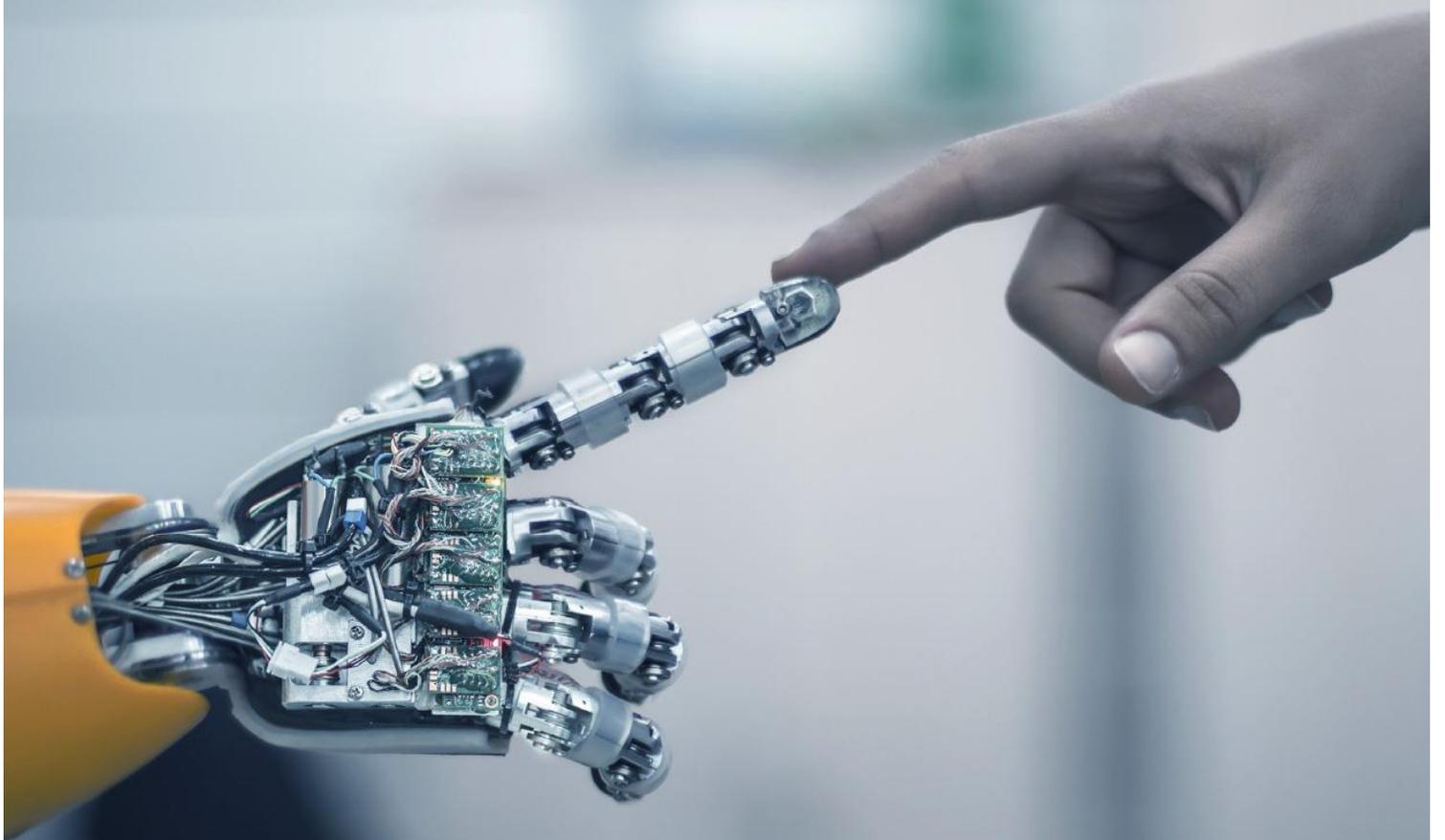


FOURTH QUARTER 2016

The impossible is solved  
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HAND IN HAND WITH THE INCREDIBLE

SpareBank   
SR-BANK

## Interim Financial Statements Q4 2016

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## Key figures SpareBank 1 SR-Bank Group

MAIN FIGURES	01.01.16 - 31.12.16		01.01.15 - 31.12.15		
	MNOK	%	MNOK	%	
Net interest income	2.871	1,48	2.593	1,42	
Net commission and other income	1.443	0,74	1.532	0,84	
Net income on financial investments	654	0,34	304	0,17	
<b>Total income</b>	<b>4.968</b>	<b>2,56</b>	<b>4.429</b>	<b>2,42</b>	
<b>Total operating costs</b>	<b>2.032</b>	<b>1,05</b>	<b>1.863</b>	<b>1,02</b>	
<b>Operating profit before impairment losses</b>	<b>2.936</b>	<b>1,51</b>	<b>2.566</b>	<b>1,40</b>	
Impairment losses on loans and guarantees	778	0,40	420	0,23	
<b>Pre-tax profit</b>	<b>2.158</b>	<b>1,11</b>	<b>2.146</b>	<b>1,17</b>	
Tax expense	403	0,21	400	0,22	
<b>Profit after tax</b>	<b>1.755</b>	<b>0,90</b>	<b>1.746</b>	<b>0,96</b>	
	<b>31.12.16</b>		<b>31.12.15</b>		
<b>PROFITABILITY</b>					
Return on equity <sup>1)</sup>	10,0 %		10,8 %		
Cost ratio <sup>2)</sup>	40,9 %		42,1 %		
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,48 %		1,42 %		
<b>BALANCE SHEET</b>					
Gross loans to customers	157.638		155.190		
Gross loans to customers including SB1 Boligkreditt og Næringskreditt	182.332		183.896		
Growth in loans <sup>4)</sup>	1,6 %		9,6 %		
Growth in loans incl SB1 Boligkreditt and Næringskreditt	-0,9 %		5,4 %		
Deposits from customers	85.914		89.444		
Growth in deposits	-3,9 %		9,8 %		
Total assets	193.408		192.049		
Average total assets	194.264		182.768		
<b>LOSSES AND NON-PERFORMING COMMITMENTS</b>					
Impairment losses ratio	0,50 %		0,28 %		
Impairment losses ratio, including loans SB1 Bolig- and Næringskreditt	0,42 %		0,23 %		
Non-performing commitments as a percentage of gross loans	0,68 %		0,55 %		
Non-performing commitments as a percentage of gross loans, including	0,59 %		0,46 %		
Other doubtful commitments as a percentage of gross loans	0,72 %		0,35 %		
loans SB1 Bolig- and Næringskreditt	0,62 %		0,30 %		
<b>SOLIDITY</b>					
Common equity Tier 1 capital ratio	14,7 %		13,3 %		
Tier 1 capital ratio	15,6 %		14,2 %		
Capital ratio	17,5 %		16,7 %		
Tier 1 capital	18.227		16.882		
Risk weighted balance	116.651		119.124		
Leverage ratio	7,3 %		6,3 %		
<b>Liquidity</b>					
Liquidity Coverage Ratio (LCR) <sup>5)</sup>	174 %		128,0 %		
Deposit-to-loan ratio	54,5 %		57,6 %		
<b>BRANCHES AND STAFF</b>					
Number of branches	36		49		
Number of man-years	1.127		1.161		
Number of man-years including temps	1.172		1.190		
<b>SpareBank 1 SR-Bank share</b>					
	<b>31.12.16</b>	<b>31.12.15</b>	<b>31.12.14</b>	<b>31.12.13</b>	<b>31.12.12</b>
Market price	60,75	39,30	52,50	60,25	37,20
Market capitalisation	15.537	10.051	13.427	15.409	9.514
Book equity per share(including dividends) (group)	71,54	66,14	60,28	55,00	49,48
Earnings per share, NOK	6,87	6,83	8,20	7,28	5,33
Dividends per share	2,25	1,50	2,00	1,60	1,50
Price / Earnings per share	8,84	5,75	6,40	8,28	6,98
Price / Book equity (group)	0,85	0,59	0,87	1,10	0,75
Effective return <sup>6)</sup>	58,4 %	-21,3 %	-10,2 %	66,0 %	-4,9 %

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

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

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

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

<sup>5)</sup> 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 in a demanding year

### Q4 2016

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- Pre-tax profit: NOK 525 million (NOK 477 million)
  - Net profit for the quarter: NOK 429 million (NOK 442 million)
  - Return on equity after tax: 9.5% (10.6%)
  - Earnings per share: NOK 1.68 (NOK 1.73)
  - Net interest income: NOK 733 million (NOK 678 million)
  - Net commissions and other operating income: NOK 355 million (NOK 372 million)
  - Net income from financial investments: NOK 139 million (NOK -13 million)
  - Operating costs: NOK 540 million (NOK 368 million)
  - Impairment losses on loans: NOK 162 million (NOK 192 million)
- (Figures for Q4 2015 are shown in brackets)*

### Preliminary annual result for 2016

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- Pre-tax profit: NOK 2,158 million (NOK 2,146 million)
  - Net profit for the year: NOK 1,755 million (NOK 1,746 million)
  - Return on equity after tax: 10.0% (10.8%)
  - Earnings per share: NOK 6.87 (NOK 6.83)
  - Net interest income: NOK 2,871 million (NOK 2,593 million)
  - Net commissions and other operating income: NOK 1,443 million (NOK 1,532 million)
  - Net income from financial investments: NOK 654 million (NOK 304 million)
  - Operating costs: NOK 2,032 million (NOK 1,863 million)
  - Impairment losses on loans: NOK 778 million (NOK 420 million)
  - Total lending growth over last 12 months: -0.9% (5.4%)
  - Growth in deposits over last 12 months: -3.9% (9.8%)
  - Common equity tier 1 capital ratio: 14.7% (13.3%)
  - Tier 1 capital ratio: 15.6% (14.2%)
  - The board proposes a dividend of NOK 2.25 (NOK 1.50)
- (As at 31 December 2015 in brackets)*

### Financial performance - Q4 2016

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The group's pre-tax profit was NOK 525 million (NOK 477 million), NOK 135 million lower than in the third quarter of 2016. The return on equity after tax for the quarter was 9.5% (10.6%) compared with 12.2% in the third quarter of 2016. The quarter saw higher net interest income and commissions, while a fall in income from financial investments and higher operating costs contributed to lower results for the quarter seen in isolation compared with the third quarter of 2016. Impairment losses were stable and amounted to NOK 162 million in the fourth quarter of 2016, NOK 1 million higher than in the previous quarter.

Net interest income rose to NOK 733 million (NOK 678 million) from NOK 729 million in the third quarter of 2016. The average interest margin (net interest income as a percentage of average total assets) was

1.50% in the fourth quarter of 2016 (1.40%) compared with 1.48% in the third quarter of 2016.

Net commissions and other operating income was NOK 355 million (NOK 372 million) compared with NOK 347 million in the third quarter of 2016. Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt amounted to NOK 30 million (NOK 53 million), NOK 5 million lower than in the third quarter of 2016. Other commissions increased by NOK 13 million (4.2%) compared with the previous quarter, primarily due to increased income from arrangement fees and customer fees, as well as higher guarantee commissions.

Net income from financial investments was NOK 139 million (NOK -13 million) compared with NOK 231 million in the third quarter of 2016. Capital gains on financial instruments decreased by NOK 85 million from the third to the fourth quarter of 2016, where the

third quarter was, among other things, positively affected by NOK 24 million related to the earlier stake in Nets AS. Income from ownership interests decreased by NOK 12 million from the previous quarter. This was largely due to a lower share of profits from SpareBank 1 Boligkreditt.

