

From Field  
to Dining.

SECOND QUARTER 2015

SpareBank **1**  
SR-BANK

Chief Executive, CEO

Arne Austreid

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#### Information on the Internet

SpareBank 1 SR-Bank's homepage [www.sr-bank.no](http://www.sr-bank.no)

#### Financial Calendar 2015

Second quarter 2015	12 August
Third quarter 2015	29 October

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# 1. SpareBank 1 SR-Bank ASA

## 1.1 Financial highlights

### Q2 2015

- Pre-tax profit: NOK 552 million (NOK 684 million)
- Profit after tax: NOK 431 million (NOK 534 million)
- Return on equity after tax: 10.8 % (14.5 %)
- Earnings per share: NOK 1.69 (NOK 2.09)
- Net interest income: NOK 639 million (NOK 581 million)
- Net commission and other income: NOK 399 million (NOK 444 million)
- Net income on investment securities: NOK 94 million (NOK 201 million)
- Operating expenses: NOK 536 million (NOK 501 million)
- Impairment losses on loans and guarantees: NOK 44 million (NOK 41 million)  
*(Q2 2014 in parentheses)*

### 1<sup>st</sup> half 2015

- Pre-tax profit: NOK 1,180 million (NOK 1,471 million)
- Profit after tax: NOK 927 million (NOK 1,193 million)
- Return on equity after tax: 11.7 % (16.5 %)
- Earnings per share: NOK 3.63 (NOK 4.67)
- Net interest income: NOK 1,266 million (NOK 1,128 million)
- Net commission and other income: NOK 807 million (NOK 924 million)
- Net income from financial investments: NOK 305 million (NOK 520 million)
- Operating expenses: NOK 1,066 million (NOK 1,006 million)
- Impairment losses on loans and guarantees: NOK 132 million (NOK 95 million)
- Total lending growth over past 12 months: 7.6% (3.6%)
- Growth in deposits over past 12 months: 11.1% (11.5%)
- Tier 1 capital ratio: 13.1% (13.2%)
- CET 1 capital ratio: 12.3% (11.4%)  
*(1<sup>st</sup> half 2014 in parentheses)*

## Income statement

### Financial results

MNOK	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Net interest income	639	627	655	621	581	1.266	1.128
Net commission and other income	399	408	405	403	444	807	924
Net return on investment securities	94	211	116	142	201	305	520
Total income	1.132	1.246	1.176	1.166	1.226	2.378	2.572
Total operating expenses	536	530	530	520	501	1.066	1.006
Operating profit before losses	596	716	646	646	725	1.312	1.566
Losses on loans and guarantees	44	88	93	69	41	132	95
Operating profit before tax	552	628	553	577	684	1.180	1.471
Tax expense	121	132	105	123	150	253	278
Profit after tax	431	496	448	454	534	927	1.193

## Key figures

### Key figures




	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Return on equity <sup>1)</sup>	10,8 %	12,7 %	11,7 %	12,2 %	14,5 %	11,7 %	16,5 %
Cost ratio <sup>2)</sup>	47,3 %	42,5 %	45,1 %	44,6 %	40,9 %	44,8 %	39,1 %
Deposit-to-loan ratio	60,4 %	59,4 %	57,5 %	59,1 %	60,4 %	60,4 %	60,4 %
Growth in loans	11,0 %	18,9 %	17,7 %	17,7 %	17,5 %	11,0 %	17,5 %
Growth in loans incl. covered bond companies	7,6 %	7,3 %	4,7 %	3,5 %	3,6 %	7,6 %	3,6 %
Growth in deposits	11,1 %	15,5 %	13,7 %	14,9 %	11,5 %	11,1 %	11,5 %
Average total assets, MNOK	177.861	175.938	172.179	166.894	164.949	176.898	162.502
Total assets, MNOK	181.889	176.913	174.926	168.310	167.273	181.889	167.273
Impairment losses ratio <sup>3)</sup>	0,12	0,25	0,27	0,20	0,13	0,18	0,15
Capital ratio	15,3	15,2	14,5	15,4	14,6	15,3	14,6
Common Equity Tier 1 capital ratio	12,3	12,1	11,5	11,3	11,4	12,3	11,4
Share price	52,25	56,25	52,50	61,00	59,75	52,25	59,75
EPS (group)	1,69	1,94	1,75	1,78	2,09	3,63	4,67

<sup>1)</sup> Net profit as a percentage of average equity.

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

<sup>3)</sup> Net losses expressed as a percentage of average gross lending year to date, annualized

# 1.2 Business description: leading financial institution in Rogaland, Hordaland and Agder

<b>1</b>	<b>Rogaland</b>	
Population	467.000	
Market share	37%	
Year of establishment	1839	
Market strategy	Market leader	
Unemployment rate	3.1%	
<b>2</b>	<b>Hordaland</b>	
Population	512.000	
Market share	6%	
Year of establishment	2006	
Market strategy	Entry/growth	
Unemployment rate	2.7%	
<b>3</b>	<b>Agder</b>	
Population	296.000	
Market share	9%	
Year of establishment	2002	
Market strategy	Growth	
Unemployment rate	3.3%	

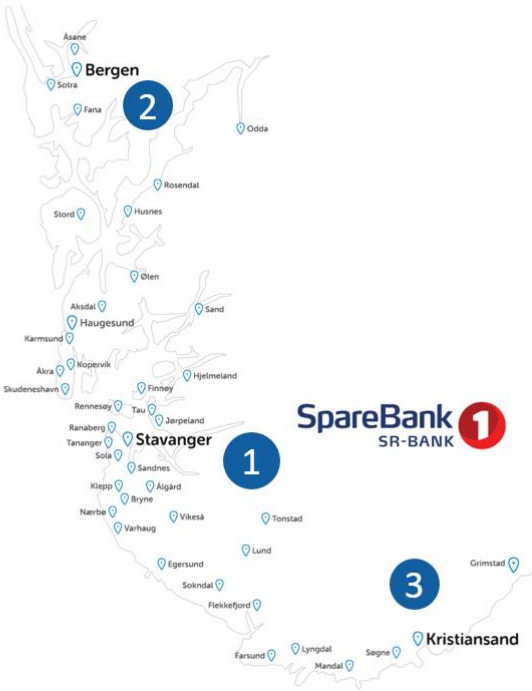


Figure 1.2.1: Operating areas

SpareBank 1 SR-Bank is Norway’s largest regional bank and the second largest Norwegian-owned bank (after DNB) with gross lending including covered bond companies of NOK 181 billion and market cap of NOK 13.4 billion as at 30 June 2015. Head office is in Stavanger. The market areas are the counties of Rogaland, Agder and Hordaland. SpareBank 1 SR-Bank ASA has 1 133 employees and provides a full range of products and services within financing, investments, money transfers, pensions as well as life and non-life insurance.

The customer-oriented activity is organized in three divisions; Retail Market, Corporate Market and Capital Market.

### Retail Market

SpareBank 1 SR-Bank ASA is the leading retail customer bank in Rogaland, with about 262,000 retail customers and a market share in Rogaland of about 40 per cent. The division also serves agricultural clients, sole proprietorships and associations.

### Corporate Market

SpareBank 1 SR-Bank ASA service about 12,000 customers in the business sector and public sector. These also include small businesses, agricultural customers, societies and associations. About 40 per cent of all businesses in the bank’s traditional market list SpareBank 1 SR-Bank ASA as their main bank.

### Capital Market

The Capital Market division comprises securities activities, SR-Markets and the subsidiary SR-Forvaltning that manage customers’ and the bank’s own assets in the form of securities, mutual funds and properties. SR-Markets primarily serve the group’s customers and other selected customers in defined market areas in the country as a whole.

**Divisions of SpareBank 1 SR-Bank ASA**

**Capital Markets**  
Number of man-years : 36

**Retail Market**  
Number of man-years : 454

**Corporate Market**  
Number of man-years : 163

**Administration & Support**  
Number of man-years : 205

**Fully owned companies**



Number of man-years : 200  
Key areas:  
• Leading real estate broker



Number of man-years : 13  
Key areas:  
• Asset management



Number of man-years : 33  
Key areas:  
• Leasing



Number of man-years : 28  
Key areas:  
• Accounting  
• Advisory



Number of man-years : 1  
Key areas:  
• Covered Bond Funding

**Partly owned companies**

**SpareBank 1 Gruppen AS**  
(19,5 %)

Holding company for the SpareBank 1 - Alliance

**BN Bank ASA**  
(23,5 %)

Commercial bank located in Oslo and Trondheim

**SpareBank 1 Boligkreditt AS**  
(20,1%)

Covered bond company (mortgages)

**SpareBank 1 Næringskreditt AS**  
(26,8 %)

Covered bond company (commercial real estate)

**SpareBank 1 Kredittkort**  
(18,1 %)

Credit card company located in Trondheim

Figure 1.2.2: SpareBank 1 SR-Bank's activities

**Segment operating profit\***

MNOK	Retail market		Corporate market		Capital market	
	2015	2014	2015	2014	2015	2014
Operating profit before tax 2nd quarter only	311	361	258	243	13	29
Operating profit before tax as at 30 June	630	700	439	458	29	49
Gross loans to customers excl. SB1 Boligkreditt and SB1 Næringskreditt as at 30 June	84.280	76.958	55.961	49.078	628	513
Deposits from customers as at 30 June	47.883	45.207	37.977	32.596	3082	2265

\* not including subsidiaries



## Vision and strategy

### Our vision: Recommended by customers

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Primary objective	Financial targets
<ul style="list-style-type: none"><li>• SpareBank 1 SR-Bank ASA is committed to value creation in the bank's core market area</li><li>• Sustainable contribution to the value creation process in the region through;<ul style="list-style-type: none"><li>• Sustainable and profitable business model</li><li>• Owner friendly and stable dividend policy</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Return on equity of 12% after tax in 2015. In the long-term, under prevailing market conditions, the target is a minimum of 12%.</li><li>• Top 50% return on equity and cost/income in a Nordic benchmark</li></ul>
Strategic goals	Strategic focus
<ul style="list-style-type: none"><li>• Most preferred partner for financial services in South-Western Norway, based on;<ul style="list-style-type: none"><li>• Good customer experience</li><li>• Strong team spirit and professionalism</li><li>• Local anchoring and local decisions</li><li>• Solvency, profitability and trust by the market</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Targeted customer growth and increased product mix</li><li>• Innovative and continuing focus on efficiency</li><li>• Expertise adapted to future customer needs</li><li>• Diversified funding platform</li></ul>

Figure 1.2.3: Vision and strategy

## Legal and organizational structure

SpareBank 1 SR-Banks's various management and control bodies have all been established with respect to Norwegian legislation. The figure below shows an overview of current management and control bodies:

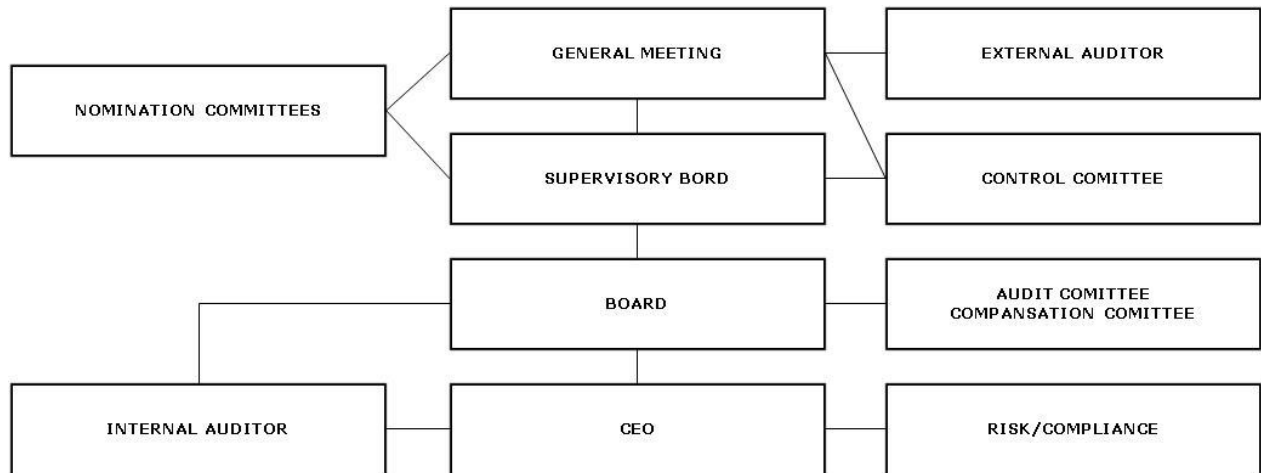


Figure 1.2.4: Overview of management and control bodies

### General Meeting

Through the General Meeting, the shareholders exercise the highest level of authority at SpareBank 1 SR-Bank ASA. The Ordinary General Meeting elects the members of the Supervisory Board, the Control Committee and the Nomination Committee, as well as approving the annual financial statements, including the allocation of a surplus or coverage of a deficit for a year.

