expected losses on IRB, net of write-downs	-255	-273	-263
0	0	-150	Hybrid capital that cannot be included in common equity tier 1 capital	-150	0	0
0	-501	-565	Profit for the period that cannot be included in total Tier 1 capital	-458	-396	0
0	0	0	financial institutions	0	-209	-163
-36	-42	-44	Value of derivative liabilities at fair value	-50	-58	-50
15.739	14.756	16.381	<b>Total Common equity Tier 1 capital</b>	<b>17.701</b>	16.135	17.143
0	0	150	Hybrid capital	150	0	0
791	792	797	Tier 1 capital instruments	1.087	1.131	1.084
16.530	15.548	17.328	<b>Total Tier 1 capital</b>	<b>18.938</b>	17.266	18.227
<b>Tier 2 capital</b>						
1.778	2.358	2.204	Term subordinated loan capital	2.728	2.933	2.276
-60	-60	-43	Deduction for essential investments in financial institutions	-43	-60	-60
1.718	2.298	2.161	<b>Total Tier 2 capital</b>	<b>2.685</b>	2.873	2.216
18.248	17.846	19.489	<b>Net primary capital</b>	<b>21.623</b>	20.139	20.443

**Note 9 Capital adequacy (continued)**

<b>Credit risk Basel II</b>						
17.228	17.274	18.845	SME	18.847	17.276	17.231
18.176	18.847	18.921	Specialised enterprises	20.082	20.153	19.471
6.435	5.824	6.942	Other corporations	7.068	6.262	6.785
997	1.076	1.101	Mass market SME	1.311	1.256	1.194
15.599	18.051	15.580	Mass market - mortgage on real estate	26.785	26.920	25.899
1.992	804	1.998	Other mass market	2.060	871	2.027
10.439	8.279	10.231	Equity positions	0	0	0
<b>70.866</b>	<b>70.155</b>	<b>73.618</b>	<b>Total credit and counterparty risk IRB</b>	<b>76.153</b>	72.738	72.607
68	68	48	States and central banks	48	68	68
269	40	153	Local and regional authorities, state-owned enterprises	172	112	333
3.400	6.072	1.699	Institutions	3.272	5.175	2.169
3.324	2.132	8.350	Enterprises	9.124	6.510	7.446
546	154	1.790	Mass market	2.868	1.630	2.058
0	0	0	Mass market - mortgage on real estate	1.401	3.606	2.506
1.400	1.738	1.958	Covered bonds	2.484	2.204	1.817
2.938	5.363	3.054	Equity positions	4.458	4.566	4.950
824	1.267	867	Other assets	1.758	1.842	1.726
<b>12.769</b>	<b>16.834</b>	<b>17.919</b>	<b>Total credit and counterparty risk standard method</b>	<b>25.585</b>	25.713	23.073
415	492	334	Credit value adjustment risk (CVA)	821	941	701
5.458	5.458	5.591	Operational risk	7.480	7.084	7.054
0	0	0	Transitional scheme	10.644	13.229	13.216
<b>89.508</b>	<b>92.939</b>	<b>97.462</b>	<b>Risk weighted balance</b>	<b>120.683</b>	119.705	116.651
4.028	4.182	4.386	Minimum requirement for common equity Tier 1 capital ratio 4,5 %	5.431	5.387	5.249
			Buffer requirement			
2.238	2.323	2.437	Capital conservation buffer 2,5 %	3.017	2.993	2.916
2.685	2.788	2.924	Systemic risk buffer 3 %	3.620	3.591	3.500
1.343	1.394	1.462	Countercyclical capital buffer 1,5 %	1.810	1.796	1.750
6.266	6.506	6.822	Total buffer requirement to common equity Tier 1 capital ratio	8.448	8.379	8.166
5.446	4.068	5.173	Available common equity Tier 1 capital ratio after buffer requirement	3.822	2.369	3.728
20,39 %	19,20 %	20,00 %	Capital ratio	17,92 %	16,82 %	17,52 %
18,47 %	16,73 %	17,78 %	Tier 1 capital ratio	15,69 %	14,42 %	15,63 %
1,92 %	2,47 %	2,22 %	Tier 2 capital ratio	2,22 %	2,40 %	1,90 %
17,58 %	15,88 %	16,81 %	Common equity Tier 1 capital ratio	14,67 %	13,48 %	14,70 %
20,39 %	19,20 %	20,00 %	Capital ratio, IRB	19,65 %	18,91 %	19,76 %
18,47 %	16,73 %	17,78 %	Tier 1 capital ratio, IRB	17,21 %	16,22 %	17,62 %
17,58 %	15,88 %	16,81 %	Common equity Tier 1 capital ratio, IRB	16,09 %	15,15 %	16,57 %
9,17 %	8,14 %	9,37 %	Leverage Ratio	7,21 %	6,38 %	7,28 %