Operating costs totalled NOK 540 million (NOK 368 million), an increase of NOK 54 million compared with the third quarter of 2016. Personnel costs rose by NOK 11 million, in part due to provisions for financial tax on accrued holiday pay and bonuses that will be paid out in 2017, plus higher bonus provisions. Other operating costs increased by NOK 43 million. Higher activity in the quarter resulted in higher marketing costs, IT costs and general administration costs. Other operating costs also rose by NOK 6 million due to termination and moving costs from the closure of branches during the fourth quarter of 2016.

Higher personnel costs from the fourth quarter of 2015 were due to costs in the fourth quarter of 2015 being affected by a one-time reduction in costs (curtailment) of NOK 163 million in connection with a transition to defined contribution pensions for all employees. Exclusive of the curtailment in the fourth quarter of 2015, quarterly costs increased by NOK 9 million (1.7%) from the fourth quarter of 2015 to the fourth quarter of 2016.

Impairment losses on loans were NOK 162 million (NOK 192 million) compared with NOK 161 million in the third quarter of 2016. Collective impairment losses increased by NOK 20 million in the fourth quarter of 2016. There remains some uncertainty about trends in the group's market area, especially within oil-related activities. This provided a basis for increasing collective impairment losses in the fourth quarter of 2016 as well.

### **Preliminary annual result for 2016**

The group's pre-tax profit for 2016 was NOK 2,158 million (NOK 2,146 million), up NOK 12 million compared with 2015. The return on equity for the year was 10.0% (10.8%) while the cost/income ratio dropped to 40.9% for 2016, compared with 42.1% in 2015.

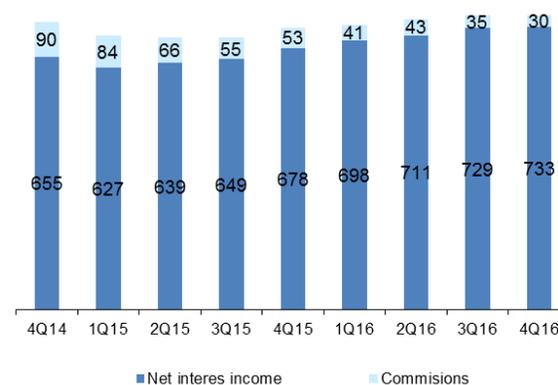
The preliminary annual result for 2016 was significantly affected by impairment losses on loans, which increased by NOK 358 million in 2016. The group's result before impairment losses on loans was NOK 2,936 million (NOK 2,566 million), an increase of NOK 370 million. The solid result was due to good underlying banking operations and greater efficiency

in the group. This resulted in both higher interest income and higher income from financial investments, and also reduced the cost/income ratio.

### **Net interest income**

The group's net interest income amounted to NOK 2,871 million in 2016 (NOK 2,593 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 149 million in 2016 (NOK 258 million). Net interest income and commissions increased by a total of NOK 169 million, compared with 2015. The increase was a result of repricing and improved risk pricing for large parts of the corporate market portfolio.

Fig. 1 Interest income



The average net interest margin rose to 1.48% in 2016 compared with 1.42% in 2015.

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

Net commissions and other operating income totalled NOK 1,443 million in 2016 (NOK 1,532 million). The NOK 89 million reduction since the previous year is attributable, in part, to a NOK 109 million reduction in commissions from SpareBank 1 Boligkreditt, primarily due to the group buying back loans from the mortgage company totalling NOK 4 billion in the 2016.

Income from estate agency services amounted to NOK 348 million in 2016, which represents a reduction of NOK 35 million from 2015 and was due to less activity in the housing market in the Stavanger region. Income was weakest in the first quarter of 2016 and the entire reduction in income can be attributed to this quarter. Income rose during the spring of 2016 and the total income of NOK 279 million in the period covering the second quarter up to and including the fourth quarter of 2016 was on a par with the same period in 2015.

Income from SpareBank 1 Regnskapshuset SR increased from NOK 35 million in 2015 to NOK 81 million in 2016. The company was established in the first quarter of 2015 and the increase in income was due to the acquisition of a number of accounting firms in 2015.

Other commissions increased by 1.1% in 2016, with both arrangement fees and income from money-transfer services and insurance making a positive contribution.

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

Net income from financial investments was NOK 654 million in 2016 (NOK 304 million). Dividends amounted to NOK 110 million (NOK 17 million) and included a cash payment in the second quarter of 2016 of NOK 94 million received in connection with the sale of Visa Europe Ltd to Visa Inc. For more information about this see note 17.

Income from ownership interests decreased by NOK 38 million from NOK 422 million in 2015 to NOK 384 million in 2016.

Table 1, The share of net profit

The share of net profit after tax	31.12.16	31.12.15
SpareBank 1 Gruppen	318	251
SpareBank 1 Boligkreditt	-14	91
SpareBank 1 Næringskreditt	22	24
BN Bank	61	29
SpareBank 1 Kredittkort	23	20
SpareBank 1 Mobilbetaling AS	-29	-
Other	3	7
<b>Total income from ownership interests</b>	<b>384</b>	<b>422</b>

The share of the net profit from SpareBank 1 Gruppen increased by NOK 67 from the same period last year, primarily due to the improved results in both the P&C insurance company and the life insurance company. Underlying operations in other companies in SpareBank 1 Gruppen were stable and good.

The share of the net profit from SpareBank 1 Næringskreditt decreased by NOK 105 million compared with the same period last year. The lower share of the profit was primarily due to a reduction in the effect of basis swap from 2015 to 2016. The group's share of the basis swap effects decreased by NOK 144 million from NOK 94 million in 2015 to NOK -50 million in 2016.

The share of the net profit from BN Bank increased by NOK 32 million in 2016. This was due to a combination of recognising the profit from the sale of Visa as income and a good underlying operating result.

The negative share of the result from SpareBank 1 Mobilbetaling amounting to NOK 29 million was linked to the group's investment in mCASH, which is the SpareBank 1 Alliance's mobile payment solution.

Net income from financial instruments amounted to NOK 160 million in 2016 (capital losses of NOK 135 million). Capital gains on securities amounted to NOK 53 million (capital losses of NOK 224 million), while capital gains from interest and currency trading amounted to NOK 107 million (NOK 89 million).

The capital gains on securities amounting to NOK 53 million (capital losses of NOK 224 million) were primarily attributable to a combination of capital losses of NOK 156 million in the interest portfolio, which were counteracted by positive effects totalling NOK 158 million from hedging instruments, as well as capital gains of NOK 51 million from the portfolio of shares and equity certificates. The group's trading portfolio accounted for NOK 29 million of the capital losses, while its liquidity portfolio accounted for NOK 127 million. The capital losses in the interest portfolio were largely due to a drop in the estimated value of covered bonds held as a liquidity reserve and the estimated value of high-interest bonds in the bank's trading portfolio.

Of the capital gains of NOK 51 million (capital losses of NOK 40 million) from the portfolio of shares and equity certificates, the additional payment of profit from the sale of shares in Nets in 2014 accounted for NOK 24 million, while the investments in Sandnes Sparebank and Sparebanken Hedmark produced increases in value of NOK 18 million and NOK 19 million, respectively, in 2016.

### **Operating costs**

The group's operating costs amounted to NOK 2,032 million in 2016, an increase of NOK 169 million (9.1%) from 2015. Personnel costs rose by NOK 221 million (23.4%) to NOK 1,166 million, while other operating costs were reduced by NOK 52 million (-5.7%) to NOK 866 million.

In 2015, personnel costs were reduced by NOK 226 million due to a non-recurring reduction in costs (curtailment) in connection a transition to defined contribution pensions for all employees. Exclusive of this reduction in costs and restructuring costs of NOK 28 million in 2015, personnel costs increased by NOK 22 million (1.9%) in 2016. The number of full-time equivalents in the group fell by a net 18 person-years in the last 12 months, due to a higher degree of self-service among the bank's customers and more

efficient operations. There are 38 fewer full-time equivalents in the parent bank, while the number of full-time equivalents in subsidiaries increased by 20 in the same period, primarily because of the SpareBank 1 Regnskapshuset SR venture.

NOK 12 million of the NOK 52 million reduction in other operating costs came from a reduction in costs in EiendomsMegler 1 due to lower activity in the housing market in the Stavanger region. Otherwise, a strong focus on costs in the group has resulted in cost reductions in most areas in the last year.

The group's normalised total reduction in costs for continued business amounted to NOK 57 million (-3.5%). The group is constantly striving to increase efficiency to keep costs at a satisfactory low level, while at the same time its focus on further technological development is a priority. The group's cost/income ratio, costs measured as a percentage of income, was 40.9% for 2016 (42.1%).

Personnel costs are expected to increase by around NOK 30 million after tax in 2017 due to the introduction of a financial tax on pay of 5%. While the general tax rate will be reduced from 25% to 24% from 2017, the financial industry will maintain the 25% tax rate in 2017 as well.

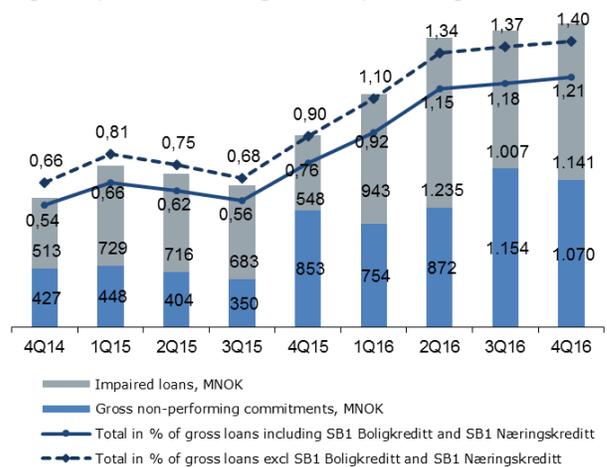
### Impairment losses on loans and non-performance

In 2016, the group recognised net impairment losses on loans totalling NOK 778 million (NOK 420 million). This corresponds to impairments as a percentage of gross loans of 0.50% (0.28%). Including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, this corresponds to impairments as a percentage of gross loans of 0.42% (0.23%). The higher impairment losses on loans in 2016 were largely due to impairment losses linked to individual commitments within oil-related activities, and collective impairment losses that were NOK 158 million higher (NOK 140 million). The increase in collective impairment losses was due to the continued uncertainty associated with low oil prices, as well as the prevailing market conditions and expected development of local and national economic macro factors. Closely monitoring customers and preventive work remain important tools for maintaining this good credit quality in the group's loan portfolio in order to reduce future losses.

Gross non-performing commitments amounted to NOK 1,070 million at year-end 2016 (NOK 853 million). This corresponds to 0.68% (0.55%) of gross

loans, and 0.59% (0.46%) including loans sold to Sparebank 1 Boligkreditt and SpareBank 1 Næringskreditt. The portfolio of impaired (not non-performing) loans totalled NOK 1,141 million (NOK 548 million). This corresponds to 0.72% (0.35%) of gross loans, and 0.62% (0.30%) including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Total non-performing and impaired loans at year-end 2016 came to NOK 2,211 million (NOK 1,401 million). In terms of gross loans, this represents an increase over the last 12 months from 0.90% to 1.40%, and an increase from 0.76 % to 1.21% including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Fig 2. Impaired loans and gross non-performing commitments



The loan loss provision ratios, measured as individual write-downs as a percentage of non-performing and impaired loans, were 26% (12%) and 28% (40%) at year-end 2016. The provision ratio will vary over time depending on valuations of commitments' collateral. In the last 12 months, collective impairment losses have increased by a total of NOK 158 million, and the loan loss provision ratio, measured as collective impairment losses as a percentage of gross loans, inclusive of the volume sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, increased to 0.37% at year-end 2016 (0.28%).