### Supervisory Board

The Supervisory Board consists of 30 members and 15 deputy members. A total of 22 members and 11 deputy members are elected among the shareholders and eight members and four deputy members are elected by and among the employees.

The Supervisory Board conducts supervision of the administration by the Board of Directors and the CEO, elects the members and deputy members of the Board of Directors, elects the Nominating Committee, elects the auditor or auditing company, receives information on the operation and reviews extracts of SpareBank 1 SR-Bank's accounts and reports from the Control Committee, reviews the annual financial statements, annual report and auditor's report, and makes a statement to the General Meeting concerning the Board's proposal for the annual financial statements, and the Board's proposal for allocation of a surplus or coverage of a deficit as well as adopting decisions on remuneration for officers and auditors as well as compensation for the CEO.

### Control Committee

The Control Committee consists of three members and one deputy member who are elected for terms of two years at a time.

The Control Committee must see to it that the activities of SpareBank 1 SR-Bank are conducted in an appropriate manner, including co-operation and having on-going contact with other possible control committees of group companies, and conducting supervision that the Board and CEO have adequate supervision and control of the subsidiaries.

### Board of Directors

The Board of Directors consists of nine members and two deputy members, of which two members and one deputy member are elected by the employees.

The Board of Directors is responsible for the administration of the Bank's business. This includes making decisions on individual credit cases. The Board must ensure a satisfactory organisation of the Bank's operations, including ensuring that accounting and asset management are subjected to proper scrutiny.

### *Board committees*

The Board of Directors has established a Compensation Committee and an Audit Committee. The committees shall assist the Board of Directors in preparing cases, but the decision shall be made jointly by the Board of Directors. Both committees, on their own initiative, are able to conduct meetings and processes cases without participation by the administration.

Instructions for the committees are established by the Board of Directors.

### *Organisation of SpareBank 1 SR-Bank ASA*

The Bank's operational structure is illustrated in the figure below.

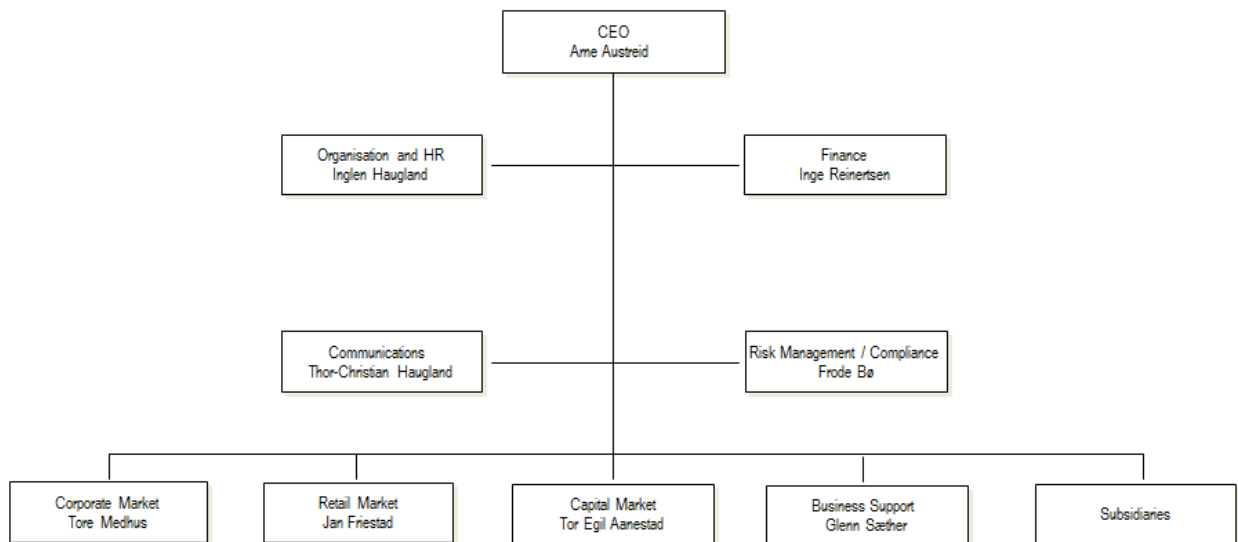


Figure 1.2.5: Organizational structure of SpareBank 1 SR-Bank

### *The SpareBank 1 Alliance*

SpareBank 1 SR-Bank is one of the founding partners of the SpareBank 1 Gruppen (“the Alliance”) in 1996. Through participation in the Alliance, SpareBank 1 SR-Bank is linked together in an alliance of independent and locally anchored banks. The purpose of the Alliance is for members to develop, procure and supply competitive financial services and products and to exploit economies of scale in the form of lower costs and higher quality, so that customers get the best advice and the best services on competitive terms. As shown in the figure below the Alliance has a wide distribution all over Norway.

## The SpareBank 1 Alliance - 2<sup>nd</sup> largest mortgage lender in Norway

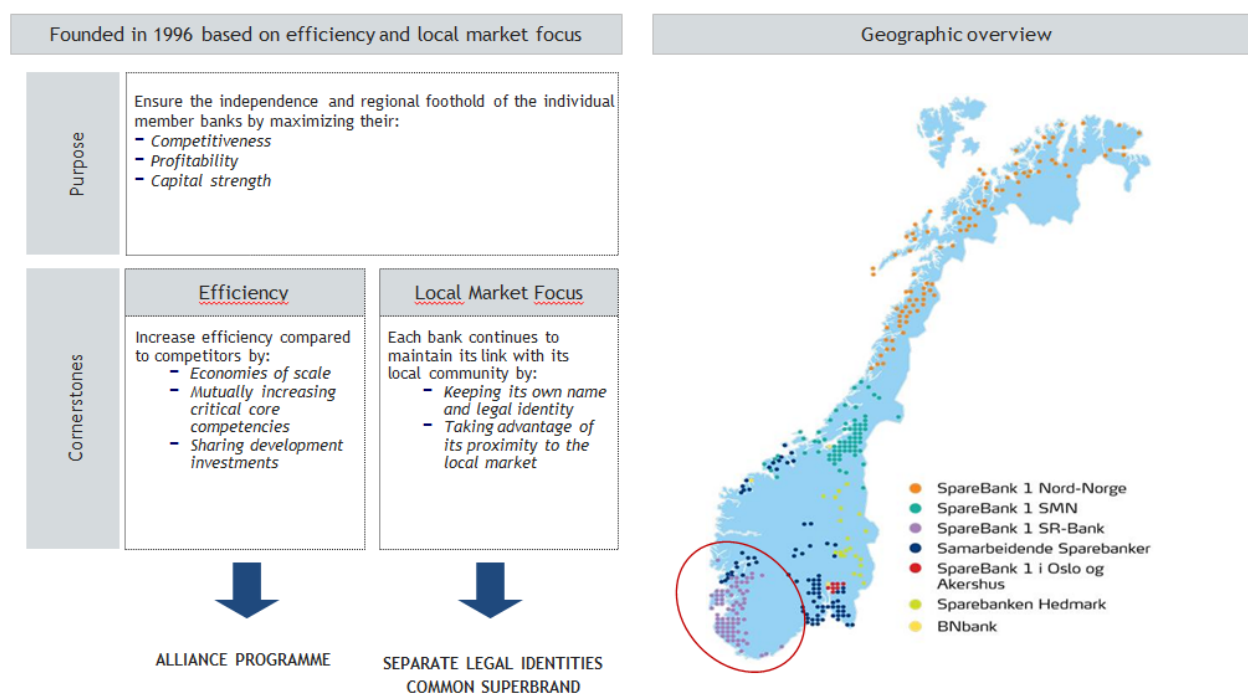


Figure 1.2.6: Geographic overview of the SpareBank 1 Alliance

The member banks in the Alliance work in part through common projects and in part through the jointly owned holding company; SpareBank 1 Gruppen AS. In addition to SpareBank 1 SR-Bank, SpareBank 1 Gruppen AS is owned by Sparebanken Nord-Norge, Sparebanken 1 SMN, Sparebanken Hedmark, Bank 1 Oslo/Akershus, Samarbeidende Sparebanker (14 local savings banks in southern Norway) and the Norwegian Confederation of Trade Unions (LO).

SpareBank 1 Gruppen AS owns all of the shares in SpareBank 1 Livsforsikring AS (life insurance), SpareBank 1 Skadeforsikring AS (non-life insurance), ODIN Forvaltning AS (asset management), SpareBank 1 Medlemskort (membership cards) and SpareBank 1 Gruppen Finans Holding AS (collection of bad debts).

The banks that are part of the Alliance also jointly own the two covered bond companies SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, EiendomsMegler 1 (chain of real estate brokers), Alliansesamarbeidet SpareBank 1 Utvikling DA, SpareBank 1 Kredittkort and the two banks; Bank 1 Oslo/Akershus AS and BN Bank ASA.

The SpareBank 1 Alliance structure is illustrated below in figure 1.2.7.

# SpareBank 1 Alliance

## Owners of the alliance

- All credit decisions are made at the local banks
- Economies of scale related to expenses, IT solutions, marketing and branding

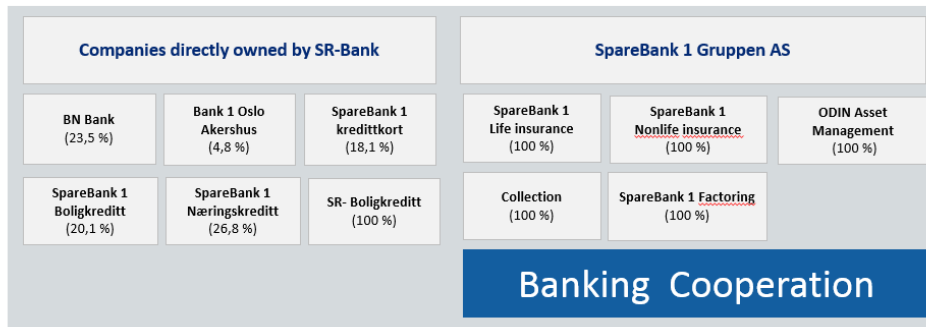
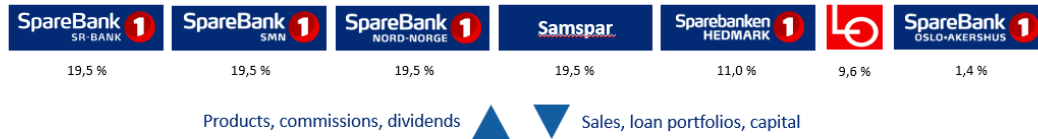


Figure 1.2.7: Structure of SpareBank 1 Alliance as at 30 June 2015

More information on the SpareBank 1 Alliance can be found on [www.sparebank1.no](http://www.sparebank1.no).