## Note 10 Financial derivatives

### Group

At fair value through profit and loss	Contract amount	Fair value at 30.06.17	
	30.06.17	Assets	Liabilities
<b>Currency instruments</b>			
Currency forward contracts	3.045	56	26
Currency swaps	52.013	1.353	72
Currency options	208	0	0
<b>Total currency instruments</b>	<b>55.266</b>	<b>1.409</b>	<b>98</b>
<b>Interest rate instruments</b>			
Interest rate swaps(including cross-currency)	49.895	1.366	1.425
Other interest rate contracts	113	1	1
<b>Total interest rate instruments</b>	<b>50.008</b>	<b>1.367</b>	<b>1.426</b>
<b>Hedging / Interest rate instruments</b>			
Interest rate swaps (including cross currency)	70.573	1.544	285
<b>Total hedging / Interest rate instruments</b>	<b>70.573</b>	<b>1.544</b>	<b>285</b>
<b>Security</b>			
Security		573	1.584
<b>Total security</b>		<b>573</b>	<b>1.584</b>
<b>Accrued interests</b>			
Accrued interests		461	229
<b>Total accrued interests</b>		<b>461</b>	<b>229</b>
<b>Total currency and interest rate instruments</b>			
Total currency instruments	55.266	1.409	98
Total interest rate instruments	120.581	2.911	1.711
		573	1.584
Total accrued interests		461	229
<b>Total financial derivatives</b>	<b>175.847</b>	<b>5.354</b>	<b>3.622</b>

Counterparty risk associated with derivatives is reduced via ISDA agreements and CSA supplements. The CSA supplement regulates the counterparty risk through payments of margins in relation to exposure limits.

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

### Group

Change in debt raised through issuance of securities	Balance as at 30.06.17	Issued/ sale own 2017	Past due/ redeemed 2017	FX rate- and other changes	
				2017	31.12.16
Bonds and certificates, nominal val	81.289	11.437	-9.139	2.455	76.536
Adjustments	1.457			-493	1.950
Accrued interests	476			-221	697
<b>Total debt raised through issuance of securities</b>	<b>83.222</b>	<b>11.437</b>	<b>-9.139</b>	<b>1.741</b>	<b>79.183</b>
<b>Change in additional Tier 1 and Tier 2 capital instruments</b>	<b>Balance as at 30.06.17</b>	<b>Issued/ sale own 2017</b>	<b>Past due/ redeemed 2017</b>	<b>FX rate- and other changes 2017</b>	<b>31.12.16</b>
Term subordinated loan capital, nominal amount	2.211	625	-215	23	1.778
Perpetual subordinated loan capital, nominal amount	0				0
Tier 1 capital instruments, nominal amount	797	5		1	791
Adjustments	56			-12	68
Accrued interests	41			32	9
<b>Total additional Tier 1 and Tier 2 capital instruments</b>	<b>3.105</b>	<b>630</b>	<b>-215</b>	<b>44</b>	<b>2.646</b>