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



IFRS 9 Financial Instruments will replace the current IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018. This will affect, among other things, how the group will assess the need for impairment losses. According to the current rules under IAS 39, impairment losses must only be made when objective evidence exists that a loss event has happened after initial recognition. According to IFRS 9 though, impairment losses must be recognised based on expected credit losses (ECL). In the last year, SpareBank 1 SR-has work on models and adapting to the new regulations. This work will continue throughout 2017. Based on a preliminary review, the transition to IFRS 9 is not expected to have significant effects. The effect on the capital adequacy ratio will, according to our preliminary calculations, be limited or non-existent as a consequence of the deduction provisions associated with regulatory expected losses since the group's total impairments 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 the special note that will be published in the annual financial statements of SpareBank 1 SR-Bank for 2016.

### Loans to and deposits from customers

Gross loans at year-end 2016 amounted to NOK 157.6 billion (NOK 155.2 billion). Including loans totalling NOK 24.7 billion (NOK 28.7 billion) sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, gross loans amounted to NOK 182.3 billion at year-end 2016 (NOK 183.9 billion). Gross lending growth in the last 12 months was -0.9% (5.4%), where the effect of exchange rate fluctuations amounted to NOK -0.5 billion (-0.2%).

Loans to the retail market accounted for 63.0% (62.8%) of total loans (inclusive of loans sold to SpareBank 1 Boligkreditt) at year-end 2016.

Fig. 4 12 month lending growth (%)



The group's total loan exposure of NOK 182.3 billion (NOK 183.9 billion) included a majority of commitments with a probability of default of less than 0.5%. These commitments represented 60.5% (59.0%) of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These accounted for around 69.1% (68.1%) of loan exposure and 98.6% (98.6%) of customers. 17.9% (18.7%) of the total loan exposure was to customers who had loans in excess of NOK 100 million.

Deposits from customers fell by -3.9% in 2016 (+9.8%) to NOK 85.9 billion (NOK 89.4 billion). Lower deposits are a result of larger deposits from institutional customers, held as part of the liquidity portfolio, having been replaced by other instruments to protect the group's liquidity. Deposits from the corporate market and public sector accounted for 50.1% (52.9%) of the group's customer deposits at year-end 2016.

The deposit coverage ratio at year-end 2016, measured as deposits as a percentage of gross loans, was 54.5% (57.6%).

In addition to ordinary customer deposits, the group also has capital under management in alternative investment products. These amounted to NOK 17.4 billion (NOK 17.1 billion) at year-end 2016. This management is primarily performed by SR-Forvaltning AS and ODIN Forvaltning AS.

### Business areas

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

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

The retail market division's contribution before impairment losses on loans amounted to NOK 1,251 million in 2016 (NOK 1,214 million). The result was NOK 37 million higher than in 2015 and this was due to growth in commissions, exclusive of commissions from SpareBank 1 Boligkreditt, and lower costs. There was strong pressure on the net interest margin throughout the year due to strong competition and a higher risk premium in the money market.

Commissions, exclusive of commissions from SpareBank 1 Boligkreditt, increased by 3% in 2016, with the greatest growth within money-transfer services. Commissions linked to insurance and fund services were on a par with the level in 2015. The division's costs were reduced by 2.7% in 2016. The number of employees in the division was reduced through continuous restructuring and 13 smaller offices were merged into larger units in 2016.

High unemployment and a weaker housing market in Rogaland and Agder resulted in less demand for mortgages. The 12-month lending growth figure at year-end 2016 was 0.2%, while deposits grew by 1.8% over the previous 12 months. Greater business optimism and a stable unemployment rate are improving the outlook for the housing market and demand for mortgages is expected to increase in 2017. Impairment losses on loans increased slightly in 2016, but were still low. The proportion of non-performing commitments over 30 days was 0.20% of total lending at year-end 2016 (0.25%).

The quality of the retail market portfolio is considered to be very good with a low risk of losses. The proportion of loan exposure (including the portfolios in SpareBank 1 Boligkreditt and SR-Boligkreditt AS) within a loan-to-value ratio of 85% amounted to 89.6% (89.6%) at year-end 2016. The IRB risk weighting for home mortgages was 22.3% (22.8%) at year-end 2016, and reflected a solid, stable portfolio.

The growth in digital channels continues. The digital channels saw an average of 3 million monthly visits in 2016, compared with 2.5 million in 2015. The number of digital sales increased by 25% in 2016 and most sales of savings accounts, funds and savings agreements now take place in digital channels. The launch of new web pages, improved chat solutions,

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

online meetings, biometric ID, and more products in digital channels will continue to grow digital traffic going forward.

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

The corporate market division's contribution before impairment losses on loans was NOK 1,405 million in 2016 (NOK 1,086 million), NOK 319 million higher than in 2015. The division improved its risk pricing of large parts of the corporate market division's portfolio and this resulted in increased net interest income in 2016.

There was less investment activity in the customer portfolio and the division's lending decreased by 1.7% in 2016. Corrected for exchange rate effects, the divisions lending was reduced by 1.1%. The division's deposits have decreased by 2.6% over the last 12 months.

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 75.0% (76.0%) of the portfolio at year-end 2016. Because of the weak macroeconomic situation in the region, the proportion of commitments with a probability of default higher than 2.5% is expected to continue increasing somewhat going forward. The property sector portfolio represents the group's largest concentration in a single sector and accounted for 15.2% (15.3%) of total loan exposure, including retail customers. A large portion of this portfolio consisted of financing commercial properties for leasing. The portfolio is characterised by long-term leases and financially solid tenants.

Net individual impairment losses of NOK 510 million and NOK 144 million in increased collective impairment losses were recognised in 2016, compared with NOK 242 million in individual impairment losses and NOK 130 million in collective impairment losses in 2015. The division's ordinary pre-tax profit (after losses) was NOK 37 million higher than at the same time in 2015.

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.

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

### **Capital market division<sup>2</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 48 million in 2016, NOK 46 million higher than in 2015. 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 175 million in 2016. This represented an increase of NOK 64 million from 2015 and was primarily due to a lower fall in value in the bank's bond portfolio than in 2015, as well as higher income within corporate finance. The pre-tax profit before the allocation of customer income amounted to NOK 94 million in 2016, an increase of NOK 63 million from 2015.

The bulk of this income came from customer trading in fixed income and foreign exchange instruments. Income from sales of equities and bonds was relatively stable compared with 2015.

### **Subsidiaries**

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

The company's pre-tax profit amounted to NOK 16.2 million in 2016 (NOK 29.6 million). The lower result in 2016 reflects the situation in the housing market in the Stavanger region with significantly fewer sales, especially in the first quarter of 2016. Cost reducing programmes were implemented that produced good effects from the second quarter of 2016. The combined profit for the second to the fourth quarters of 2016 was NOK 4.1 million better than for the same period in 2015.

In 2016, 6,042 (6,551) properties were sold with a total value of around NOK 19 billion. The supply of new assignments has been satisfactory given the market situation, but overall it was around 11% lower than in 2015.

There have been and still are, significant differences in the regional markets, both with respect to price and turnover times. The housing market in Bergen remained good, with turnover times of just over 20

days and price rises of 4.9% over the last 12 months. The housing market in the Stavanger region in 2016 was still affected by downsizing and the lower level of activity within the oil industry. Housing prices have fallen by 2.6% over the past 12 months. The turnover time for used housing in the Stavanger region is now more than 70 days. The housing market in Kristiansand is stable and good, and prices have increased by 4.3% in the last 12 months. The turnover time is now around 100 days.

The overall market has decreased in all of the four counties in which the company operates. Compared with 2015, the number of sales of used homes and holiday homes dropped by around 4.9% in 2016. Rogaland saw the largest decrease at 9.8%.

The supply of new homes is good, but sales in Rogaland are still affected by the downturn in the oil sector. Sales of new homes in Kristiansand and Bergen are uniformly good. The market for new housing improved in the last six months of 2016, and this trend is expected to continue in 2017.

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

The company expects a slight rise in activity in the housing market in our market area in 2017. A high level of activity is still expected in Hordaland, while the housing market in the Agder counties is expected to remain stable. There are signs in Rogaland that the level of activity will increase somewhat in 2017 and the number of sales is expected to be higher than in 2016. The price trend is expected to improve with the current price level flattening out in spring 2017 when prices are once again expected to rise moderately.

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

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

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

In September 2016, a decision was made to carry out a parent/subsidiary merger between SpareBank 1 SR-Finans and SpareBank 1 SR-Bank. The merger was completed on 1 January 2017.

SpareBank 1 SR-Finans achieved a profit before losses of NOK 176.3 million in 2016 (NOK 190.1 million). Net interest income was down due to lower lending activity compared with 2015. The company maintained its low cost/income ratio in 2016 and continuously focuses on efficiency and digitalisation.

Net losses amounted to NOK 91.9 million in 2016 (NOK 39.7 million). The increase in net losses is largely due to individual loss provisions relating to a few of the company's major leasing customers. Collective impairment losses were increased by NOK 9.1 million based on the uncertainty that has characterised our market area in the last year. Loss provisions linked to the other lending portfolio are considered to be at an acceptable level. The pre-tax profit was NOK 84.4 million in 2016 (NOK 150.4 million).

Net lending decreased by 0.7% in the last 12 months and at year-end 2016 it amounted to NOK 6,853 million (NOK 6,903 million). 6,642 new contracts were established in 2016 (7,482 contracts) with a total volume of NOK 2,388 million (NOK 2,444 million).

The business sector in the company's entire market area has been characterised by the lasting low oil prices, cost cutting and downsizing since 2015. Because of this, somewhat lower growth is expected within lease financing for the corporate market going forward. The level of activity remains high in some industries, such as aquaculture, farming and the contractor industry, and the company is experiencing a high level of demand from these industries. Fewer new car sales in 2016 in Hordaland, Rogaland and Agder resulted in slightly fewer new sales of car loans to retail customer during the year.

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

The company was established in the first quarter of 2015 and has since its start-up grown from NOK 0 to NOK 85 million in turnover. At the start of 2017, the company has six offices, four in Rogaland and two in Bergen, and more than 2,000 customers. One acquisition was made in 2016, Regnskap Partner Bergen AS, which has a turnover of around NOK 12 million. The company was taken over with effect from 1 January 2017.

Since its start-up, Regnskapshuset has gained a solid market position in Rogaland and Hordaland, and is

experiencing a good influx of new customers who want help with introducing modern and efficient accounting. At the same time, work on digitalising the current customer portfolio is ongoing. Significant resources have been invested in internal infrastructure such as a common IT platform and business system, as well as improving the professional and systems training of the company's 86 employees. Customers are demanding cloud-based services and the company will going forward offer customized solutions for customers irrespective of industry/size.

SpareBank 1 Regnskapshuset SR achieved a pre-tax profit of NOK 1.6 million in 2016 (NOK 0.6 million). The result includes depreciation of intangible assets of NOK 1.6 million (NOK 0.8 million).

#### ***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 3 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 was NOK 28.1 million in 2016 (NOK 35.9 million). The reduction in the result in 2016 was primarily attributed to reversed pension costs (curtailment) recognised in 2015.

The equity fund SR-Utbytte produced a 9.84% return in 2016, which was 1.61% better than the respective benchmark index. The bond fund SR-Rente produced 1.82% (benchmark 0.53%), and the combination fund SR-Kombinasjon produced 5.86% (benchmark 4.48%).