### 1.3 Shareholder information - SRBANK

SpareBank 1 SR-Bank's former Equity Certificates (EC) was listed on the Oslo stock exchange from 1994 until end 2011 under the ticker of ROGG. From 1 January 2012 the EC's were converted to ordinary shares. The share capital in SpareBank 1 SR-Bank is NOK 6,393,777,050 divided between 255,751,082, each with a nominal value of NOK 25.



Figure 1.3.1: Relative performance; SRBANK vs OSEBX June 2014 – June 2015

The former ticker code ROGG was replaced by SRBANK and from 3 January 2012, SRBANK was included in the OSEAX All-Share index and sector index OSE40 Financials/OSE4010 Banks. Figure 1.3.1 shows the relative performance of SRBANK compared to OSEBX.

SpareBank 1 SR-Bank aims to ensure good liquidity in its shares and achieve a good diversity of shareholders who represent customers, regional interests, as well as Norwegian and international investors. Figure 1.3.2 shows how daily liquidity has developed in the period from 1 January 2010 to 30 June 2015. A general observation is that liquidity has increased after the conversion and issue of new shares.

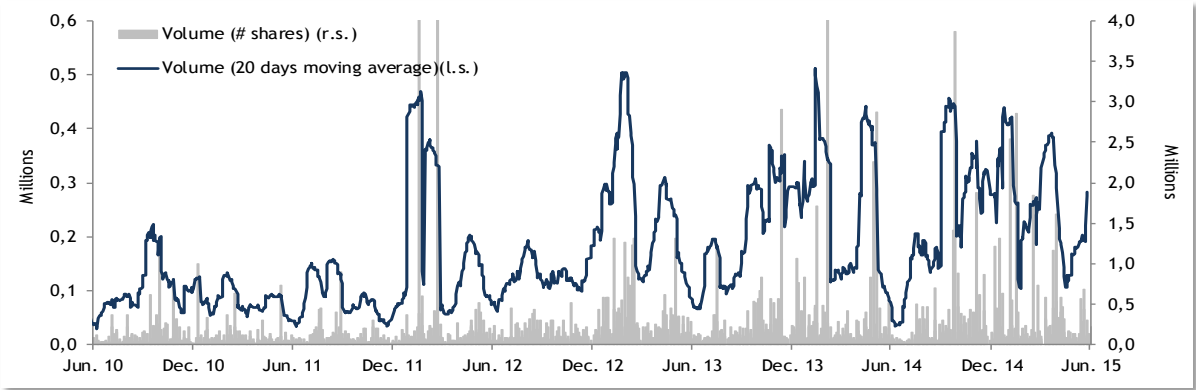


Figure 1.3.2 Development in liquidity; SRBANK June 2010 – June 2015

Figure 1.3.3 shows the share price movements and Price/Book development from 30.06.2014 to 30.06.2015.

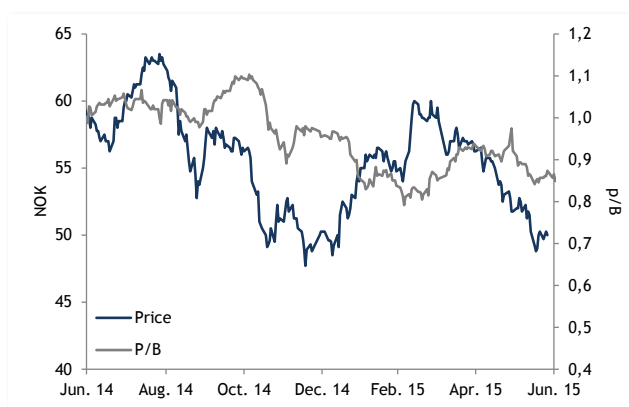


Figure 1.3.3: Share price and development in P/B; June 2014 – June 2015

### *Investor relations policy*

It is crucial to SpareBank 1 SR-Bank that accurate, relevant and timely information about the group's development and result inspires confidence in the investor market. Information is conveyed to the market mainly through quarterly investor presentations, websites, press releases and accounting reports. Regular presentations are also held for international partners, lenders and investors, mainly in the domestic and European market.

It is in SpareBank 1 SR-Bank's own interest that financial analyses are published with the highest possible quality. All analysts, irrespective of their recommendations and viewpoints regarding the stock are treated equally. As of today the following financial analysts have official coverage of SRBANK:

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### *Shareholder and dividend policy*

#### Shareholder policy

SpareBank 1 SR-Bank's objective is to manage the bank's resources in such a manner that shareholders receive a yield in the form of dividends and a value increase which is competitive in relation to comparable investments.

#### Dividend policy

The financial objective of SpareBank 1 SR-Bank's operations is to achieve earnings that yield adequate, stable returns on the bank's equity, thereby creating value for owners through competitive returns in the form of dividends and share appreciation.

In determining the size of the annual dividend, considerations will be made toward the group's capital, including capital adequacy requirements and the group's goals and strategic plans. Unless capital requirements otherwise dictate, the goal of the board is that approximately half of the annual profit after tax is distributed.

### Ownership structure

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
Gjensidige Forsikring ASA		26.748.416	10,5%
State Street Bank and Trust Co, U.S.A.	Nominee	9.763.859	3,8%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Wimoh Invest AS		5.761.169	2,3%
Vpf Nordea Norge Verdi		5.329.581	2,1%
Odin Norge		4.574.677	1,8%
State Street Bank and Trust Co, U.S.A.	Nominee	2.972.990	1,2%
State Street Bank and Trust Co, U.S.A.	Nominee	2.784.282	1,1%
Morgan Stanley & Co LLC, U.S.A.	Nominee	2.702.411	1,1%
Clipper AS		2.565.000	1,0%
MSCO Equity Firm Account, U.S.A.		2.347.776	0,9%
Danske Invest Norske Instit. II		2.249.971	0,9%
The Bank of New York Mellon, U.S.A.	Nominee	2.151.345	0,8%
Pareto Aksje Norge		2.069.123	0,8%
Folketrygdfondet		2.066.637	0,8%
State Street Bank and Trust Co, U.S.A.	Nominee	1.873.697	0,7%
Vpf Nordea Kapital		1.653.050	0,6%
Vpf Nordea Avkastning		1.630.410	0,6%
Westco		1.577.534	0,6%
<hr/>			
Top 5		120.919.332	47,3%
Top 10		139.283.273	54,5%
Top 20		159.467.816	62,4%

Table 1.3.2: 20 largest shareholders as at 30 June 2015

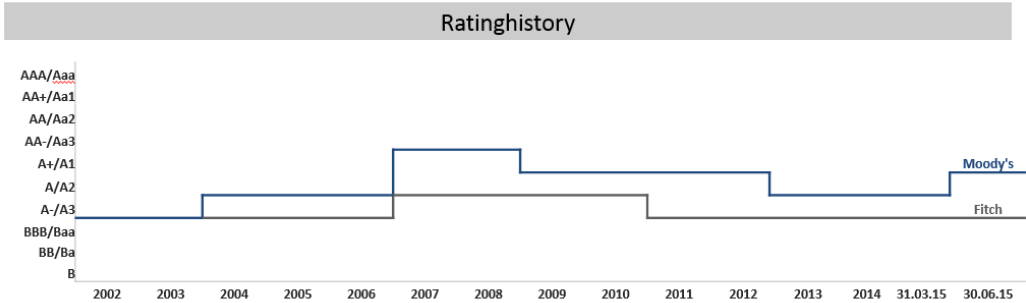


# 1.4 Credit ratings

Current credit rating status as at 30 June 2015 was as follows:

## Rating

Moody's		Fitch	
Long-term debt	A1	Long-term IDR	A-
Outlook	Stable	Outlook	Stable
Updated	19 May 2015	Updated	19 November 2014



## 2. Financial results and balance sheet

### Income statement

#### Financial results

<i>MNOK</i>	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Interest income	1.436	1.477	1.588	1.568	1.543	2.913	2.981
Interest expense	797	850	933	947	962	1.647	1.853
<b>Net interest income</b>	<b>639</b>	<b>627</b>	<b>655</b>	<b>621</b>	<b>581</b>	<b>1.266</b>	<b>1.128</b>
Commission income*	418	427	423	421	462	845	960
Commission expenses	20	20	19	20	19	40	39
Other operating income*	1	1	1	2	1	2	3
<b>Net commission and other income</b>	<b>399</b>	<b>408</b>	<b>405</b>	<b>403</b>	<b>444</b>	<b>807</b>	<b>924</b>
Dividend income	8	7	1	10	7	15	25
Income from investment in associates	101	133	138	150	137	234	218
Net gains/losses on financial instruments	-15	71	-23	-18	57	56	277
<b>Net return on investment securities</b>	<b>94</b>	<b>211</b>	<b>116</b>	<b>142</b>	<b>201</b>	<b>305</b>	<b>520</b>
<b>Total income</b>	<b>1.132</b>	<b>1.246</b>	<b>1.176</b>	<b>1.166</b>	<b>1.226</b>	<b>2.378</b>	<b>2.572</b>
Personnel expenses	300	310	308	307	293	610	587
Administrative expenses	122	119	128	114	120	241	226
Other operating expenses	114	101	94	99	88	215	193
<b>Total operating expenses</b>	<b>536</b>	<b>530</b>	<b>530</b>	<b>520</b>	<b>501</b>	<b>1.066</b>	<b>1.006</b>
<b>Operating profit before losses</b>	<b>596</b>	<b>716</b>	<b>646</b>	<b>646</b>	<b>725</b>	<b>1.312</b>	<b>1.566</b>
Losses on loans and guarantees	44	88	93	69	41	132	95
<b>Operating profit before tax</b>	<b>552</b>	<b>628</b>	<b>553</b>	<b>577</b>	<b>684</b>	<b>1.180</b>	<b>1.471</b>
Tax expense	121	132	105	123	150	253	278
<b>Profit after tax from continuing operations</b>	<b>431</b>	<b>496</b>	<b>448</b>	<b>454</b>	<b>534</b>	<b>927</b>	<b>1.193</b>

\* From the first quarter of 2015, income from real estate sales has been transferred from other operating income to commissions.

The historical figures have been correspondingly restated.