The nominal value of the net outstanding covered bonds in SR-Boligkredit is NOK 33.9 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 covers all staff departments and treasury 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 - 30.06.17								
Income statement (MNOK)	Retail Market	Corporate Market	Capital Market	Staff/Support	Eiendoms-Megler 1	Other activities	Eliminations	Total
Interest income	949	945	68	878	1	0	-12	2.829
Interest expense	222	220	49	824	0	2	-11	1.306
<b>Net interest income <sup>1)</sup></b>	<b>727</b>	<b>725</b>	<b>19</b>	<b>54</b>	<b>1</b>	<b>-2</b>	<b>-1</b>	<b>1.523</b>
Commission income <sup>1)</sup>	338	156	20	2	205	112	-27	806
Commission expenses	21	11	3	13	0	17	-27	38
Other operating income	0	0	0	3	0	0	0	3
<b>Net commission and other income</b>	<b>317</b>	<b>145</b>	<b>17</b>	<b>-8</b>	<b>205</b>	<b>95</b>	<b>0</b>	<b>771</b>
Dividend income	2	0	0	7	0	0	0	9
Income from investment in associates	0	10	0	457	0	0	-323	144
Net gains/losses on financial instruments	4	7	45	-5	0	8	20	79
<b>Net income on investment securities</b>	<b>6</b>	<b>17</b>	<b>45</b>	<b>459</b>	<b>0</b>	<b>8</b>	<b>-303</b>	<b>232</b>
Personnel expenses	178	88	25	173	109	47	-2	618
Administrative expenses	49	16	8	141	20	6	-1	239
Other operating expenses	51	18	4	62	56	19	0	210
<b>Total operating expenses</b>	<b>278</b>	<b>122</b>	<b>37</b>	<b>376</b>	<b>185</b>	<b>72</b>	<b>-3</b>	<b>1.067</b>
<b>Operating profit before losses</b>	<b>772</b>	<b>765</b>	<b>44</b>	<b>129</b>	<b>21</b>	<b>29</b>	<b>-301</b>	<b>1.459</b>
Change in individual write-downs in the period	20	277	0	0	0	0	0	297
Change in group write-downs in the period	0	2	0	0	0	0	0	2
<b>Pre-tax profit</b>	<b>752</b>	<b>486</b>	<b>44</b>	<b>129</b>	<b>21</b>	<b>29</b>	<b>-301</b>	<b>1.160</b>
<b>Net interest income <sup>1)</sup></b>								
External net interest income	727	725	19	54	1	-2	-1	1.523
Internal net interest income	0	0	0	0	0	0	0	0
Net interest income	727	725	19	54	1	-2	0	1.523
								0
<b>Balance sheet (MNOK)</b>								0
Loans to customers	102.049	60.082	341	2.630	0	0	-144	164.958
Individual loss provisions	-69	-555	0	0	0	0	47	-577
Group loss provisions	-64	-614	0	0	0	0	0	-678
Certificates/bonds/financial derivatives	0	0	2.205	32.831	0	10	-1.240	33.805
Other assets	10	892	183	17.132	169	957	-3.972	15.371
<b>Total assets</b>	<b>101.926</b>	<b>59.805</b>	<b>2.729</b>	<b>52.593</b>	<b>169</b>	<b>967</b>	<b>-5.310</b>	<b>212.879</b>
Deposits from customers	50.552	47.496	16	1.895	0	0	-201	99.758
Other debt and equity <sup>1)</sup>	51.374	12.309	2.713	50.698	169	967	-5.109	113.121
<b>Total debt and equity</b>	<b>101.926</b>	<b>59.805</b>	<b>2.729</b>	<b>52.593</b>	<b>169</b>	<b>967</b>	<b>-5.310</b>	<b>212.879</b>
<b>Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt</b>	<b>18.849</b>	<b>510</b>						<b>19.359</b>

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

Note 12 Segment reporting (continued)