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

#### ***SR-Boligkreditt AS***

SR-Boligkreditt is a wholly owned subsidiary and was established in the second quarter of 2015. The purpose of the company is to purchase home mortgages from SpareBank 1 SR-Bank and it funds this by issuing covered bonds. SR-Boligkreditt enables

SpareBank 1 SR-Bank to diversify and optimise its funding. Moody's has given SR-Boligkreditt its best rating, Aaa.

At year-end 2016, the company had issued covered bonds with a nominal value of NOK 26.9 billion. At year-end 2016, SR-Boligkreditt had purchased loans for NOK 29.4 billion (NOK 9.9 billion) from SpareBank 1 SR-Bank.

SR-Boligkreditt achieved net interest income of NOK 169.3 million in 2016 (NOK 50.3 million) and a pre-tax profit of NOK 113.1 million (NOK 39.3 million). Net interest income primarily increased due to the increase in mortgages bought from SpareBank 1 SR-Bank and the increase in net interest income must therefore been viewed in the context of the development of net interest income in the retail market division.

#### **Associated companies**

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

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

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

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

SpareBank 1 Gruppen achieved a pre-tax profit of NOK 2,019 million in 2016 (NOK 1,287 million). The increase in the result in 2016 was primarily due to the better result from P&C insurance because of lower claims for damage due to natural disasters in 2016, as well as the increased contribution in the life company due to the improvement in both the interest result and financial returns in the company portfolio. Underlying

operations in other companies in SpareBank 1 Gruppen were stable and good.

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

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

##### ***SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS***

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

SpareBank 1 Boligkreditt achieved a pre-tax profit of NOK -146 million in 2016 (NOK 608 million). The negative result was primarily due to the effects of basis swaps, which were reduced by NOK 767 million from NOK 467 million in 2015 to NOK -300 million in 2016. At year-end 2016, the company's total lending volume amounted to NOK 174.5 billion (NOK 169.3 billion), NOK 24.2 billion (NOK 28.2 billion) of which were home mortgages bought from SpareBank 1 SR-Bank. At the end of 2016 the bank owned 13.9% of the company. The stake was updated at year-end 2016 in line with the proportion of sold volume at the same point in time.

SpareBank 1 Næringskreditt achieved a pre-tax profit of NOK 112 million in 2016 (NOK 122 million). At year-end 2016, the company's total lending volume amounted to NOK 11.0 billion (NOK 14.4 billion), NOK 0.5 billion (NOK 0.5 billion) of which were loans bought from SpareBank 1 SR-Bank. At the end of 2016 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. In 2015, the board of BN Bank laid out a new strategy that involved focusing on the retail market division. The work of winding down activities in the corporate market division has been performed

on a controlled basis since then. At year-end 2016, the corporate market portfolio was NOK 9.6 billion, a reduction by NOK 16.1 billion since the winding down activities started in 2015, NOK 10.8 billion of which happened in 2016.

BN Bank achieved a pre-tax profit of NOK 347.5 million in 2016, an increase of NOK 175.6 million from NOK 171.9 million in 2015. The increased result in 2016 was due to a combination of recognising the profit from the sale of Visa as income and a good underlying operating result.

### **SpareBank 1 Mobilbetaling AS**

SpareBank 1 Mobilbetaling is owned by the SpareBank 1 banks. SpareBank 1 SR-Bank owns a stake of 19.7%. The company is behind the mobile payment solution mCASH, among other things, and is trying to strengthen the SpareBank 1 banks' position in mobile surfaces through friend-to-friend payments and mobile payments in retail outlets. A national marketing campaign for mCASH started in the first quarter of 2016 via TV and digital adverts, as well as a large amount of activities aimed at events, clubs and associations. By year-end 2016, more than 5,500 organisations and 9,300 sales outlets had adopted mCASH. The total number of registered users of mCASH was 509,000.

SpareBank 1 Mobilbetaling posted a pre-tax result of NOK -135 million in 2016. The deficit was due to expensed investment costs and start-up costs, including the marketing of mCASH.

### **Funding and liquidity**

SpareBank 1 SR-Bank had good liquidity at year-end 2016 and believes it will continue to have good access to long-term funding at competitive prices. The group strives to achieve an even maturity structure for funding and believes it is important to have good relations with Norwegian and international investors and banks. The liquidity buffer<sup>3</sup> was NOK 24.7 billion at year-end 2016, and would cover normal operations for 25 months in the event of closed markets. NOK 7.4 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 14.8 billion in home mortgages ready for covered bond funding.

The group's liquidity situation is good and in the last year the group has continued to enjoy a high

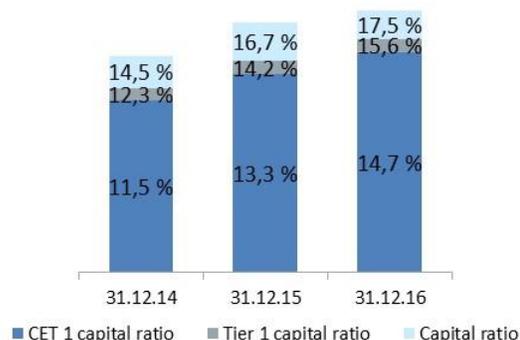
<sup>3</sup> Liquidity buffer: cash, short-term investments, and drawing rights in Norges Bank (bonds including covered bonds). Assuming deposits and lending remain unchanged and no new borrowing during the period.

proportion of long-term funding. At year-end 2016, the Financial Supervisory Authority of Norway's Liquidity Indicator <sup>4</sup> was 116.7% (108.1%) for the parent bank and 113.9% (109.8%) on a consolidated basis.

### **Capital adequacy**

At year-end 2016, the common equity tier 1 capital ratio was 14.7%, up from 13.3% at the same time in 2015. The tier 1 capital ratio was 15.6% (14.2%), while the total capital ratio rose from 16.7% to 17.5%.

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 total common equity tier 1 capital ratio requirement for SpareBank 1 SR-Bank, inclusive of the countercyclical buffer and Pillar 2 premium, as at 31 December 2016 was 13.5% and the capital ratio requirement was 17.0%. The requirements are met by a good margin. Banks classified as systemically important financial institutions are also subject to a special capital buffer requirement. SpareBank 1 SR-Bank has not been identified as a systemically important financial institution.

There is a countercyclical capital buffer requirement in Norway in the range of 0-2.5% in the form of common equity tier 1 capital. The purpose of the countercyclical capital buffer is to make the banks more solid and robust in relation to lending losses. The capital buffer requirement was 1.5 percentage points as at 31 December 2016. The Ministry of Finance has decided to increase the requirement to 2.0 percentage points

<sup>4</sup> The proportion of illiquid assets funded by debt with a maturity of more than 1 year.

from 31 December 2017. The total minimum requirement for common equity tier 1 capital will thus increase to 14.0% at year-end 2017.

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%.

SpareBank 1 SR-Bank's common equity tier 1 capital ratio target for year-end 2016 was 14.0% and target for year-end 2017 is 15.0%. These targets will be achieved through good profitability, moderate dividends, and low growth in the risk-weighted balance sheet.

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

The share price for the bank's shares (SRBANK) was NOK 60.75 at year-end 2016. This represents an increase of 54.6% since year-end 2015. The main Oslo Stock Exchange index rose by 12.1% in the same period. 12.9% (3.4%) of outstanding SRBANK shares were traded in the fourth quarter of 2016.

There were 10,428 (10,153) shareholders of SRBANK at year-end 2016. The proportion owned by foreign companies and individuals was 19.1%, whilst 49.9% were owned by residents of Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned a combined 56.9% of the shares. The bank holds 108,983 treasury shares, while group employees owned 1.8%.

The table below shows the 20 largest shareholders as at 31 December 2016:

Table 2, 20 largest shareholders	Number of shares	
	(1,000)	%
Sparebankstiftelsen SR-Bank	72.419	28,3 %
Gjensidige Forsikring ASA	12.308	4,8 %
State Street Bank and Trust Co, U.S.A.	7.562	3,0 %
Vpf Nordea Norge Verdi	7.454	2,9 %
SpareBank 1-stiftinga Kvinnherad	6.227	2,4 %
Wimoh Invest AS	5.761	2,3 %
Odin Norge	4.385	1,7 %
Danske Invest Norske Instit. II	3.646	1,4 %
Pareto Aksje Norge	3.065	1,2 %
Verdipapirfondet DNB Norge (IV)	2.964	1,2 %
State Street Bank and Trust Co, U.S.A.	2.852	1,1 %
Clipper AS	2.565	1,0 %
State Street Bank and Trust Co, U.S.A.	2.248	0,9 %
Verdipapirfondet Alfred Berg Gambak	1.834	0,7 %
KAS Bank NV, Nederland	1.805	0,7 %
Danske Invest Norske Aksjer Inst.	1.771	0,7 %
Folketrygdfondet	1.688	0,7 %
JPMorgan Chase Bank, U.S.A.	1.671	0,7 %
Vpf Nordea Avkastning	1.664	0,7 %
Westco	1.659	0,6 %
<b>Total 20 largest</b>	<b>145.548</b>	<b>56,9 %</b>

### **Accounting policies**

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

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

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

### **Future prospects**

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

the bank's business survey of economic activity is now at 54% compared with 47% at the same time last year, which shows that a majority of the 600 selected companies in our market area that provide the basis for the survey are more optimistic about the future. Continued, stable activity is expected within most sectors in Hordaland and the Agder counties.

The group's long-term return on equity target is minimum 11%. The group also has a common equity tier 1 capital ratio target of at least 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 solid earnings via a business model involving good breadth in earnings and efficient operations. The group achieved its common equity tier 1 capital target of 14.0% by year-end 2016 by a good margin and also expects to have the necessary built-up capital in place by the end of 2017. The dividend ratio is expected to increase going forward.

The group's prognoses take account of the fact that the group will in 2017 again have to make the necessary impairments that exceed the average in an economic cycle. Some of the bank's customers in the

oil industry are experiencing a prolonged, demanding market. At the same time, macroeconomic indicators such as unemployment and house prices have performed better than previously expected. Given this, the need for impairments in 2017 is expected to be on a par with the level in 2016, or slightly lower. The board would like to stress that a certain level of uncertainty is associated with all assessments of future conditions.