## Key figures

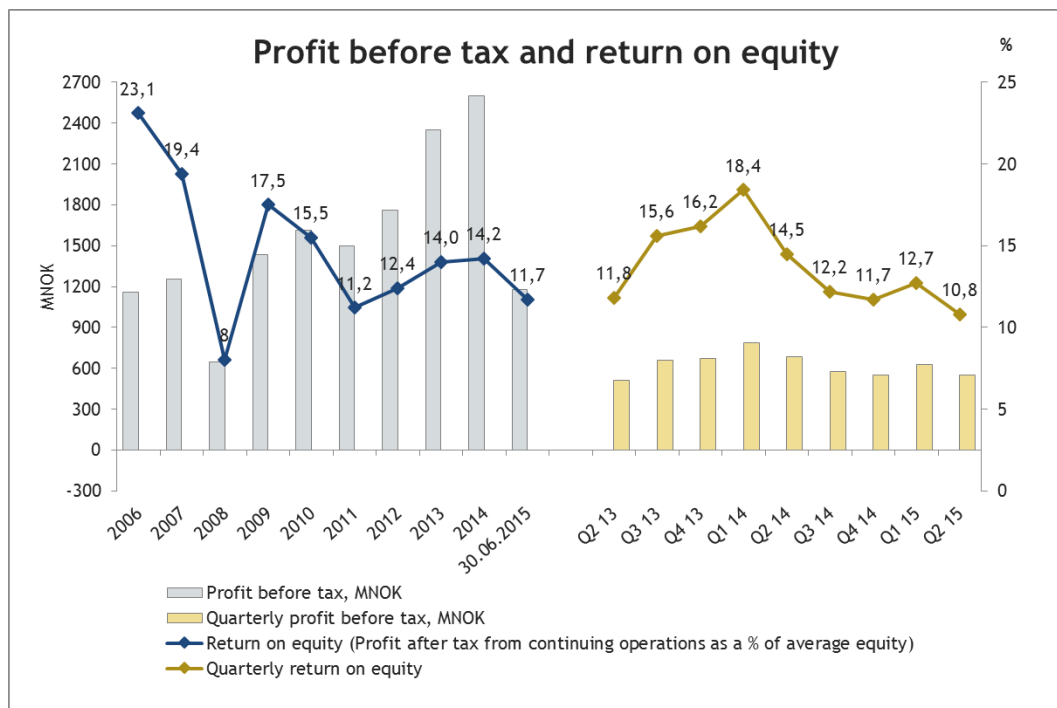
### Key figures

	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Return on equity <sup>1)</sup>	10,8 %	12,7 %	11,7 %	12,2 %	14,5 %	11,7 %	16,5 %
Cost ratio <sup>2)</sup>	47,3 %	42,5 %	45,1 %	44,6 %	40,9 %	44,8 %	39,1 %
Net interest margin	1,44 %	1,45 %	1,51 %	1,48 %	1,41 %	1,44 %	1,40 %
Gross loans to customers	150.245	144.686	141.620	137.343	135.335	150.245	135.335
Gross loans to customers incl. covered bond companies	181.440	178.750	174.492	170.270	168.624	181.440	168.624
Deposits from customers	90.788	85.984	81.489	81.228	81.728	90.788	81.728
Deposit-to-loan ratio	60,4 %	59,4 %	57,5 %	59,1 %	60,4 %	60,4 %	60,4 %
Growth in loans	11,0 %	18,9 %	17,7 %	17,7 %	17,5 %	11,0 %	17,5 %
Growth in loans incl. covered bond companies	7,6 %	7,3 %	4,7 %	3,5 %	3,6 %	7,6 %	3,6 %
Growth in deposits	11,1 %	15,5 %	13,7 %	14,9 %	11,5 %	11,1 %	11,5 %
Average total assets	177.861	175.938	172.179	166.894	164.949	176.898	162.502
Total assets	181.889	176.913	174.926	168.330	167.273	181.889	167.273
Impairment losses ratio <sup>3)</sup>	0,12	0,25	0,27	0,20	0,13	0,18	0,15
Non-performing commitments as a percentage of gross loans	0,27	0,31	0,30	0,38	0,40	0,27	0,40
Other doubtful commitments as a percentage of gross loans	0,51	0,5	0,36	0,39	0,41	0,51	0,41
Capital ratio	15,3	14,5	14,5	15,4	14,6	15,3	14,6
Tier 1 capital ratio	13,1	12,9	12,3	13,1	13,2	13,1	13,2
Common Equity Tier 1 capital ratio	12,3	12,1	11,5	11,3	11,4	12,3	11,4
Tier 1 capital	15.771	15.206	14.828	15.304	14.978	15.771	14.978
Net primary capital	18.403	17.838	17.465	18.037	16.584	18.403	16.584
RWA	120.363	117.589	120.189	117.278	113.725	120.363	113.725
Number of branches	50	50	50	50	50	50	48
Man-years (permanent)	1.133	1.135	1.106	1.117	1.126	1.133	1.126
Share price	52,25	56,25	52,50	61,00	59,75	52,25	59,75
Market capitalisation	13.363	14.386	13.427	15.601	15.281	13.363	15.281
Book equity per share (including dividends) (group)	62,56	62,40	60,28	59,21	57,63	62,56	57,63
Earnings per share (group)	1,69	1,94	1,75	1,78	2,09	3,63	4,67
Dividends per share	n.a.	n.a.	2,00	n.a.	n.a.	n.a.	n.a.
Price / Earnings per share	7,73	7,25	7,50	8,57	7,15	7,20	6,40
Price / Book equity (group)	0,84	0,90	0,87	1,03	1,04	0,84	1,04

<sup>1)</sup> Net profit as a percentage of average equity.

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

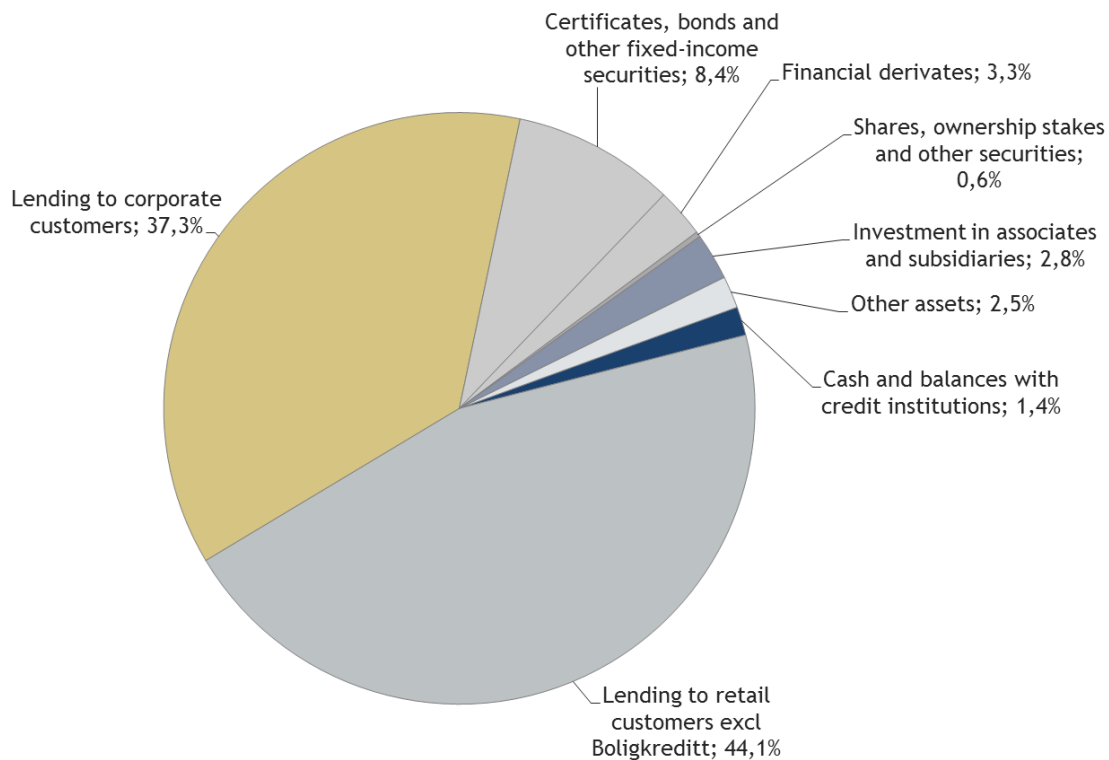
<sup>3)</sup> Net losses expressed as a percentage of average gross lending year to date, annualized



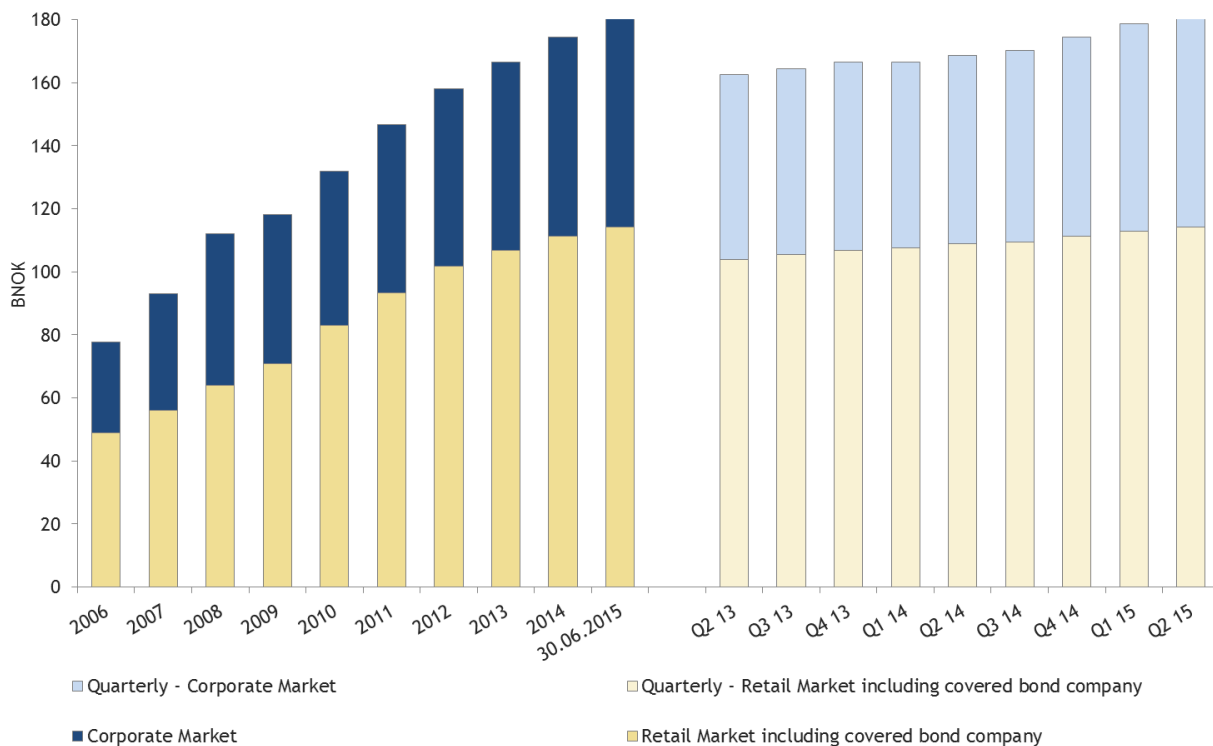
## Balance sheet

MNOK	30.06 2015	31.03 2015	31.12 2014	30.09 2014	30.06 2014
Cash and balances with central banks	2.841	2.400	1.847	336	1.985
Balances with credit institutions	2.224	2.533	2.222	2.216	2.333
Net loans to customers	149.472	143.937	140.920	136.685	134.680
Certificates, bonds and other fixed-income sec.	16.116	14.789	15.261	16.802	16.610
Financial derivatives	4.878	5.760	7.340	4.023	4.653
Shares, ownership stakes and other securities	523	631	626	623	1.176
Business available for sale	129	22	22	65	84
Investment in associates	4.677	4.886	4.727	4.601	4.422
Other assets	1.029	1.955	1.961	2.959	1.330
<b>Total assets</b>	<b>181.889</b>	<b>176.913</b>	<b>174.926</b>	<b>168.310</b>	<b>167.273</b>
Balances with credit institutions	3.874	4.803	6.139	5.493	4.207
Public deposits related to covered bond swap scheme	0	0	0	0	0
Deposits from customers	90.788	85.984	81.489	81.228	81.728
Listed debt securities	62.992	60.198	63.253	56.009	58.105
Financial derivatives	2.766	3.916	3.317	3.146	2.191
Other liabilities	2.491	3.093	2.361	3.195	2.222
Additional Tier 1 and Tier 2 capital instruments	2.980	2.975	2.964	4.109	4.094
<b>Total liabilities</b>	<b>165.891</b>	<b>160.969</b>	<b>159.523</b>	<b>153.180</b>	<b>152.547</b>
Share capital	6.394	6.394	6.394	6.394	6.394
Premium reserve	1.587	1.587	1.587	1.587	1.587
Proposed dividend	0	512	512	0	0
Fund for unrealised gains	59	59	59	162	162
Other equity	7.031	6.896	6.851	5.340	5.390
Profit/loss at period end	927	496	0	1.647	1.193
<b>Total equity</b>	<b>15.998</b>	<b>15.944</b>	<b>15.403</b>	<b>15.130</b>	<b>14.726</b>
<b>Total liabilities and equity</b>	<b>181.889</b>	<b>176.913</b>	<b>174.926</b>	<b>168.310</b>	<b>167.273</b>