SpareBank 1 SR-Bank Group 01.01.16 - 30.06.16

Income statement (MNOK)	Retail Market	Corporate Market	Capital Market	Staff/Support	Eiendoms-Megler 1	Other activities	Eliminations	Total
Interest income	892	982	98	878	1	1	-73	2.779
Interest expense	273	263	74	831	0	0	-72	1.370
<b>Net interest income <sup>1)</sup></b>	<b>619</b>	<b>719</b>	<b>24</b>	<b>47</b>	<b>1</b>	<b>1</b>	<b>-1</b>	<b>1.409</b>
Commission income	334	171	27	5	176	91	-30	774
Commission expenses	22	18	2	7	0	15	-28	36
Other operating income	0	0	0	3	0	0	0	3
<b>Net commission and other income</b>	<b>312</b>	<b>153</b>	<b>25</b>	<b>1</b>	<b>176</b>	<b>76</b>	<b>-1</b>	<b>741</b>
Dividend income	5	0	1	99	0	0	-1	105
Income from investment in associates	0	18	0	534	0	0	-336	216
Net gains/losses on financial instruments	1	-7	-4	-43	0	-2	18	-37
<b>Net income on investment securities</b>	<b>6</b>	<b>11</b>	<b>-3</b>	<b>590</b>	<b>0</b>	<b>-2</b>	<b>-319</b>	<b>284</b>
Personnel expenses	172	87	26	168	99	42	-2	591
Administrative expenses	39	16	7	132	17	5	0	216
Other operating expenses	50	18	8	67	48	11	-3	199
<b>Total operating expenses</b>	<b>261</b>	<b>121</b>	<b>41</b>	<b>367</b>	<b>164</b>	<b>59</b>	<b>-6</b>	<b>1.006</b>
<b>Operating profit before losses</b>	<b>676</b>	<b>762</b>	<b>5</b>	<b>270</b>	<b>13</b>	<b>16</b>	<b>-315</b>	<b>1.428</b>
Change in individual write-downs in the period	19	342	0	0	0	0	1	362
Change in group write-downs in the period	6	87	0	0	0	0	0	93
<b>Pre-tax profit</b>	<b>651</b>	<b>333</b>	<b>5</b>	<b>270</b>	<b>13</b>	<b>16</b>	<b>-316</b>	<b>973</b>
<b>Net interest income <sup>1)</sup></b>								
External net interest income	642	755	24	47	0	1	-60	1.409
Internal net interest income	-23	-36	0	0	1	0	59	0
Net interest income	619	719	24	47	1	1	-1	1.409
<b>Balance sheet (MNOK)</b>								
Loans to customers	93.435	59.969	616	2.767	0	0	-49	156.738
Individual loss provisions	-72	-452	0	0	0	0	10	-514
Group loss provisions	-63	-549	0	0	0	0	0	-612
Certificates/bonds/financial derivatives	0	0	4.011	27.461	0	18	-1.620	29.870
Other assets	41	965	482	18.563	164	750	-9.683	11.281
<b>Total assets</b>	<b>93.341</b>	<b>59.933</b>	<b>5.109</b>	<b>48.791</b>	<b>164</b>	<b>768</b>	<b>-11.343</b>	<b>196.763</b>
Deposits from customers	49.611	38.072	2.205	5	0	0	-260	89.633
Other debt and equity <sup>1)</sup>	43.730	21.861	2.904	48.786	164	768	-11.083	107.130
<b>Total debt and equity</b>	<b>93.341</b>	<b>59.933</b>	<b>5.109</b>	<b>48.791</b>	<b>164</b>	<b>768</b>	<b>-11.343</b>	<b>196.763</b>
<b>Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt</b>	<b>26.157</b>	<b>543</b>						<b>26.700</b>