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

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

Stavanger, 7 February 2017

The Board of Directors of SpareBank 1 SR-Bank AS

## Income Statement

Parent bank				Note	Group			
Q4 2015	Q4 2016	01.01.15 - 31.12.15	01.01.16 - 31.12.16		01.01.16 - 31.12.16	01.01.15 - 31.12.15	Q4 2016	Q4 2015
				<b>Income statement (MNOK)</b>				
1.285	1.203	5.399	4.868	Interest income	5.563	5.752	1.400	1.408
702	581	3.113	2.407	Interest expense	2.692	3.159	667	730
583	<b>622</b>	2.286	<b>2.461</b>	<b>Net interest income</b>	<b>2.871</b>	2.593	<b>733</b>	678
271	264	1.126	1.054	Commission income	1.511	1.605	372	388
16	17	70	68	Commission expenses	72	78	18	17
2	1	6	5	Other operating income	4	5	1	1
257	<b>248</b>	1.062	<b>991</b>	<b>Net commission and other income</b>	<b>1.443</b>	1.532	<b>355</b>	372
0	4	15	109	Dividend income	110	17	5	1
0	224	530	776	Income from investment in associates	384	422	78	110
-139	95	-173	145	Net gains/losses on financial instruments	13 160	-135	56	-124
-139	<b>323</b>	372	<b>1.030</b>	<b>Net income on financial investments</b>	<b>654</b>	304	<b>139</b>	-13
701	<b>1.193</b>	3.720	<b>4.482</b>	<b>Total income</b>	<b>4.968</b>	4.429	<b>1.227</b>	1.037
56	214	669	854	Personnel expenses	14 1.166	945	293	114
114	119	422	411	Administrative expenses	464	480	133	125
80	81	287	269	Other operating costs	402	438	114	129
250	<b>414</b>	1.378	<b>1.534</b>	<b>Total operating costs</b>	<b>2.032</b>	1.863	<b>540</b>	368
451	<b>779</b>	2.342	<b>2.948</b>	<b>Operating profit before impairment losses</b>	<b>2.936</b>	2.566	<b>687</b>	669
167	118	380	684	Impairment losses on loans and guarantees	2, 3 and 4 778	420	162	192
284	<b>661</b>	1.962	<b>2.264</b>	<b>Pre-tax profit</b>	12 <b>2.158</b>	2.146	<b>525</b>	477
24	102	340	343	Tax expense	403	400	96	35
260	<b>559</b>	1.622	<b>1.921</b>	<b>Profit after tax</b>	<b>1.755</b>	1.746	<b>429</b>	442
				<b>Other comprehensive income</b>				
23	131	187	-62	Unrecognised actuarial gains and losses	-62	200	143	28
-6	-33	-46	15	Deferred tax concerning changed estimates/pension plan changes	15	-50	-36	-7
17	98	141	-47	<b>Total items not reclassified through profit or loss</b>	<b>-47</b>	150	107	21
-17	0	-21	0	Tax change actuarial gains/losses	0	-21	0	-17
95	0	95	-62	Change in value of financial assets available for sale	-62	95	0	95
0	0	0	0	Share of profit associated companies and joint ventures	-7	32	27	1
78	0	74	-62	<b>Total items reclassified through profit or loss</b>	<b>-69</b>	106	27	79
95	98	215	-109	<b>Other comprehensive income</b>	<b>-116</b>	256	134	100
355	<b>657</b>	1.837	<b>1.812</b>	<b>Total comprehensive income</b>	<b>1.639</b>	2.002	<b>563</b>	542
				<b>Earnings per share (group)</b>	<b>6,87</b>	6,83	<b>1,68</b>	1,73

## Balance sheet

Parent bank			Note	Group	
31.12.15	31.12.16	Balance sheet (MNOK)		31.12.16	31.12.15
931	1.079	Cash and balances with central banks		1.079	931
8.813	10.138	Balances with credit institutions		4.334	2.984
137.506	120.252	Loans to customers	3, 8	156.372	154.357
20.314	22.042	Certificates, bonds and other fixed-income securities		21.024	19.533
6.133	5.057	Financial derivatives	10	4.315	6.135
300	433	Shares, ownership stakes and other securities	17	596	441
168	22	Business available for sale		22	168
3.172	2.884	Investment in associates		4.460	4.792
2.698	3.713	Investment in subsidiaries		0	0
2.307	698	Other assets	5	1.206	2.708
<b>182.342</b>	<b>166.318</b>	<b>Total assets</b>	12	<b>193.408</b>	192.049
5.052	3.231	Balances with credit institutions		2.674	4.343
89.632	86.184	Deposits from customers	7	85.914	89.444
63.338	52.987	Listed debt securities	11	79.183	71.979
3.832	2.711	Financial derivatives	10	2.515	3.739
1.895	1.999	Other liabilities	6	2.188	2.171
3.459	2.646	Subordinated loan capital	11	2.646	3.459
<b>167.208</b>	<b>149.758</b>	<b>Total liabilities</b>		<b>175.120</b>	175.135
6.394	6.394	Share capital		6.394	6.394
1.587	1.587	Premium reserve		1.587	1.587
384	575	Proposed dividend		575	384
163	52	Fund for unrealised gains		52	163
6.606	7.952	Other equity		9.680	8.386
0	0	Profit/loss at period end		0	0
<b>15.134</b>	<b>16.560</b>	<b>Total equity</b>		<b>18.288</b>	16.914
<b>182.342</b>	<b>166.318</b>	<b>Total liabilities and equity</b>	12	<b>193.408</b>	192.049

## Statement of changes in equity

<b>SpareBank 1 SR-Bank Group</b> (Amounts in NOK million)	Share- capital	Premium reserve	Other equity	Reserve for unrealised gains	Total equity
Equity as of 31.12.2014	6.394	1.587	7.363	59	15.403
Profit after tax			1.737	9	1.746
Unrecognised actuarial gains and losses after tax			129		129
Change in value of financial assets available for sale				95	95
Share of profit associated companies and joint ventures			32		32
Total items not reclassified through profit or loss			1.898	104	2.002
Adjusted equity accosiates			9		9
Dividend 2014, resolved in 2015			-512		-512
Purchase/sale of own shares			12		12
Items reclassified through profit or loss	0	0	-500	0	-500
<b>Equity as of 31.12.2015</b>	<b>6.394</b>	<b>1.587</b>	<b>8.770</b>	<b>163</b>	<b>16.914</b>
Profit after tax			1.866		1.866
Unrecognised actuarial gains and losses after tax			-47		-47
Change in value of financial assets available for sale			-62		-62
Share of profit associated companies and joint ventures			-7		-7
Total items not reclassified through profit or loss			1.750	-111	1.639
Adjusted equity accosiates			121		121
Dividend 2015, resolved in 2016			-384		-384
Purchase/sale of own shares			-2		-2
Items reclassified through profit or loss	0	0	-386	0	-386
<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>

## Cash flow statement

Parent bank			Group	
01.01.15 - 31.12.15	01.01.16 - 31.12.16	Cash flow statement	01.01.16 - 31.12.16	01.01.15 - 31.12.15
-3.466	16.959	Change in gross lending to customers	-2.448	-13.522
4.834	4.256	Interest receipts from lending to customers	5.095	5.329
7.909	-3.448	Change in deposits from customers	-3.530	7.955
-1.355	-839	Interest payments on deposits from customers	-835	-1.350
-1.795	-1.963	Change in receivables and debt from credit institutions	-1.837	-1.702
-381	-491	Interest on receivables and debt to financial institutions	-629	-505
-5.066	-1.728	Change in certificates and bonds	-1.510	-4.272
384	443	Interest receipts from commercial paper and bonds	422	384
1.025	991	Commission receipts	1.445	1.533
-12	60	Capital gains from sale of trading	59	-15
-1.323	-1.495	Payments for operations	-1.990	-1.847
-102	-544	Taxes paid	-637	-206
2.407	-482	Other accruals	371	2.883
<b>3.059</b>	<b>11.719</b>	<b>A Net change in liquidity from operations</b>	<b>-6.024</b>	<b>-5.335</b>
-129	-84	Investments in tangible fixed assets	-169	-208
0	0	Receipts from sale of tangible fixed assets	0	6
-1.381	-1.090	Change in long-term investments in equities	-168	-1.406
221	368	Receipts from sales of long-term investments in equities	376	221
545	886	Dividends from long-term investments in equities	681	546
<b>-744</b>	<b>80</b>	<b>B Net cash flow, investments</b>	<b>720</b>	<b>-841</b>
4.328	8.395	Debt raised by issuance of securities	29.255	12.861
-7.332	-15.813	Repayments - issued securities	-19.332	-7.332
-1.018	-835	Interest payments on securities issued	-1.075	-1.070
481	0	Additional subordinated loan capital issued	0	481
0	-746	Repayments - additional capital instruments	-746	0
-137	-132	Interest payments on subordinated loans	-132	-137
-512	-384	Dividend to share holders	-384	-512
<b>-4.190</b>	<b>-9.515</b>	<b>C Net cash flow, financing</b>	<b>7.586</b>	<b>4.291</b>
<b>-1.875</b>	<b>2.284</b>	<b>A+B+C Net cash flow during the period</b>	<b>2.282</b>	<b>-1.885</b>
2.984	1.109	Cash and cash equivalents as at 1 January	1.111	2.996
1.109	3.393	Cash and cash equivalents as at 31 March	3.393	1.111
		<b>Cash and cash equivalents specified</b>		
931	1.079	Cash and balances with central banks	1.079	931
178	2.314	Balances with credit institutions	2.314	180
<b>1.109</b>	<b>3.393</b>	<b>Cash and cash equivalents</b>	<b>3.393</b>	<b>1.111</b>

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

# Notes to the financial statements

(in MNOK)

## Note 1 Accounting policies

### 1.1 Basis of preparation

These interim financial statements for SpareBank 1 SR-Bank ASA cover the period 1 January - 31 December 2016. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements are unaudited. These interim financial statements were prepared in accordance with the applicable IFRS standards and IFRIC interpretations.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for 2015.

#### Effects of applying IFRIC 21 for reporting in the fourth quarter of 2016

IFRIC 21 Levies regulates the recognition of obligations to pay levies that fall within the scope of IAS 37 Provisions. The interpretation deals with what events trigger levies being recognised as a liability.

Following the introduction of the standard, there has been some debate about whether or not the annual charge for the Norwegian Banks Guarantee Fund for 2015 and 2016 should have been charged as a cost in its entirety in the first quarter. 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. Based on the Financial Supervisory Authority of Norway's circular, SpareBank 1 SR-Bank continued its previous practice of periodising the charge on a monthly basis and the cost amounted to NOK 77 million as at the fourth quarter of 2016.

#### 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, 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. 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	
01.01.15 - 31.12.15	01.01.16 - 31.12.16		01.01.16 - 31.12.16	01.01.15 - 31.12.15
-14	234	Change in individual impairment losses provisions for the period	277	-4
135	147	Change in collective impairment loss provisions for the period	158	140
7	6	Amortised cost	6	7
71	126	Actual loan losses on commitments for which provisions have been made	142	78
201	178	Actual loan losses on commitments for which no provision has been made	208	223
1	0	Change in assets taken over for the period	0	1
-21	-7	Recoveries on commitments previously written-off	-13	-25
<b>380</b>	<b>684</b>	<b>The period's net losses / (reversals) on loans and advances</b>	<b>778</b>	<b>420</b>

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

Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
302	288	Provisions for Individual impairment losses at start of period	318	322
65	33	Increases in previous provisions for individual impairment losses	33	65
-102	-46	Reversal of provisions from previous periods	-51	-107
96	380	New provisions for individual impairment losses	443	118
-2	-7	Amortised cost	-7	-2
-71	-126	Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-141	-78
<b>288</b>	<b>522</b>	<b>Provisions for individual impairment losses at period end</b>	<b>595</b>	<b>318</b>
<b>272</b>	<b>304</b>	<b>Net losses</b>	<b>350</b>	<b>301</b>

## Note 4 Non-performing and impaired loans

Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
		<b>Non-performing loans and advances</b>		
829	917	Gross non-performing loans above 90 days	1.070	853
98	231	Provisions for Individual impairment losses	275	100
<b>731</b>	<b>686</b>	<b>Net non-performing loans and advances</b>	<b>795</b>	<b>753</b>
<b>12 %</b>	<b>25 %</b>	<b>Loan loss provision ratio</b>	<b>26 %</b>	<b>12 %</b>
		<b>Other problem commitments</b>		
493	1.069	Problem commitments	1.141	548
190	291	Provisions for Individual impairment losses	320	218
<b>303</b>	<b>778</b>	<b>Net other problem commitments</b>	<b>821</b>	<b>330</b>
<b>39 %</b>	<b>27 %</b>	<b>Loan loss provision ratio</b>	<b>28 %</b>	<b>40 %</b>