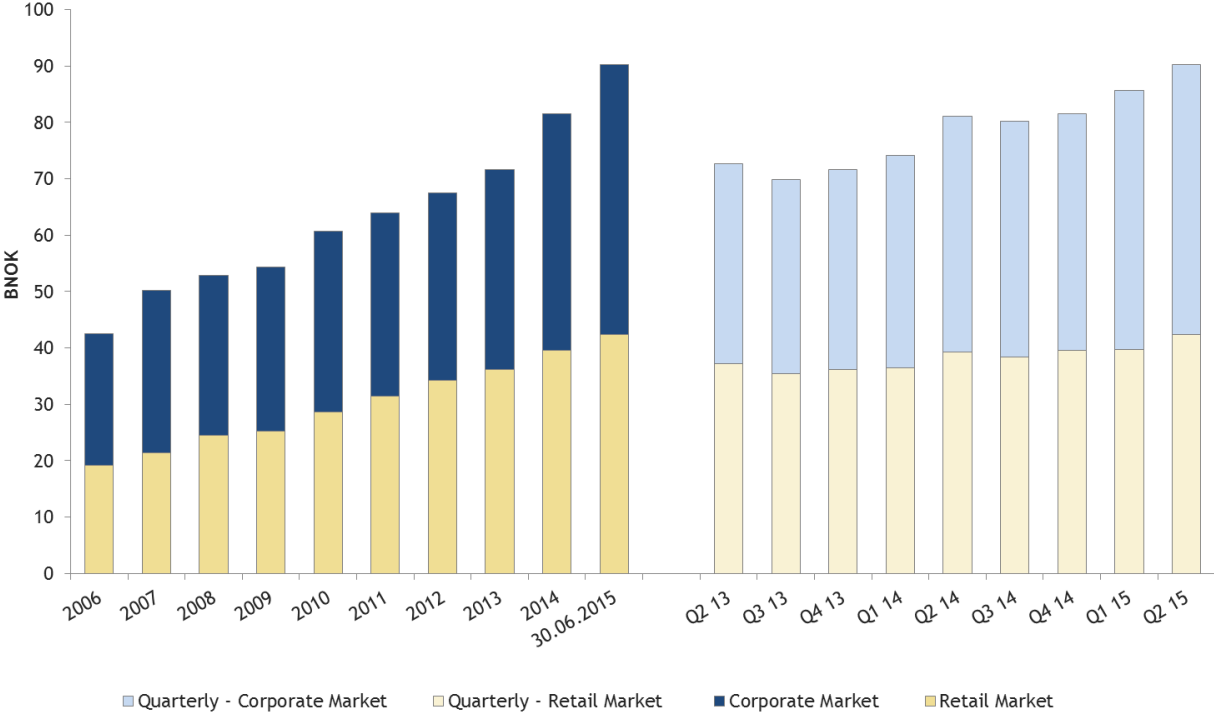
Total assets as at 30 June 2015:



Development in lending volume

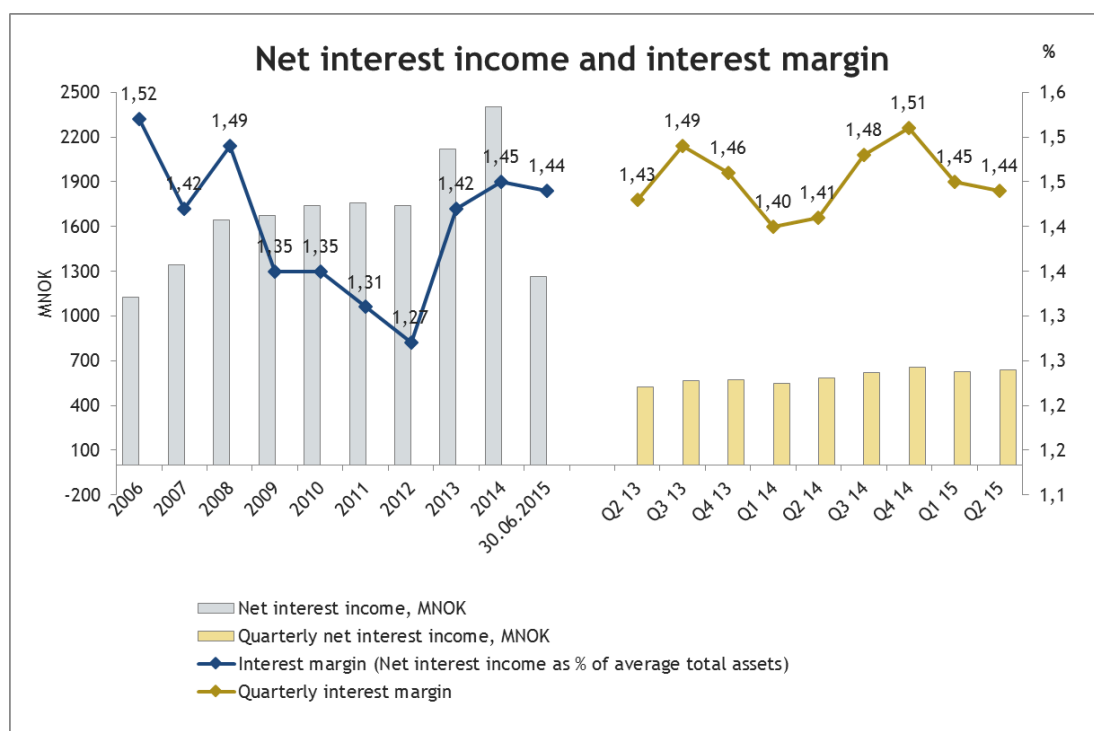


### Development in deposit volume

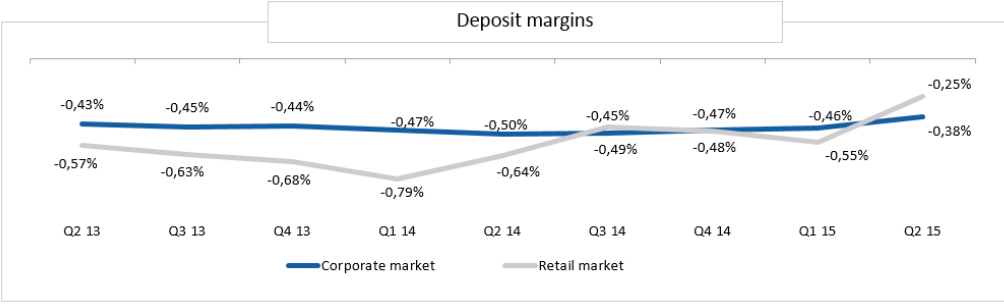
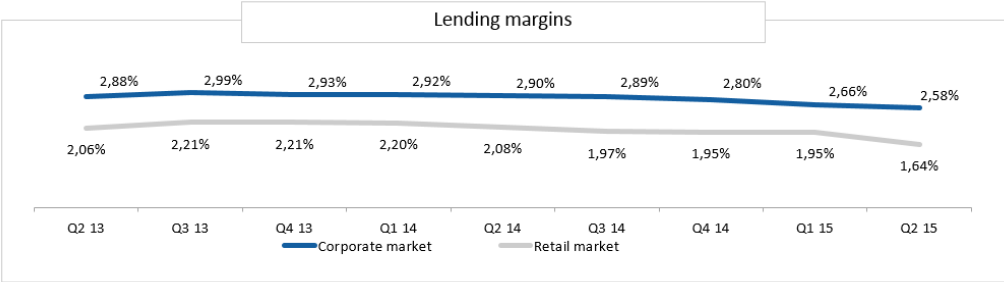


## 2.1 Net interest income

	Q2	Q1	Q4	Q3	Q2	30.06	30.06
MNOK	2015	2015	2014	2014	2014	2015	2014
Interest income	1.436	1.477	1.588	1.568	1.543	2.913	2.981
Interest expense	797	850	933	947	962	1.647	1.853
<b>Net interest income</b>	<b>639</b>	<b>627</b>	<b>655</b>	<b>621</b>	<b>581</b>	<b>1.266</b>	<b>1.128</b>
As % of average total assets	1,44 %	1,45 %	1,51 %	1,48 %	1,41 %	1,44 %	1,40 %



# Lending and deposit margins<sup>1</sup>



<sup>1</sup> Definition margin: Average customer interest rate measured against 3-month moving average for 3-month NIBOR. Lending margins include loan portfolio in covered bond companies.



## 2.2 Net other operating income

MNOK	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Net commission and other income	399	408	405	403	444	807	924
Net return on investment securities	94	211	116	142	201	305	520
Net other operating income	<b>493</b>	<b>619</b>	<b>521</b>	<b>545</b>	<b>645</b>	<b>1.112</b>	<b>1.444</b>
As % of total income	44 %	50 %	44 %	47 %	53 %	47 %	56 %

### Net commission and other income

MNOK	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Payment facilities	56	58	57	66	56	114	113
Savings/placements	48	49	42	45	40	97	85
Insurance products	47	47	46	45	44	94	86
Commission income from real estate broking	113	104	101	105	128	217	228
Guarantee commission	33	34	26	24	26	67	53
Arrangement fees	26	16	40	20	24	42	55
Accounting Services SpareBank 1 Regnskapshuset SR*	8	10	-	-	-	18	-
Other	2	6	3	5	6	8	19
<b>Net commission and other income excl. covered bond companies</b>	<b>333</b>	<b>324</b>	<b>315</b>	<b>310</b>	<b>324</b>	<b>657</b>	<b>639</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	66	84	90	93	120	150	285
<b>Net commission and other income incl. covered bond companies</b>	<b>399</b>	<b>408</b>	<b>405</b>	<b>403</b>	<b>444</b>	<b>807</b>	<b>924</b>
As % of total income	35 %	33 %	34 %	35 %	36 %	34 %	36 %

\*SpareBank 1 SR-Bank acquired the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet in the first quarter of 2015.