## Note 13 Net income/losses from financial instruments

Parent bank				Group		
01.01.16 - 31.12.16	01.01.16 - 30.06.16	01.01.17 - 30.06.17		01.01.17 - 30.06.17	01.01.16 - 30.06.16	01.01.16 - 31.12.16
8	-71	8	Net gains/losses on equity instruments	35	-54	51
-146	-87	-35	Net gains/losses for bonds and certificates	-41	-91	-156
158	43	63	Net derivatives; bonds and certificates	63	43	158
2	0	1	Net counterparty risk, inclusive of CVA	1	0	2
-25	-3	4	Net derivatives; other assets	4	-3	-24
12	3	-22	Net derivatives; liabilities	-5	-2	7
12	-5	64	Net derivatives; basis swap spread	-23	12	-15
124	57	50	Net gain currency	45	58	137
145	-63	133	<b>Net income/losses from financial instruments</b>	<b>79</b>	<b>-37</b>	<b>160</b>

## Note 14 Pensions

The SpareBank 1 SR-Bank group has two types of pension scheme: defined benefit-based and contribution benefit-based pension schemes. For more information about the accounting treatment of the schemes see note 1 above and note 24 to the annual financial statements for 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 was set as a paid-up fund. A framework agreement has been established between SpareBank 1 SR-Bank and the pension fund that covers things such as financing, capital management, etc. Because of the responsibilities SpareBank 1 SR-Bank ASA still has, future liabilities will have to be incorporated in the financial statements. The board of the pension fund must consist of representatives of the group and pension scheme participants in accordance with the pension fund's articles of association.

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

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

Change in pension obligations (NOK million):

Parent bank						Group				
2016	Q2 2016	Q2 2017	01.01.16 - 30.06.16	01.01.17 - 30.06.17		01.01.17 - 30.06.17	01.01.16 - 30.06.16	Q2 2017	Q2 2016	Q2 2016
238	390	417	238	351	Net obligations opening balance	378	263	434	423	263
0	0	0	0	10	Merger SR-Finans	0	0	0	0	0
62	76	-9	224	44	Actuarial liabilities and losses recognised in comprehensive income	44	237	-9	80	62
22	8	4	14	8	Net pension cost	9	15	5	9	23
0	0	0	0	0	Company contributions	0	0	0	0	0
36	36	0	36	0	Transfer from premium fund to contribution fund	0	37	0	37	38
-7	-3	-1	-5	-2	Payments from operations	-3	-6	-2	-3	-8
0	0	0	0	0	Curtailments included in the income statement	0	0	0	0	0
351	507	411	507	411	<b>Net pension obligations closing balance</b>	<b>428</b>	<b>546</b>	<b>428</b>	<b>546</b>	<b>378</b>



## Note 15 Sale of loans

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

SpareBank 1 SR-Bank has concluded agreements concerning the sale of loans with good security and collateral in real estate to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. For more information about the accounting treatment of the agreements see note 2 and note 9 in the 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 3.8 years at the end of the second quarter of 2017. The total LCR was 212% at the end of the second quarter and the average total LCR was 192% in the quarter. The LCR in NOK and EUR at the end of the quarter was 102% and 5220%, respectively.

## Note 17 Information about fair value

### Group

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

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

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

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

Fair value 30.06.2017	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Net lending to customers			8.409	8.409
Commercial paper and bonds at fair value	20.506	5.840		26.346
Financial derivatives		5.354		5.354
Equities, units and other equity interests	285	5	238	528
Operations that will be sold			22	22
<b>Liabilities</b>				
Financial derivatives		3.622		3.622

No transfers between levels 1 and 2

**Note 17 Information about fair value (continued)**

Fair value 30.06.16	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Net lending to customers			9.762	9.762
Commercial paper and bonds at fair value	16.536	6.042		22.578
Financial derivatives		5.056		5.056
Equities, units and other equity interests	313	7	215	535
Operations that will be sold			22	22
<b>Liabilities</b>				
Financial derivatives		3.047		3.047
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	35	
Disposals	-1.389	-10	
Transferred from or to measurement according to prices in an active market or observable market data			
Change in value <sup>1)</sup>	-7	16	
<b>Balance 30.06</b>	<b>8.409</b>	<b>238</b>	<b>22</b>
Nominal value/cost price	8.204	229	29
Fair value adjustment	205	9	-7
<b>Balance 30.06</b>	<b>8.409</b>	<b>238</b>	<b>22</b>

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. The merger between Sparebanken Hedmark and Bank 1 Oslo Akershus was completed in April 2017 and the bank subsequently changed its name to SpareBank 1 Østlandet. In June 2017, SpareBank 1 Østlandet was listed on the stock exchange and stock value has been used for the second quarter of 2017.