## Note 5 Other assets

Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
2	0	Intangible assets	89	61
342	354	Tangible fixed assets	495	404
15	10	Income earned but not received from SpareBank 1 Bolig- and Næringskreditt	10	15
25	30	Prepaid expences	32	29
0		Over funding of pension liabilities	9	0
35	200	Capital contribution SR-Pensjonskasse	200	35
1.756	46	Unsettled trades	46	1.756
132	49	Other assets	325	408
<b>2.307</b>	<b>698</b>	<b>Total other assets</b>	<b>1.206</b>	<b>2.708</b>

## Note 6 Other debt, guarantees and other liabilities

Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
239	203	Accrued expenses and prepaid revenue	283	322
643	315	Deferred tax	360	654
238	351	Pension liabilities	378	263
3	88	Other specified provisions	5	3
544	621	Taxes payable	681	637
0	146	Unsettled trades	146	0
228	274	Other liabilities	334	292
<b>1.895</b>	<b>1.998</b>	<b>Total other liabilities</b>	<b>2.187</b>	<b>2.171</b>
<b>Guarantees issued (amounts guaranteed)</b>				
11.412	9.759	Guarantees customers	9.759	11.412
0	588	Guarantees other	588	654
<b>11.412</b>	<b>10.347</b>	<b>Total guarantees</b>	<b>10.347</b>	<b>12.066</b>
<b>Other liabilities</b>				
5.532	5.371	Unused credit lines for financial institutions	0	0
19.167	19.154	Unused credit lines for customers	21.037	19.388
1.723	1.558	Approved loan commitments	1.650	1.807
18	23	Letters of credit	23	18
<b>26.440</b>	<b>26.106</b>	<b>Total other liabilities</b>	<b>22.710</b>	<b>21.213</b>

## Note 7 Customer deposits by sector and industry

Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
1.146	1.166	Agriculture/forestry	1.166	1.146
351	460	Fishing/Fish farming	460	351
2.529	1.226	Mining/extraction	1.226	2.529
1.426	1.305	Industry	1.305	1.426
2.090	1.968	Power and water supply/building and construction	1.968	2.090
2.599	2.529	Retail trade, hotels and restaurants	2.529	2.599
1.662	2.084	Foreign trade shipping, pipeline transport and other transport activities	2.084	1.662
7.078	5.640	Real estate	5.640	7.078
12.431	9.710	Service industry	9.440	12.243
16.217	17.923	Public sector and financial services	17.923	16.217
47.529	<b>44.011</b>	<b>Total corporate sector</b>	<b>43.741</b>	47.341
42.101	<b>42.908</b>	<b>Retail customers</b>	<b>42.908</b>	42.101
2	6	Accrued interests corporate sector and retail customers	6	2
0	-741	Net cooperate accounts currency	-741	0
89.632	<b>86.184</b>	<b>Deposits from customers</b>	<b>85.914</b>	89.444

## Note 8 Loans by sector and industry

Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
4.204	4.199	Agriculture/forestry	4.549	4.443
721	506	Fishing/Fish farming	755	903
5.097	4.535	Mining/extraction	4.780	5.330
2.451	2.320	Industry	2.914	3.093
2.561	2.808	Power and water supply/building and construction	3.533	3.437
2.179	2.358	Retail trade, hotels and restaurants	2.885	2.578
9.112	9.189	Foreign trade shipping, pipeline transport and other transport activities	9.766	9.666
27.434	27.115	Real estate	27.269	27.568
6.104	6.317	Service industry	8.441	8.113
2.037	1.749	Public sector and financial services	1.898	2.209
61.900	<b>61.097</b>	<b>Total corporate sector</b>	<b>66.789</b>	67.342
75.719	<b>60.523</b>	<b>Retail customers</b>	<b>91.171</b>	87.229
339	132	Unallocated (excess value fixed interest loans and amort. lending fees)	118	323
284	272	Accrued interests corporate sector and retail customers	301	296
0	-741	Net cooperate accounts currency	-741	0
138.242	<b>121.283</b>	<b>Gross loans</b>	<b>157.638</b>	155.190
-285	-434	- Individual impairment losses provisions	-590	-315
-451	-597	- Collective impairment losses provisions	-676	-518
137.506	<b>120.252</b>	<b>Loans to customers</b>	<b>156.372</b>	154.357

## Note 9 Capital adequacy

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

The following requirements 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 will be 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 Boligkredit, SpareBank 1 Næringskredit and BN Bank. A proportionate consolidation is carried out for the group's capital adequacy.

Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
6.394	6.394	Share capital	6.394	6.394
1.587	1.587	Premium reserve	1.587	1.587
384	575	Allocated to dividend	575	384
163	52	Reserve for unrealised gains	52	163
6.606	7.952	Other equity	9.680	8.386
15.134	16.560	<b>Total book equity</b>	<b>18.288</b>	16.914
		<b>Tier 1 capital</b>		
-2	0	Deferred taxes, goodwill and other intangible assets	-94	-67
-384	-575	Deduction for allocated dividends	-575	-384
-380	-210	Deduction for expected losses on IRB, net of write-downs	-263	-421
0	0	financial institutions	-163	-191
-39	-36	Value of derivative liabilities at fair value	-50	-57
14.329	15.739	<b>Total Common equity Tier 1 capital</b>	<b>17.143</b>	15.794
794	791	Tier 1 capital instruments	1.084	1.088
15.123	16.530	<b>Total Tier 1 capital</b>	<b>18.227</b>	16.882
		<b>Tier 2 capital</b>		
2.536	1.778	Term subordinated loan capital <sup>1)</sup>	2.276	3.111
-60	-60	Deduction for essential investments in financial institutions	-60	-60
2.476	1.718	<b>Total Tier 2 capital</b>	<b>2.216</b>	3.051
17.599	18.248	<b>Net primary capital</b>	<b>20.443</b>	19.933

**Note 9 Capital adequacy (continued)**

Parent bank			Group	
31.12.15	31.12.16		31.12.16	31.12.15
		<b>Credit risk Basel II</b>		
14.820	17.228	SME	17.231	14.822
20.445	18.176	Specialised enterprises	19.471	22.148
6.316	6.435	Other corporations	6.785	6.830
1.092	997	Mass market SME	1.194	1.236
20.024	15.599	Mass market - mortgage on real estate	25.899	27.170
928	1.992	Other mass market	2.027	950
7.802	10.439	Equity positions	0	0
<b>71.427</b>	<b>70.866</b>	<b>Total credit and counterparty risk IRB</b>	<b>72.607</b>	<b>73.156</b>
70	68	States and central banks	68	70
116	269	Local and regional authorities, state-owned enterprises	333	191
5.628	3.400	Institutions	2.169	5.985
2.075	3.324	Enterprises	7.446	6.886
121	546	Mass market	2.058	1.386
0	0	Mass market - mortgage on real estate	2.506	4.114
1.228	1.400	Covered bonds	1.817	1.205
4.600	2.938	Equity positions	4.950	4.661
1.507	824	Other assets	1.726	1.840
<b>15.345</b>	<b>12.769</b>	<b>Total credit and counterparty risk standard method</b>	<b>23.073</b>	<b>26.338</b>
0	0	Position risk for equity instruments	0	0
499	415	Credit value adjustment risk (CVA)	701	1.050
5.295	5.458	Operational risk	7.054	6.794
1.429	0	Transitional scheme	13.216	11.786
<b>93.995</b>	<b>89.508</b>	<b>Risk weighted balance</b>	<b>116.651</b>	<b>119.124</b>
4.230	4.028	Minimum requirement for common equity Tier 1 capital ratio 4,5 % Buffer requirement	5.249	5.361
2.350	2.238	Capital conservation buffer 2,5 %	2.916	2.978
2.820	2.685	Systemic risk buffer 3 %	3.500	3.574
940	1.343	Countercyclical capital buffer 1,5 %	1.750	1.191
6.110	6.266	Total buffer requirement to common equity Tier 1 capital ratio	8.166	7.743
3.990	5.446	Available common equity Tier 1 capital ratio after buffer requirement	3.728	2.690
18,72 %	20,39 %	Capital ratio	17,52 %	16,73 %
16,09 %	18,47 %	Tier 1 capital ratio	15,63 %	14,17 %
2,63 %	1,92 %	Tier 2 capital ratio	1,90 %	2,56 %
15,24 %	17,58 %	Common equity Tier 1 capital ratio	14,70 %	13,26 %
19,01 %	20,39 %	Capital ratio, IRB	19,76 %	18,57 %
16,34 %	18,47 %	Tier 1 capital ratio, IRB	17,62 %	15,73 %
15,48 %	17,58 %	Common equity Tier 1 capital ratio, IRB	16,57 %	14,71 %
7,67 %	9,17 %	Leverage Ratio	7,28 %	6,30 %

## Note 10 Financial derivatives

### Group

At fair value through profit and loss	Contract amount	Fair value at 31.12.16	
	31.12.16	Assets	Liabilities
<b>Currency instruments</b>			
Currency forward contracts	3.518	92	26
Currency swaps	47.585	254	710
Currency options	51	1	1
<b>Total currency instruments</b>	<b>51.154</b>	<b>347</b>	<b>737</b>
<b>Interest rate instruments</b>			
Interest rate swaps(including cross-currency)	53.801	1.124	1.231
Other interest rate contracts	160	1	1
<b>Total interest rate instruments</b>	<b>53.961</b>	<b>1.125</b>	<b>1.232</b>
<b>Hedging / Interest rate instruments</b>			
Interest rate swaps (including cross currency)	65.503	1.880	184
<b>Total hedging / Interest rate instruments</b>	<b>65.503</b>	<b>1.880</b>	<b>184</b>
<b>Security</b>			
Security		321	140
<b>Total security</b>		<b>321</b>	<b>140</b>
<b>Accrued interests</b>			
Accrued interests		642	222
<b>Total accrued interests</b>		<b>642</b>	<b>222</b>
<b>Total currency and interest rate instruments</b>			
Total currency instruments	51.154	347	737
Total interest rate instruments	119.464	3.005	1.416
		321	140
Total accrued interests		642	222
<b>Total financial derivatives</b>	<b>170.618</b>	<b>4.315</b>	<b>2.515</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 31.12.16	Issued/ sale own 2016	Past due/ redeemed 2016	FX rate- and other changes 2016	31.12.15
Bonds and certificates, nominal val	76.536	29.236	-19.332	-2.303	68.935
Adjustments	1.950			-292	2.242
Accrued interests	697			-105	802
<b>Total debt raised through issuance of securities</b>	<b>79.183</b>	<b>29.236</b>	<b>-19.332</b>	<b>-2.700</b>	<b>71.979</b>

Change in additional Tier 1 and Tier 2 capital instruments	Balance as at 31.12.16	Issued/ sale own 2016	Past due/ redeemed 2016	FX rate- and other changes 2016	31.12.15
Term subordinated loan capital, nominal amount	1.778	0	-746	-26	2.550
Perpetual subordinated loan capital, nominal amount	0				0
Tier 1 capital instruments, nominal amount	791			-4	795
Adjustments	68			-34	102
Accrued interests	9			-3	12
<b>Total additional Tier 1 and Tier 2 capital instruments</b>	<b>2.646</b>	<b>0</b>	<b>-746</b>	<b>-67</b>	<b>3.459</b>

The nominal value of the net outstanding covered bonds in SR-Boligkredit is NOK 26.2 billion.