### Change in net commission and other income

MNOK	Q2 2015	Change	Q2 2014
<b>Net commission and other income</b>	<b>399</b>	<b>-45</b>	<b>444</b>
Payment facilities		0	
Savings/placements		8	
Insurance products		3	
Commission income from real estate broking		-15	
Guarantee commission		7	
Arrangement fees		2	
Accounting Services SpareBank 1 Regnskapshuset SR*		8	
Other		-4	
Commission income SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt		-54	

\*SpareBank 1 SR-Bank acquired the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet in the first quarter of 2015.

## Net return on investment securities

MNOK	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Dividend	8	7	1	10	7	15	25
Investment income, associates	101	133	138	150	137	234	218
Securities gains/losses	-50	-45	-37	-52	24	-95	229
- of which capital change in shares and certificates	-4	4	24	-22	10	0	230
- of which capital change in certificates and bonds	-46	-49	-61	-30	14	-95	-1
Currency/interest gains/losses*	35	116	14	34	33	151	48
- of which currency customer- and own-account trading	17	31	6	40	37	48	61
- of which IFRS-effects	18	85	8	-6	-4	103	-13
<b>Net return on investment securities</b>	<b>94</b>	<b>211</b>	<b>116</b>	<b>142</b>	<b>201</b>	<b>305</b>	<b>520</b>
As % of total income	8 %	17 %	10 %	12 %	16 %	13 %	20 %

\*The capital gains from interest and currency trading amounted to NOK 151 million per 30.06.2015. NOK 70 million of this was due to the positive effects of basis swaps linked to borrowing (NOK 37 million of which was realised in the first half of 2015).

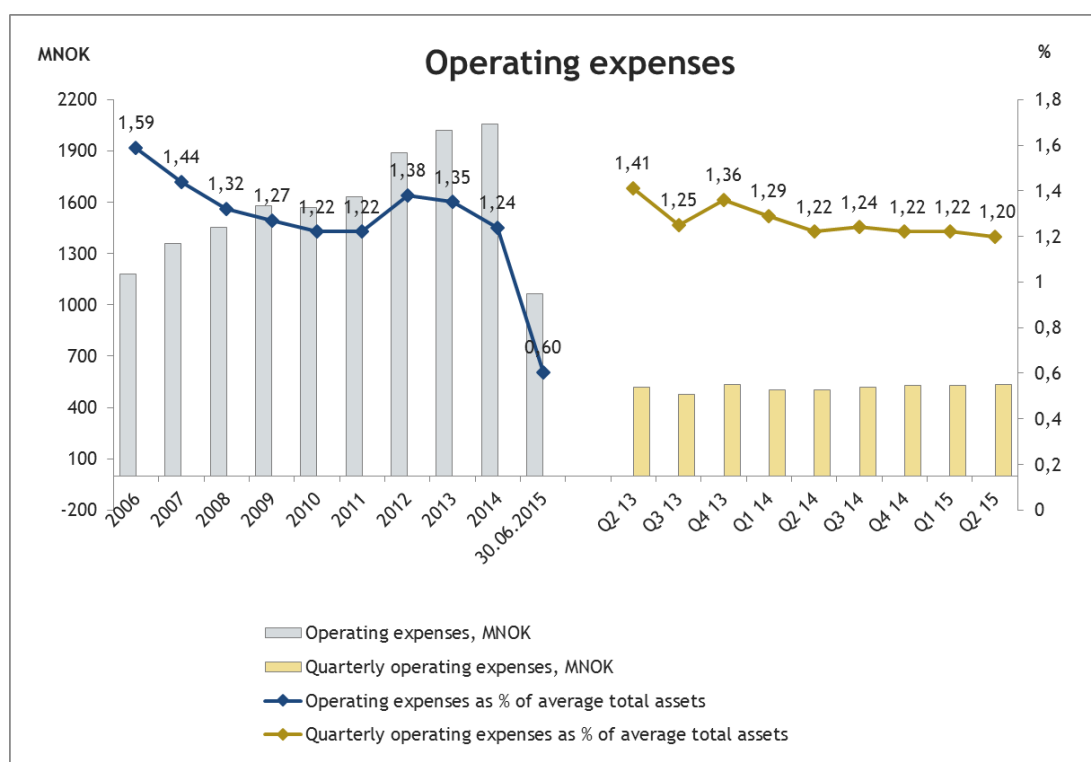
## Change in net return on investment securities

MNOK	Q2 2015	Change	Q2 2014
<b>Net return on investment securities</b>	<b>94</b>	<b>-107</b>	<b>201</b>
Dividend		1	
Investment income, associates		-36	
Securities gains/losses		-74	
- of which capital change in shares and certificates		-14	
- of which capital change in certificates and bonds		-60	
Currency/interest gains/losses		2	
- of which currency customer- and own-account trading		-20	
- of which IFRS-effects		22	

## 2.3 Operating expenses

	Q2	Q1	Q4	Q3	Q2	30.06	30.06
MNOK	2015	2015	2014	2014	2014	2015	2014
Wages	217	226	230	224	221	443	434
Of which restructuring costs	0	7	10	3	0	7	0
Pension expenses	36	34	28	31	29	70	64
Other personnel expenses	47	50	50	52	43	97	89
<b>Total personnel expenses</b>	<b>300</b>	<b>310</b>	<b>308</b>	<b>307</b>	<b>293</b>	<b>610</b>	<b>587</b>
IT expenses	73	72	75	69	67	145	133
Marketing expenses	26	21	29	21	29	47	46
Other administrative expenses	23	26	24	24	24	49	47
Write-down	22	20	22	32	17	42	34
Of which write-down of goodwill*	0	0	0	15	0	0	0
Expenses real property	10	10	10	7	7	20	20
Other operating expenses	82	71	62	60	64	153	139
<b>Other expenses</b>	<b>236</b>	<b>220</b>	<b>222</b>	<b>213</b>	<b>208</b>	<b>456</b>	<b>419</b>
<b>Total operating expenses</b>	<b>536</b>	<b>530</b>	<b>530</b>	<b>520</b>	<b>501</b>	<b>1.066</b>	<b>1.006</b>

\*Write-down of goodwill is linked to EiendomsMegler 1 Forvaltning AS



## Change in operating expenses

MNOK	Q2 2015	Change	Q2 2014
<b>Total</b>	<b>536</b>	<b>35</b>	<b>501</b>
Personnel expenses		7	
IT expenses		6	
Marketing expenses		-3	
Other administrative expenses		-1	
Write-down		5	
Expenses real property		3	
Other operating expenses		18	

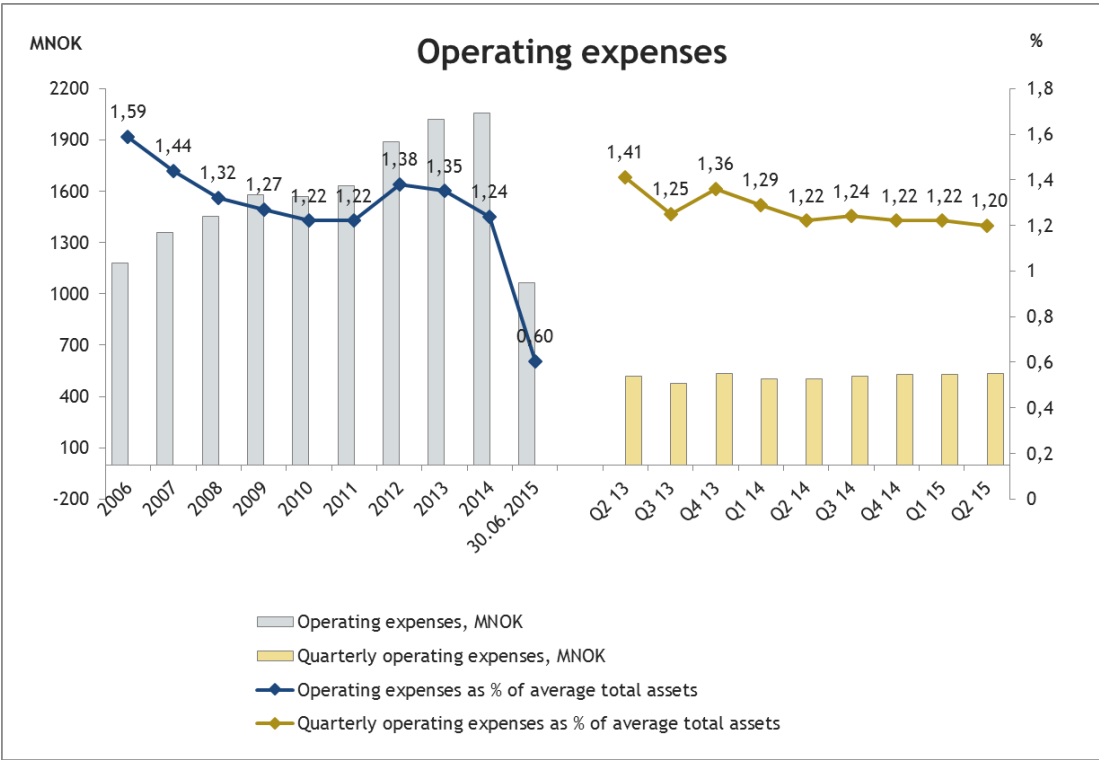
## Cost/income ratio

MNOK	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Operating expenses	536	530	530	520	501	1.066	1.006
Cost/income ratio	47,3 %	42,5 %	45,1 %	44,6 %	40,9 %	44,8 %	39,1 %
Growth in expenses last 12 months*	7,0 %	5,0 %	-0,7 %	8,8 %	-3,1 %	6,0 %	-0,1 %

\*Not adjusted for non-recurring items

Adjusted for increased costs associated with acquisition of Swedbank's Stavanger office and three accounting office the 12 months growth in costs is 3.3% per Q2 2015

Development in cost/income ratio



\* In accordance with the Generally Accepted Accounting Principles in Norway – IFRS from 2004

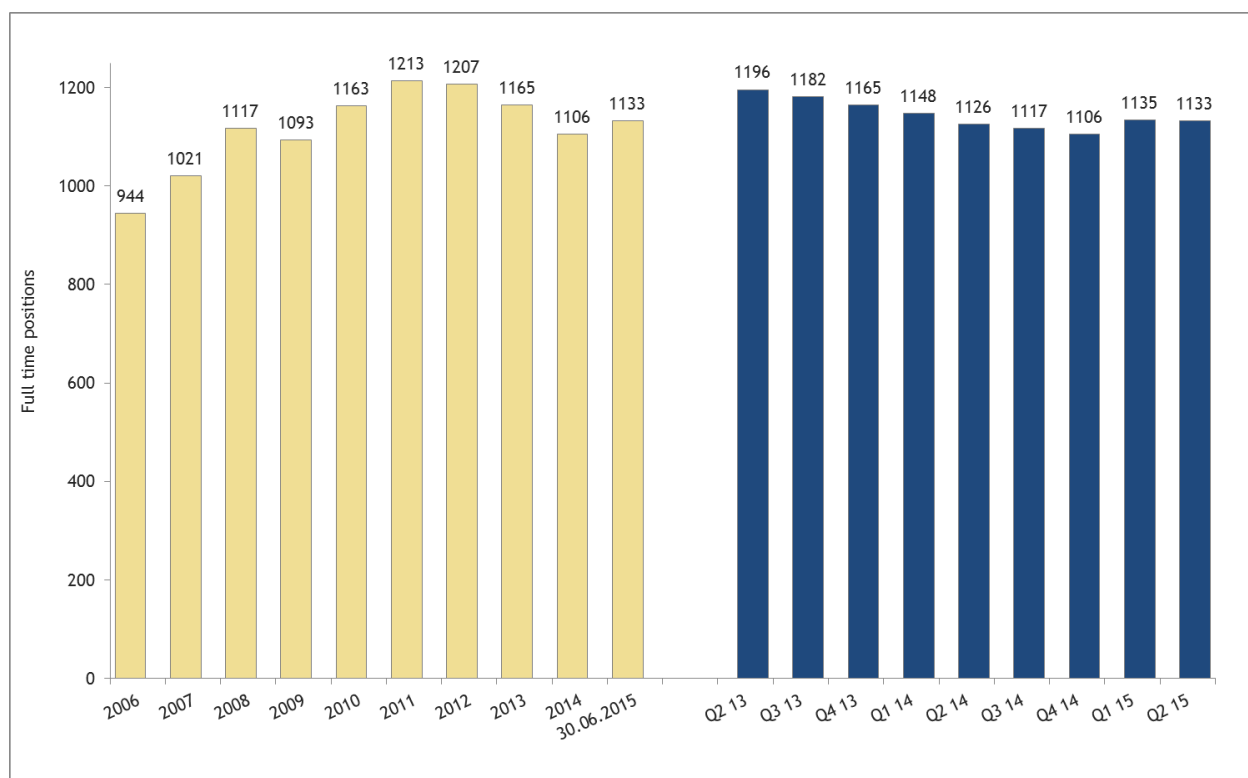
Number of full time positions (permanent employees, contracted staff not included)