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 25 million.

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

**Note 17 Information about fair value (continued)**

**Fair value of financial instruments at amortised cost**

<b>Group</b>	<b>Balance</b>	<b>Fair value</b>
	<b>30.06.2017</b>	<b>30.06.2017</b>
<b>Assets</b>		
Cash and balances with central banks	747	747
Balances with credit institutions	8.335	8.335
Loans to customers <sup>1)</sup>	155.294	155.294
Certificates and bond held to maturity	2.105	2.127
<b>Total assets at amortised cost</b>	<b>166.481</b>	<b>166.503</b>
<b>Liabilities</b>		
Balances with credit institutions	2.805	2.805
Deposits from customers <sup>1)</sup>	99.758	99.758
Listed debt securities	83.222	83.746
Subordinated loan capital	3.105	3.177
<b>Total liabilities at amortised cost</b>	<b>188.890</b>	<b>189.486</b>

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

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

No material events that have influence on the prepared interim financial statements have been registered after 30 June 2017.

## STATEMENT BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

We hereby confirm that the financial statements for the period 1 January to 30 June 2017 have, to the best of our knowledge, been prepared pursuant to applicable accounting standards, and that the information provided presents a true and fair picture of the company's and the group's assets, liabilities, financial positions and profit as a whole.

We also confirm that the interim accounts for the second quarter of 2017 provide a true and fair presentation of the performance, result and position of the company and group, together with a description of the most important risk and uncertainty factors that the company and the group are facing.

Stavanger, 8 August 2017

The Board of Directors of SpareBank 1 SR-Bank ASA

Dag Mejdell  
(Chair)

Kate Henriksen

Birthe Cecilie Lepsøe

Therese Log Bergjord

Jan Steffen Skogseth

Tor Dahle

Sally Lund-Andersen  
(Employee representative)

Kristian Kristensen  
(Employee representative)

Arne Austreid  
Chief Executive Officer

## Quarterly income statement

SpareBank 1 SR-Bank Group, MNOK	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	2017	2017	2016	2016	2016	2016	2015	2015	2015
Interest income	1.437	1.392	1.400	1.384	1.379	1.400	1.408	1.431	1.436
Interest expense	653	653	667	655	668	702	730	782	797
<b>Net interest income</b>	<b>784</b>	<b>739</b>	<b>733</b>	<b>729</b>	<b>711</b>	<b>698</b>	<b>678</b>	<b>649</b>	<b>639</b>
Commission income	417	389	372	365	405	369	388	372	418
Commission expenses	19	19	18	18	17	19	17	21	20
Other operating income	2	1	1	0	1	2	1	2	1
<b>Net commission and other income</b>	<b>400</b>	<b>371</b>	<b>355</b>	<b>347</b>	<b>389</b>	<b>352</b>	<b>372</b>	<b>353</b>	<b>399</b>
Dividend income	4	5	5	0	97	8	1	1	8
Income from investment in associates	81	63	78	90	112	104	110	78	101
Net gains/losses on financial instrument	58	21	56	141	-4	-33	-124	-67	-15
<b>Net income on financial investments</b>	<b>143</b>	<b>89</b>	<b>139</b>	<b>231</b>	<b>205</b>	<b>79</b>	<b>-13</b>	<b>12</b>	<b>94</b>
<b>Total income</b>	<b>1.327</b>	<b>1.199</b>	<b>1.227</b>	<b>1.307</b>	<b>1.305</b>	<b>1.129</b>	<b>1.037</b>	<b>1.014</b>	<b>1.132</b>
Personnel expenses	312	306	293	282	296	295	114	221	300
Administrative expenses	127	112	133	115	114	102	125	114	122
Other operating costs	109	101	114	89	104	95	129	94	114
<b>Total operating cost</b>	<b>548</b>	<b>519</b>	<b>540</b>	<b>486</b>	<b>514</b>	<b>492</b>	<b>368</b>	<b>429</b>	<b>536</b>
<b>Operating profit before impairment losses</b>	<b>779</b>	<b>680</b>	<b>687</b>	<b>821</b>	<b>791</b>	<b>637</b>	<b>669</b>	<b>585</b>	<b>596</b>
Impairment losses on loans and guarantees	131	168	162	161	305	150	192	96	44
<b>Pre-tax profit</b>	<b>648</b>	<b>512</b>	<b>525</b>	<b>660</b>	<b>486</b>	<b>487</b>	<b>477</b>	<b>489</b>	<b>552</b>
Tax expense	134	109	96	126	80	101	35	112	121
<b>Profit after tax</b>	<b>514</b>	<b>403</b>	<b>429</b>	<b>534</b>	<b>406</b>	<b>386</b>	<b>442</b>	<b>377</b>	<b>431</b>