## Note 12 Segment reporting

The executive management team has assessed which segments are reportable based on the form of distribution, products and customers. The primary reporting format is based on the risk and return profile of the assets, and it is divided between the retail market (including self-employed people), the corporate market, the capital market and subsidiaries of significant importance. Staff/support parent bank covers administration, management, investment services, strategy and ownership, treasury and financial functions in the bank. SR-Boligkreditt AS was established in the second quarter of 2015. 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'.

SpareBank 1 SR-Bank Group 01.01.16 - 31.12.16									
Income statement (MNOK)	Retail Market	Corporate Market	Capital Market <sup>1)</sup>	Own account trading/support	Eiendoms-Megler 1	SR-Finans	Other activities	Eliminations	Total
Interest income	1.645	1.760	30	1.941	2	359	3	-177	5.563
Interest expense	462	452	-16	1.848	0	119	0	-173	2.692
<b>Net interest income <sup>1)</sup></b>	<b>1.183</b>	<b>1.308</b>	<b>46</b>	<b>93</b>	<b>2</b>	<b>240</b>	<b>3</b>	<b>-4</b>	<b>2.871</b>
Commission income <sup>1)</sup>	666	329	48	10	348	4	167	-61	1.511
Commission expenses	37	24	4	17	0	18	30	-58	72
Other operating income	0	0	0	5	0	0	0	-1	4
<b>Net commission and other income</b>	<b>629</b>	<b>305</b>	<b>44</b>	<b>-2</b>	<b>348</b>	<b>-14</b>	<b>137</b>	<b>-4</b>	<b>1.443</b>
Dividend income	5	0	2	103	0	0	0	0	110
Income from investment in associates	0	18	0	758	0	0	0	-392	384
Net gains/losses on financial instruments	5	8	37	61	0	5	-1	45	160
<b>Net income on investment securities</b>	<b>10</b>	<b>26</b>	<b>39</b>	<b>922</b>	<b>0</b>	<b>5</b>	<b>-1</b>	<b>-347</b>	<b>654</b>
Personnel expenses	388	176	54	237	205	32	79	-5	1.166
Administrative expenses	86	27	16	283	35	7	11	-1	464
Other operating expenses	97	31	11	134	94	16	22	-3	402
<b>Total operating expenses</b>	<b>571</b>	<b>234</b>	<b>81</b>	<b>654</b>	<b>334</b>	<b>55</b>	<b>112</b>	<b>-9</b>	<b>2.032</b>
<b>Operating profit before losses</b>	<b>1.251</b>	<b>1.405</b>	<b>48</b>	<b>359</b>	<b>16</b>	<b>176</b>	<b>27</b>	<b>-346</b>	<b>2.936</b>
Change in individual write-downs in the period	27	510	0	0	0	83	0	0	620
Change in group write-downs in the period	5	144	0	0	0	9	0		158
<b>Pre-tax profit</b>	<b>1.219</b>	<b>751</b>	<b>48</b>	<b>359</b>	<b>16</b>	<b>84</b>	<b>27</b>	<b>-346</b>	<b>2.158</b>
<b>Net interest income <sup>1)</sup></b>									
External net interest income	1.183	1.308	46	-26	0	359	3	-2	2.871
Internal net interest income	0	0	0	119	2	-119	0	-2	0
Net interest income	1.183	1.308	46	93	2	240	3	-4	2.871
				0					
<b>Balance sheet (MNOK)</b>				0					
Loans to customers	93.159	54.922	379	2.183	0	7.002	0	-7	157.638
Individual loss provisions	-60	-374	0	0	0	-73	0	-83	-590
Group loss provisions	-50	-550	0	0	0	-76	0	0	-676
Certificates/bonds/financial derivatives	0	0	2.222	25.098	0	0	9	-1.990	25.339
Other assets	13	958	71	18.490	148	4	789	-8.776	11.697
<b>Total assets</b>	<b>93.062</b>	<b>54.956</b>	<b>2.672</b>	<b>45.771</b>	<b>148</b>	<b>6.857</b>	<b>798</b>	<b>-10.856</b>	<b>193.408</b>
Deposits from customers	47.754	37.355	4	1.072	0	0	0	-271	85.914
Other debt and equity <sup>1)</sup>	45.308	17.601	2.668	44.699	148	6.857	798	-10.585	107.494
<b>Total debt and equity</b>	<b>93.062</b>	<b>54.956</b>	<b>2.672</b>	<b>45.771</b>	<b>148</b>	<b>6.857</b>	<b>798</b>	<b>-10.856</b>	<b>193.408</b>
<b>Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt</b>	<b>24.177</b>	<b>517</b>							<b>24.694</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 01.01.15 - 31.12.15										
Income statement (MNOK)	Retail Market	Corporate Market	Capital Market <sup>1)</sup>	Own account trading/support	Eiendoms-Megler 1	SR-Finans	Other activities	Eliminations	Total	
Interest income	1.855	1.679	1.168	822	3	390	2	-166	5.752	
Interest expense	775	607	1.096	710	0	136	0	-164	3.159	
<b>Net interest income <sup>1)</sup></b>	<b>1.080</b>	<b>1.072</b>	<b>72</b>	<b>112</b>	<b>3</b>	<b>254</b>	<b>2</b>	<b>-2</b>	<b>2.593</b>	
Commission income	744	333	36	15	383	4	140	-49	1.605	
Commission expenses	38	25	5	3	0	23	33	-48	78	
Other operating income	1	0	0	5	0	0	1	-2	5	
<b>Net commission and other income</b>	<b>706</b>	<b>308</b>	<b>31</b>	<b>18</b>	<b>383</b>	<b>-19</b>	<b>109</b>	<b>-3</b>	<b>1.532</b>	
Dividend income	3	0	1	11	0	0	1	1	17	
Income from investment in associates	0	40	0	490	0	0	0	-108	422	
Net gains/losses on financial instruments	12	-91	-22	-74	0	0	-30	70	-135	
<b>Net income on investment securities</b>	<b>15</b>	<b>-51</b>	<b>-21</b>	<b>427</b>	<b>0</b>	<b>0</b>	<b>-28</b>	<b>-38</b>	<b>304</b>	
Personnel expenses	383	179	57	49	216	24	39	-3	945	
Administrative expenses	103	30	13	276	41	9	7	0	480	
Other operating expenses	101	34	10	150	99	12	35	-2	438	
<b>Total operating expenses</b>	<b>587</b>	<b>243</b>	<b>80</b>	<b>475</b>	<b>356</b>	<b>45</b>	<b>81</b>	<b>-5</b>	<b>1.863</b>	
<b>Operating profit before losses</b>	<b>1.214</b>	<b>1.086</b>	<b>2</b>	<b>81</b>	<b>30</b>	<b>190</b>	<b>2</b>	<b>-37</b>	<b>2.566</b>	
Change in individual write-downs in the period	3	242	0	0	0	35	0	0	280	
Change in group write-downs in the period	5	130	0	0	0	5	0	0	140	
<b>Pre-tax profit</b>	<b>1.206</b>	<b>714</b>	<b>2</b>	<b>81</b>	<b>30</b>	<b>150</b>	<b>2</b>	<b>-37</b>	<b>2.146</b>	
<b>Net interest income <sup>1)</sup></b>										
External net interest income	1.080	1.072	72	-21	0	390	2	-1	2.593	
Internal net interest income	0	0	0	133	3	-136	0	-1	0	
Net interest income	1.080	1.072	72	112	3	254	2	-2	2.593	
<b>Balance sheet (MNOK)</b>										
Loans to customers	89.133	55.852	698	2.509	0	7.000	0	-2	155.190	
Individual loss provisions	-66	-219	0	0	0	-30	0	0	-315	
Group loss provisions	-45	-407	0	0	0	-67	0	0	-518	
Certificates/bonds/financial derivatives	0	0	6.022	20.520	0	0	17	-891	25.668	
Other assets	55	963	142	17.937	168	103	572	-7.915	12.024	
<b>Total assets</b>	<b>89.077</b>	<b>56.190</b>	<b>6.862</b>	<b>40.966</b>	<b>168</b>	<b>7.006</b>	<b>589</b>	<b>-8.808</b>	<b>192.049</b>	
Deposits from customers	46.910	38.360	3.698	664	0	0	0	-188	89.444	
Other debt and equity <sup>1)</sup>	42.167	17.830	3.164	40.302	168	7.006	589	-8.621	102.605	
<b>Total debt and equity</b>	<b>89.077</b>	<b>56.190</b>	<b>6.862</b>	<b>40.966</b>	<b>168</b>	<b>7.006</b>	<b>589</b>	<b>-8.809</b>	<b>192.049</b>	
<b>Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt</b>	<b>28.168</b>	<b>538</b>							<b>28.706</b>	

## Note 13 Net income/losses from financial instruments

Parent bank			Group	
01.01.15 - 31.12.15	01.01.16 - 31.12.16		01.01.16 - 31.12.16	01.01.15 - 31.12.15
-79	8	Net gains/losses on equity instruments	51	-39
-274	-146	Net gains/losses for bonds and certificates	-156	-275
91	158	Net derivatives; bonds and certificates	158	91
-66	2	Net counterparty risk, inclusive of CVA	2	-66
-35	-25	Net derivatives; other assets	-24	-35
0	12	Net derivatives; liabilities	7	-3
85	12	Net derivatives; basis swap spread	-15	88
105	124	Net gain currency	137	104
-173	145	<b>Net income/losses from financial instruments</b>	<b>160</b>	<b>-135</b>

## Note 14 Pensions

The SpareBank 1 SR-Bank group has two types of pension scheme: defined benefit-based and contribution benefit-based pension schemes. For more information about the accounting treatment of the schemes see note 1 above and note 24 to the annual financial statements for 2015.

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

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

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

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

Change in pension obligations (NOK million):

Parent bank				Group			
Q4 2015	Q4 2016	01.01.15 - 31.12.15	01.01.16 - 31.12.16	01.01.16 - 31.12.16	01.01.15 - 31.12.15	Q4 2016	Q4 2015
398	480	625	238	263	674	518	437
-23	-131	-187	62	62	-200	-143	-28
19	3	88	22	23	95	2	23
0	0	-66	0	0	-71	0	-1
0	0	0	36	38	0	0	0
-3	-1	-9	-7	-8	-9	1	-5
-153	0	-213	0	0	-226	0	-163
238	351	238	351	378	263	378	263
<b>Net pension obligations closing balance</b>				<b>378</b>	<b>263</b>	<b>378</b>	<b>263</b>

## Note 15 Sale of loans

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

SpareBank 1 SR-Bank has concluded agreements concerning the sale of loans with good security and collateral in real estate to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. For more information about the accounting treatment of the agreements see note 2 and note 9 in the 2015 annual financial statements.

SpareBank 1 SR-Bank has also concluded an agreement concerning the sale of loans with good security and collateral in real estate from SpareBank 1 SR-Bank to SR-Boligkreditt. Such loans are derecognised from the parent bank's balance sheet, but are recognised in the consolidated financial statements, see note 2 in the 2015 annual financial statements.

## Note 16 Liquidity risk

Liquidity risk is the risk that the group is not able to refinance its debt or is not able to finance an increase in assets. The bank's framework for managing liquidity risk shall reflect the bank's conservative risk profile. The board has adopted internal limits such that the bank has as balanced a maturity structure for its borrowing as possible. Stress testing is conducted for the various terms of maturity for bank-specific crises, system crises and combinations of these. A contingency plan has also been put in place to manage liquidity crises. The average remaining term to maturity in the portfolio of senior bond funding and covered bonds was 3.3 years at the end of the fourth quarter of 2016. The total LCR was 174% at the end of the fourth quarter and the average total LCR was 139% in the quarter. The LCR in NOK and EUR at the end of the quarter was 84% and 876%, respectively.