	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
<i>Full time positions</i>					
SpareBank 1 SR-Bank	859	861	866	861	869
EiendomsMegler 1 SR-Eiendom AS*	200	202	194	212	213
SR-Forvaltning AS	13	13	13	13	13
SR-Finans AS	33	31	33	31	31
SpareBank 1 Regnskapshuset SR AS**	28	28			
<b>Total</b>	<b>1.133</b>	<b>1.135</b>	<b>1.106</b>	<b>1.117</b>	<b>1.126</b>

\*EiendomsMegler 1 Forvaltning AS is not included per 31 December 2014.

\*\*SpareBank 1 SR-Bank acquired the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet in the first quarter of 2015.

Full time positions 2004 – Q2 2015 (permanent employees, contracted staff not included)



## 2.4 Losses on loans and loss provisions

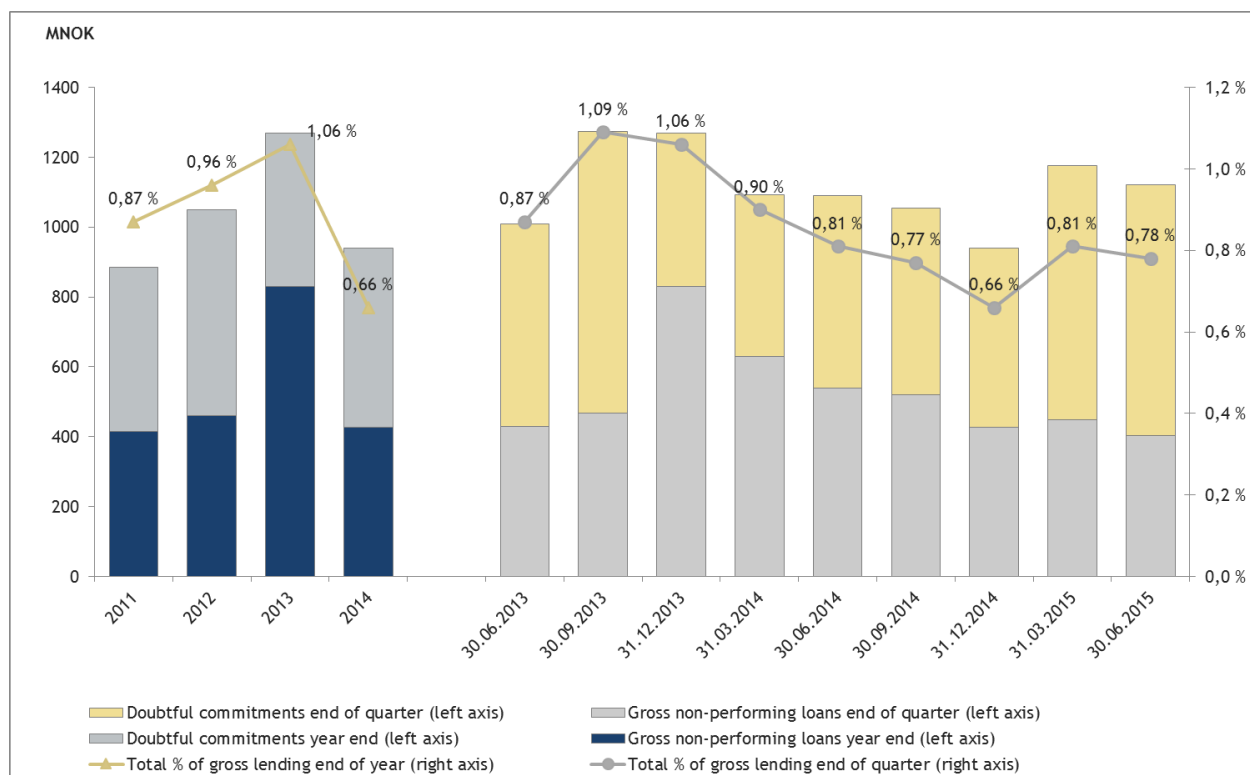
### Losses on loans and guarantees

MNOK	30 June 2015	31 March 2015	31 Dec. 2014	30 Sept. 2014	30 June 2014
Change in individual individual impairment losses provisions for the	36	30	-124	-100	-85
Change in collective impairment loss provisions for the period	39	20	75	13	-8
Amortised cost	5	2	11	6	5
Actual loan losses on commitments for which provisions have been made	38	28	228	188	135
Actual loan losses on commitments for which no provision has been	19	11	74	61	52
Change in assets take-over for the period	0	0	0	0	0
Recoveries on commitments previously written-off	-5	-3	-7	-4	-4
<b>The period's net losses/(reversals) on loans and advances</b>	<b>132</b>	<b>88</b>	<b>257</b>	<b>164</b>	<b>95</b>

### Provisions for impairment losses on loans and guarantees

MNOK	30 June 2015	31 March 2015	31 Dec. 2014	30 Sept. 2014	30 June 2014
Provisions for individual impairment losses at start of period	322	322	446	446	446
Increases in previous provisions for individual impairment losses	22	8	42	29	31
Reversal of provisions from previous periods	-37	-17	-54	-47	-40
New provisions for individual impairment losses	93	67	118	105	63
Amortised cost	-4	0	-2	1	-4
Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-38	-28	-228	-188	-135
<b>Provisions for individual impairment losses at the end of period</b>	<b>358</b>	<b>352</b>	<b>322</b>	<b>346</b>	<b>361</b>
<b>Net losses</b>	<b>57</b>	<b>39</b>	<b>302</b>	<b>249</b>	<b>187</b>

### Non-performing loans and doubtful commitments

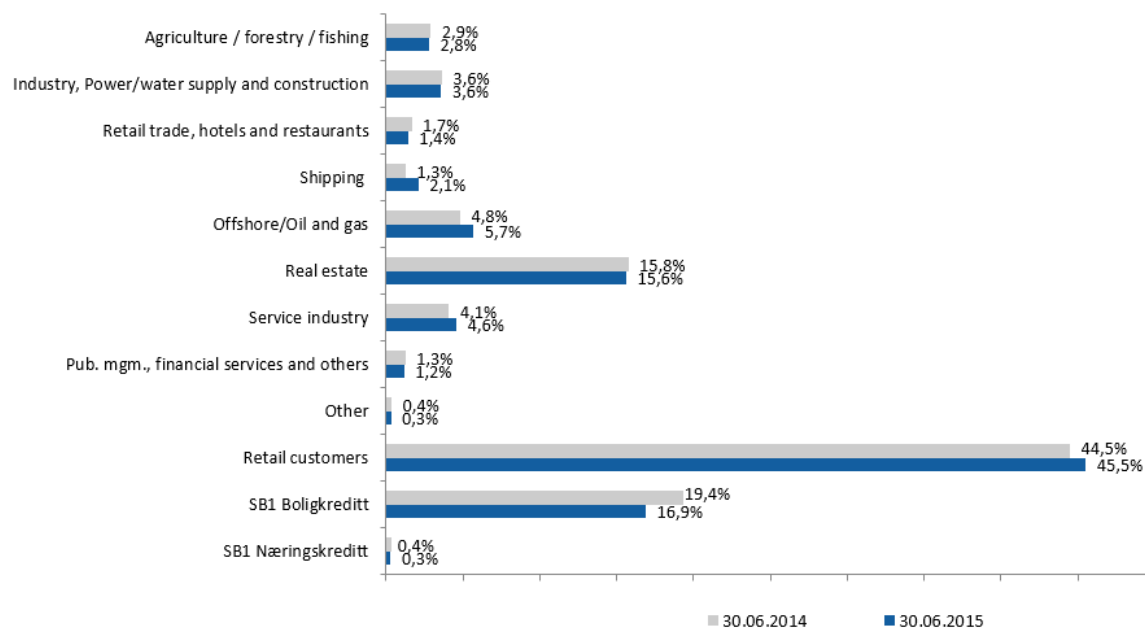


\* Loans defaulted in the range of 30-90 days are not including as problem loans as at Q2 2014. Historical figures have been restated.

## 2.5 Loans

MNOK	30 June 2015	31 March 2015	31 Dec. 2014	30 Sept. 2014	30 June 2014
Agriculture/forestry	4.326	4.349	4.458	4.404	4.366
Fishing/Fish farming	744	573	596	558	542
Mining/extraction	4.565	4.635	4.341	3.550	3.301
Industry	2.825	2.940	2.650	2.563	2.728
Power and water supply/building and construction	3.686	3.611	3.520	3.439	3.408
Retail trade, hotel and restaurant business	2.606	2.540	2.529	2.638	2.812
Foreign trade shipping, pipeline transport and other transport activities	9.557	9.015	8.239	7.348	6.984
Real estate business	28.342	27.704	27.163	27.013	26.562
Service industry	8.318	8.298	7.860	7.155	6.917
Public sector and financial services	2.134	2.291	1.877	2.105	2.113
Retail customers	82.576	78.055	77.651	75.975	75.001
Unallocated (excess value fixed interest loans and amort. lending fees)	238	358	411	276	272
Accrued interests corporate sector and retail customers	328	317	325	319	329
Gross loans	150.245	144.686	141.620	137.343	135.335
SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	31.195	34.064	32.872	32.927	33.289
Gross loans incl SpareBank 1 Boligkreditt and Næringskreditt	181.440	178.750	174.492	170.270	168.624

## Loan portfolio as at 30.06.2015



Loans before individual write-downs, nominal amounts.

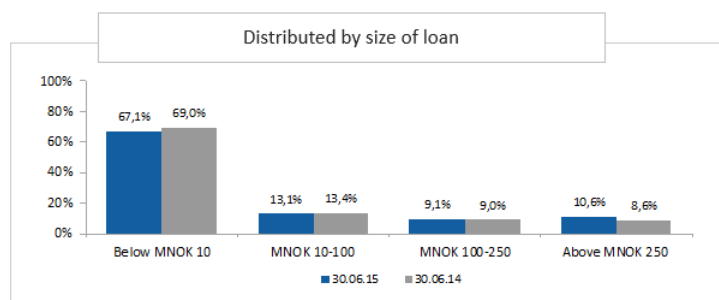
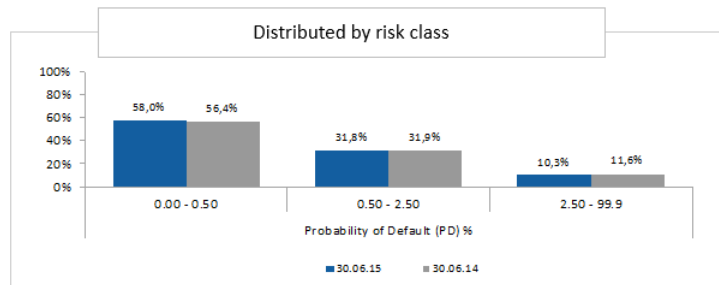
Sector allocation in accordance with the standard categories from Statistics Norway.