### Profitability

Return on equity per quarter <sup>1)</sup>	11,0 %	8,7 %	9,5 %	12,2 %	9,4 %	9,0 %	10,6 %	9,3 %	10,8 %
Cost percentage <sup>2)</sup>	41,3 %	43,3 %	44,0 %	37,2 %	39,4 %	43,6 %	35,5 %	42,3 %	47,3 %
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,52 %	1,53 %	1,50 %	1,48 %	1,48 %	1,44 %	1,40 %	1,39 %	1,44 %

### Balance sheet figures from quarterly accounts

Gross loans to customers	164.958	159.843	157.638	157.352	156.738	155.172	155.190	151.911	150.245
Gross loans to customers including SB1 Bolig- and Næringskreditt	184.317	183.182	182.332	183.042	183.438	183.939	183.896	182.940	181.440
Growth in loans over last 12 months <sup>4)</sup>	5,2 %	3,0 %	1,6 %	3,6 %	4,3 %	7,2 %	9,6 %	10,6 %	11,0 %
Growth in loans incl SB1 Bolig- and Næringskreditt	0,5 %	-0,4 %	-0,9 %	0,1 %	1,1 %	2,9 %	5,4 %	7,4 %	7,6 %
Deposits from customers	99.758	93.125	85.914	87.240	89.633	87.023	89.444	88.980	90.788
Growth in deposits over last 12 months	11,3 %	7,0 %	-3,9 %	-2,0 %	-1,3 %	1,2 %	9,8 %	9,5 %	11,1 %
Total assets	212.879	200.182	193.408	193.219	196.763	194.763	192.049	191.500	181.889
Average total assets	207.389	195.967	194.963	195.489	192.792	194.300	192.315	185.459	177.861

### Losses and non-performing commitments

Impairment losses ratio, annualized <sup>5)</sup>	0,32 %	0,42 %	0,41 %	0,41 %	0,78 %	0,39 %	0,50 %	0,25 %	0,12 %
Impairment losses ratio, including loans SB1 Bolig- and Næringskreditt	0,29 %	0,37 %	0,35 %	0,35 %	0,66 %	0,33 %	0,42 %	0,21 %	0,10 %
Non-performing commitments as a percentage of total loans	0,50 %	0,46 %	0,68 %	0,73 %	0,56 %	0,49 %	0,55 %	0,23 %	0,27 %
Non-performing commitments as a percentage of total loans, including loans SB1 Bolig- and Næringskreditt	0,45 %	0,40 %	0,59 %	0,63 %	0,48 %	0,41 %	0,46 %	0,19 %	0,22 %
Other doubtful commitments as a percentage of total loans	0,84 %	0,95 %	0,72 %	0,64 %	0,78 %	0,61 %	0,35 %	0,45 %	0,48 %
Other doubtful commitments as a percentage of total loans, including loans Bolig- and Næringskreditt	0,76 %	0,83 %	0,62 %	0,55 %	0,67 %	0,51 %	0,30 %	0,37 %	0,40 %