## Note 17 Information about fair value

### Group

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

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

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

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

Fair value 31.12.16	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Net lending to customers			9.336	9.336
Commercial paper and bonds at fair value	13.343	5.490		18.833
Financial derivatives		4.315		4.315
Equities, units and other equity interests	266	133	197	596
Operations that will be sold			22	22
<b>Liabilities</b>				
Financial derivatives		2.515		2.515

No transfers between levels 1 and 2

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

Fair value 31.12.15	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Net lending to customers			10.565	<b>10.565</b>
Commercial paper and bonds at fair value	15.109	4.424		<b>19.533</b>
Financial derivatives		6.135		<b>6.135</b>
Equities, units and other equity interests	186	18	236	<b>440</b>
Operations that will be sold			168	<b>168</b>
<b>Liabilities</b>				
Financial derivatives		2.786		<b>2.786</b>
No transfers between levels 1 and 2				

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

Group	Loans to customers	Shares, ownership stakes and other securities	Business available for sale
Balance 01.01	10.565	236	168
Additions	476	30	0
Disposals	-1.498	-8	-146
Transferred from or to measurement according to prices in an active market or observable market data			0
Change in value <sup>1)</sup>	-207	-61	0
<b>Balance 31.12</b>	<b>9.336</b>	<b>197</b>	<b>22</b>
Nominal value/cost price	9.123	204	29
Fair value adjustment	213	-7	-7
<b>Balance 31.12</b>	<b>9.336</b>	<b>197</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.

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

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

Fixed-rate loans are measured on the basis of the interest rate agreed with the customer. Loans are discounted using the applicable interest curve, having taken into account a market premium, which is adjusted for the profit margin. The conducted sensitivity analyses indicate an increase in the discount rate of 10 basis points would have a negative effect on the result amounting to NOK 26 million.

<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>31.12.2016</b>	<b>31.12.2016</b>
<b>Assets</b>		
Cash and balances with central banks	1.079	1.079
Balances with credit institutions	4.334	4.334
Loans to customers <sup>1)</sup>	147.036	147.036
Certificates and bond held to maturity	2.191	2.204
<b>Total assets at amortised cost</b>	<b>154.640</b>	<b>154.653</b>
<b>Liabilities</b>		
Balances with credit institutions	2.675	2.675
Deposits from customers <sup>1)</sup>	85.914	85.914
Listed debt securities	79.183	79.710
Subordinated loan capital	2.646	2.668
<b>Total liabilities at amortised cost</b>	<b>170.418</b>	<b>170.967</b>

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

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

No material events that have influence on the prepared interim financial statements have been registered after 31 December 2016.

## Quarterly income statement

SpareBank 1 SR-Bank Group, MNOK	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2016	2016	2016	2016	2015	2015	2015	2015	2014
Interest income	1.400	1.384	1.379	1.400	1.408	1.431	1.436	1.477	1.588
Interest expense	667	655	668	702	730	782	797	850	933
<b>Net interest income</b>	<b>733</b>	<b>729</b>	<b>711</b>	<b>698</b>	<b>678</b>	<b>649</b>	<b>639</b>	<b>627</b>	<b>655</b>
Commission income	372	365	405	369	388	372	418	427	423
Commission expenses	18	18	17	19	17	21	20	20	19
Other operating income	1	0	1	2	1	2	1	1	1
<b>Net commission and other income</b>	<b>355</b>	<b>347</b>	<b>389</b>	<b>352</b>	<b>372</b>	<b>353</b>	<b>399</b>	<b>408</b>	<b>405</b>
Dividend income	5	0	97	8	1	1	8	7	1
Income from investment in associates	78	90	112	104	110	78	101	133	138
Net gains/losses on financial instrument	56	141	-4	-33	-124	-67	-15	71	-23
<b>Net income on financial investments</b>	<b>139</b>	<b>231</b>	<b>205</b>	<b>79</b>	<b>-13</b>	<b>12</b>	<b>94</b>	<b>211</b>	<b>116</b>
<b>Total income</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>	<b>1.246</b>	<b>1.176</b>
Personnel expenses	293	282	296	295	114	221	300	310	308
Administrative expenses	133	115	114	102	125	114	122	119	128
Other operating costs	114	89	104	95	129	94	114	101	94
<b>Total operating cost</b>	<b>540</b>	<b>486</b>	<b>514</b>	<b>492</b>	<b>368</b>	<b>429</b>	<b>536</b>	<b>530</b>	<b>530</b>
<b>Operating profit before impairment losses</b>	<b>687</b>	<b>821</b>	<b>791</b>	<b>637</b>	<b>669</b>	<b>585</b>	<b>596</b>	<b>716</b>	<b>646</b>
Impairment losses on loans and guarantees	162	161	305	150	192	96	44	88	93
<b>Pre-tax profit</b>	<b>525</b>	<b>660</b>	<b>486</b>	<b>487</b>	<b>477</b>	<b>489</b>	<b>552</b>	<b>628</b>	<b>553</b>
Tax expense	96	126	80	101	35	112	121	132	105
<b>Profit after tax</b>	<b>429</b>	<b>534</b>	<b>406</b>	<b>386</b>	<b>442</b>	<b>377</b>	<b>431</b>	<b>496</b>	<b>448</b>

### Profitability

Return on equity per quarter <sup>1)</sup>	9,5 %	12,2 %	9,4 %	9,0 %	10,6 %	9,3 %	10,8 %	12,7 %	11,7 %
Cost percentage <sup>2)</sup>	44,0 %	37,2 %	39,4 %	43,6 %	35,5 %	42,3 %	47,3 %	42,5 %	45,1 %
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,50 %	1,48 %	1,48 %	1,44 %	1,40 %	1,39 %	1,44 %	1,45 %	1,51 %

### Balance sheet figures from quarterly accounts

Gross loans to customers	157.638	157.352	156.738	155.172	155.190	151.911	150.245	144.686	141.620
Gross loans to customers including SB1 Bolig- and Næringskreditt	182.332	183.042	183.438	183.939	183.896	182.940	181.440	178.750	174.492
Growth in loans over last 12 months <sup>4)</sup>	1,6 %	3,6 %	4,3 %	7,2 %	9,6 %	10,6 %	11,0 %	18,9 %	17,7 %
Growth in loans incl SB1 Bolig- and Næringskreditt	-0,9 %	0,1 %	1,1 %	2,9 %	5,4 %	7,4 %	7,6 %	7,3 %	4,7 %
Deposits from customers	85.914	87.240	89.633	87.023	89.444	88.980	90.788	85.984	81.489
Growth in deposits over last 12 months	-3,9 %	-2,0 %	-1,3 %	1,2 %	9,8 %	9,5 %	11,1 %	15,5 %	13,7 %
Total assets	193.408	193.219	196.763	194.763	192.049	191.500	181.889	176.913	174.926
Average total assets	194.963	195.489	192.792	194.300	192.315	185.459	177.861	175.938	172.179

### Losses and non-performing commitments

Impairment losses ratio, annualized <sup>5)</sup>	0,41 %	0,41 %	0,78 %	0,39 %	0,50 %	0,25 %	0,12 %	0,25 %	0,27 %
Impairment losses ratio, including loans SB1 Bolig- and Næringskreditt	0,35 %	0,35 %	0,66 %	0,33 %	0,42 %	0,21 %	0,10 %	0,20 %	0,22 %
Non-performing commitments as a percentage of total loans	0,68 %	0,73 %	0,56 %	0,49 %	0,55 %	0,23 %	0,27 %	0,31 %	0,30 %
Non-performing commitments as a percentage of total loans, including loans SB1 Bolig- and Næringskreditt	0,59 %	0,63 %	0,48 %	0,41 %	0,46 %	0,19 %	0,22 %	0,25 %	0,25 %
Other doubtful commitments as a percentage of total loans	0,72 %	0,64 %	0,78 %	0,61 %	0,35 %	0,45 %	0,48 %	0,50 %	0,36 %
Other doubtful commitments as a percentage of total loans, including loans Bolig- and Næringskreditt	0,62 %	0,55 %	0,67 %	0,51 %	0,30 %	0,37 %	0,40 %	0,41 %	0,29 %

See next page for definition of key figures

Quarterly income statement (continued)

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
<b>Solidity</b>									
Common equity Tier 1 capital ratio	14,7 %	13,8 %	13,5 %	13,4 %	13,3 %	12,2 %	12,3 %	12,1 %	11,5 %
Tier 1 capital ratio	15,6 %	14,7 %	14,4 %	14,3 %	14,2 %	13,1 %	13,1 %	12,9 %	12,3 %
Capital ratio	17,5 %	17,1 %	16,8 %	16,8 %	16,7 %	15,2 %	15,3 %	15,2 %	14,5 %
Tier 1 capital	18.227	17.552	17.266	16.955	16.882	16.063	15.771	15.206	14.828
Net primary capital	20.443	20.386	20.139	19.853	19.933	18.635	18.403	17.838	17.465
Risk weighted balance	116.651	119.118	119.705	118.527	119.124	122.380	120.363	117.589	120.189
Leverage ratio	7,3 %	6,7 %	6,4 %	6,4 %	6,3 %	5,9 %	6,3 %	6,1 %	
<b>Liquidity</b>									
Liquidity Coverage Ratio (LCR) <sup>6)</sup>	174 %	123 %	173 %	130 %	128 %	164 %	111 %	113 %	
Deposit-to-loan ratio	54,5 %	55,4 %	57,2 %	56,1 %	57,6 %	58,6 %	60,4 %	59,4 %	57,5 %
<b>SpareBank 1 SR-Bank share</b>									
Market price at end of quarter	60,75	45,60	41,20	40,60	39,30	42,40	52,25	56,25	52,50
Market capitalisation	15.537	11.662	10.537	10.383	10.051	10.844	13.363	14.386	13.427
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)	71,54	69,36	67,16	67,68	66,14	64,02	62,56	62,40	60,28
Earnings per share, NOK (annualised)	1,68	2,09	1,59	1,51	1,73	1,47	1,69	1,94	1,75
Price/earnings per share	9,04	5,45	6,48	6,72	5,68	7,21	7,73	7,25	7,50
Price / Book equity (group)	0,85	0,66	0,61	0,60	0,59	0,66	0,84	0,90	0,87
Annualised turnover rate in quarter <sup>7)</sup>	12,9 %	3,1 %	2,5 %	4,6 %	3,4 %	5,1 %	5,6 %	7,4 %	7,7 %
Effective return <sup>8)</sup>	33,2 %	10,7 %	5,2 %	3,3 %	-7,3 %	-18,9 %	-3,6 %	7,1 %	-13,9 %

**Key figure definitions**

- <sup>1)</sup> Operating result as a percentage of average equity
- <sup>2)</sup> Total operating costs as a percentage of total operating income
- <sup>3)</sup> Net interest income as a percentage of average total assets
- <sup>4)</sup> High growth in loans in 2014 and 2015 is attributable to a buy-back of loans from SpareBank 1 Boligkreditt AS
- <sup>5)</sup> Impairment losses on loans as a percentage of average gross loans, annualised
- <sup>6)</sup> High quality liquid assets divided by total net cash outflows in a 30-day, serious stress scenario
- <sup>7)</sup> Annualised turnover of the share during the period, measured as a percentage of the number of outstanding shares
- <sup>8)</sup> Percentage change in the market price in the last period, including paid share dividend

## Contact Information

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### Executive Management

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### Investor Relations

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### 2017 Financial Calendar

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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