See next page for definition of key figures

Quarterly income statement (continued)

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
<b>Solidity</b>									
Common equity Tier 1 capital ratio	14,7 %	14,7 %	14,7 %	13,8 %	13,5 %	13,4 %	13,3 %	12,2 %	12,3 %
Tier 1 capital ratio	15,7 %	15,6 %	15,6 %	14,7 %	14,4 %	14,3 %	14,2 %	13,1 %	13,1 %
Capital ratio	17,9 %	17,5 %	17,5 %	17,1 %	16,8 %	16,8 %	16,7 %	15,2 %	15,3 %
Tier 1 capital	18.938	18.482	18.227	17.552	17.266	16.955	16.882	16.063	15.771
Net primary capital	21.623	20.744	20.443	20.386	20.139	19.853	19.933	18.635	18.403
Risk weighted balance	120.683	118.410	116.651	119.118	119.705	118.527	119.124	122.380	120.363
Leverage ratio	7,2 %	7,1 %	7,3 %	6,7 %	6,4 %	6,4 %	6,3 %	5,9 %	6,3 %
<b>Liquidity</b>									
Liquidity Coverage Ratio (LCR) <sup>6)</sup>	212 %	200 %	174 %	123 %	173 %	130 %	128 %	164 %	111 %
Deposit-to-loan ratio	60,5 %	58,3 %	54,5 %	55,4 %	57,2 %	56,1 %	57,6 %	58,6 %	60,4 %
<b>SpareBank 1 SR-Bank share</b>									
Market price at end of quarter	71,50	64,25	60,75	45,60	41,20	40,60	39,30	42,40	52,25
Market capitalisation	18.286	16.432	15.537	11.662	10.537	10.383	10.051	10.844	13.363
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)	72,72	72,91	71,54	69,36	67,16	67,68	66,14	64,02	62,56
Earnings per share, NOK (annualised)	2,01	1,58	1,68	2,09	1,59	1,51	1,73	1,47	1,69
Price/earnings per share	8,89	10,17	9,04	5,45	6,48	6,72	5,68	7,21	7,73
Price / Book equity (group)	0,98	0,88	0,85	0,66	0,61	0,60	0,59	0,66	0,84
Annualised turnover rate in quarter <sup>7)</sup>	8,6 %	15,1 %	12,9 %	3,1 %	2,5 %	4,6 %	3,4 %	5,1 %	5,6 %
Effective return <sup>8)</sup>	14,8 %	5,8 %	33,2 %	10,7 %	5,2 %	3,3 %	-7,3 %	-18,9 %	-3,6 %

**Key figure definitions**

- <sup>1)</sup> Operating result as a percentage of average equity
- <sup>2)</sup> Total operating costs as a percentage of total operating income
- <sup>3)</sup> Net interest income as a percentage of average total assets
- <sup>4)</sup> High growth in loans in 2015 is attributable to a buy-back of loans from SpareBank 1 Boligkreditt AS
- <sup>5)</sup> Impairment losses on loans as a percentage of average gross loans, annualised
- <sup>6)</sup> High quality liquid assets divided by total net cash outflows in a 30-day, serious stress scenario
- <sup>7)</sup> Annualised turnover of the share during the period, measured as a percentage of the number of outstanding shares
- <sup>8)</sup> Percentage change in the market price in the last period, including paid share dividend

## Contact Information

### Address

---

Bjergsted Terrasse 1  
Postboks 250  
N-4066 Stavanger

Tel. (+47) 915 02 002

[www.sr-bank.no](http://www.sr-bank.no)

### Executive Management

---



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



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

### Investor Relations

---



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