## 2.6 Risk profile

### Risk profile of the loan portfolio

- SpareBank 1 SR-Bank has a stable and low risk portfolio.
- More than half of the bank's loan exposure has a PD\* below 0.5 %.
- Single loan exposures less than NOK 10 million aggregates 67% of total loan portfolio.
- Single loan exposures above NOK 250 million aggregates 10.6% of total loan portfolio. The increase is partly driven by increased balances on currency loans due to weakened NOK FX rates. A minor part of the increase is driven by customer acquisition, and is considered to improve the portfolio's risk profile.



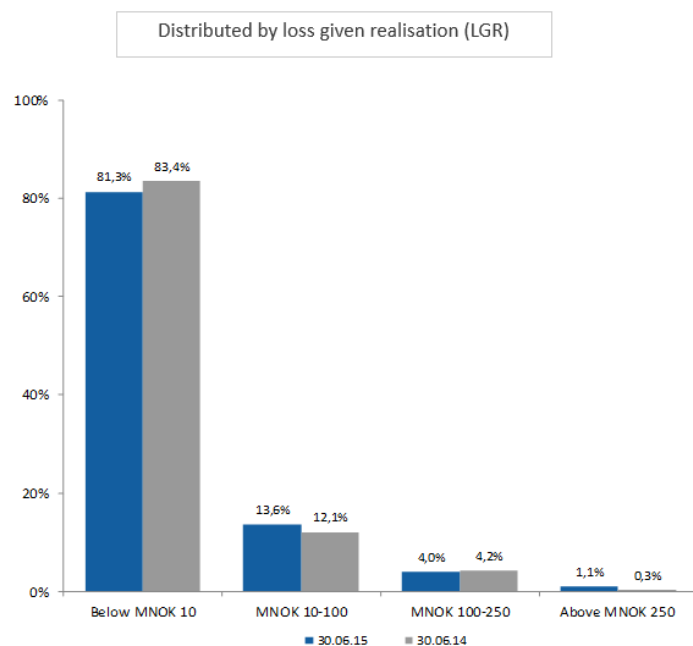
\* Probability of default (PD) through a full cycle of loss.

### Low concentration of individual LGRs in the lending portfolio

- At the end of Q2 2015, SpareBank 1 SR-Bank had a total of 29 commitments with a loss potential exceeding NOK 100 million.
- These commitments represent 5.1% of the loan exposure.
- There is a clearly defined strategy behind this portfolio composition. The growth and risk profile are managed, for example, through special credit strategy limits for concentration risk.

LGR (Loss Given Realisation). Estimated loss on realising a single loan. Corresponds to LGD without statistical correction for certain non-performing loans being reclassified as recoverable prior to collection. The calculation is based on the realisation value of assets pledged as security in an economic downturn.

The figure includes lending portfolios from covered bond companies.

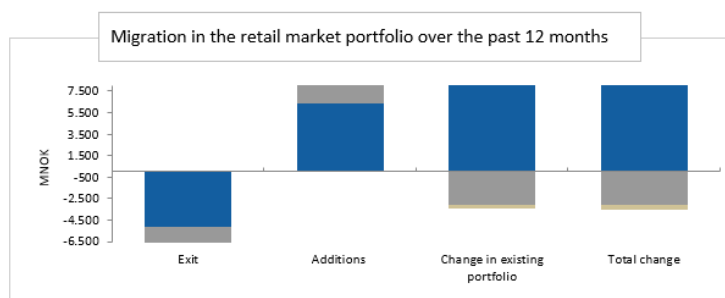
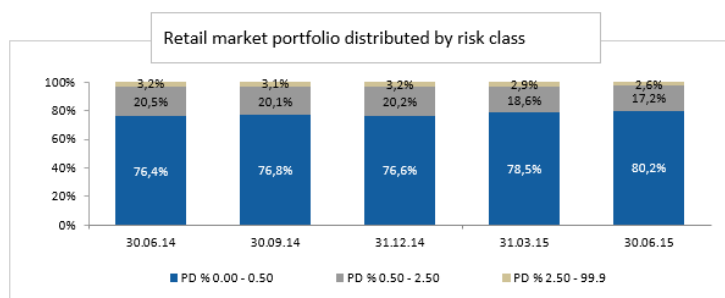


## Risk profile – Lending to the retail market

- The quality of the retail market portfolio is considered to be good and has low potential losses.
- The proportion of loans with a PD\* below 0.5% has increased to 80.2% of the total retail portfolio.
- The low risk profile is achieved through prudent customer selection and requirements for moderate LTV.
- Most of the portfolio is secured against a mortgage on real estate, and lending is overall moderate compared to asset value.

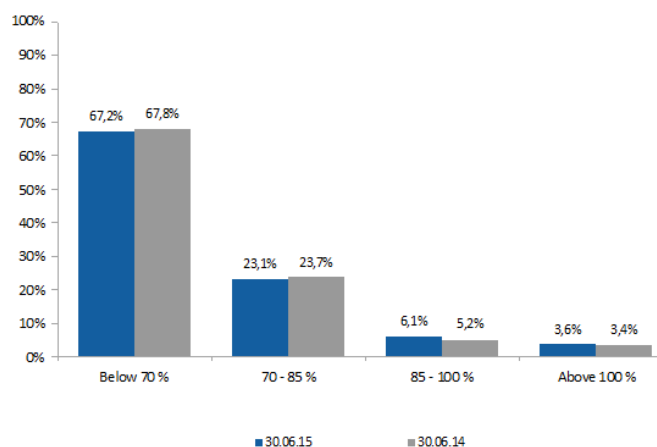
\*Probability of default (PD) through a full cycle of loss.

Figures include portfolio in covered bond companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).



## Loan to value ratio on home mortgage loans

- The proportion of loans with a loan-to-value ratio of less than 85% is high and stable.
- 90.3% of the exposure is within 85% of the assessed value of collateral.



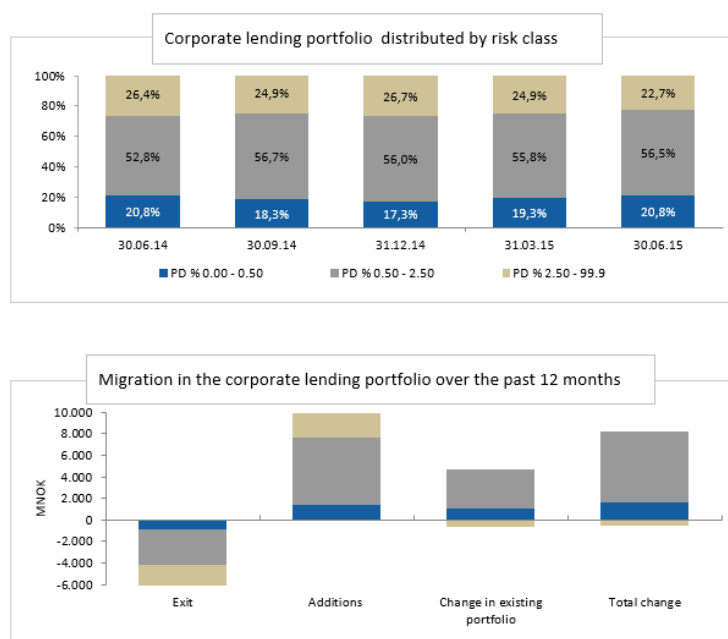
In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.

The figures include the loan portfolio in the covered bond company (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).

## Lending to the corporate market – risk profile

- *The quality of the corporate market portfolio is good.*
- *The share of customers with PD\* below 2.5% has increased, mainly due to a strengthened risk profile in existing portfolio.*
- *There is a clearly defined framework that sets limits on what is funded and conditions for particular funding purposes. This ensures a robust portfolio.*

\*Probability of default (PD) through a full cycle of loss.



## A strengthened framework to meet increased economic uncertainty

Uncertainty regarding the outlook for the Norwegian economy has increased due to lower oil prices.

SpareBank 1 SR-Bank faces this uncertainty with a solid portfolio, a solid framework for lending and continuous focus on managing and controlling risk:

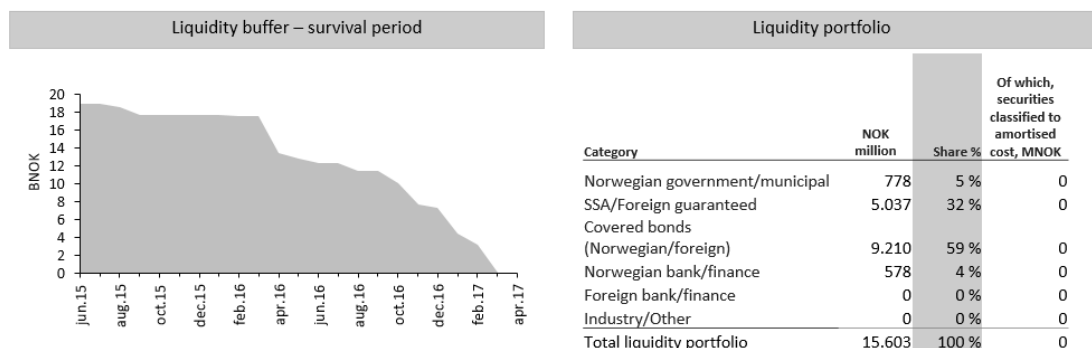
- Concentration risk in the corporate portfolio has been significantly reduced in recent years as a result of strict underwriting guidelines and active portfolio management.
- Guidelines for home equity loans have been further tightened.
- Enhanced risk models for estimating EAD and LGD were developed as part of utilizing for corporate AIRB.
- The bank has also developed and adopted a new model for stress testing credit risk that enables instant simulation of the vulnerability of the credit portfolio.
- More accurate PD models for commercial real estate for lease and development projects were adopted in 2013. The models provide detailed information on the commercial real estate portfolio and thereby increases the understanding of its related risks.

In total, the effect in terms of good management and control of both new customers and existing portfolio.

*Further information regarding risk capital management can be found in Pillar III reports, see [www.sr-bank.no](http://www.sr-bank.no) under "Investor Relations".*

## 2.7 Risk profile in bond and equity portfolios

### Liquidity portfolio



- Liquidity buffer at the end of the quarter: NOK 18.9 billion
- Other liquid assets:
  - Home mortgages prepared for transfer to mortgage company: NOK 23.8 billion
  - Commercial paper and bonds in the trading portfolio: NOK 0.5 billion

Liquidity buffer: cash, highly liquid bonds.

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

### Investments in bonds and certificates

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA og AA-	15.025	93,3 %
Low risk	A+, A og A-	111	0,7 %
Moderate risk	BBB+, BBB og BBB-	524	3,3 %
High risk	BB+, BB og BB-	77	0,5 %
Very high risk	B+ and lower	367	2,3 %
<b>Total portfolio</b>		<b>16.103</b>	<b>100,0 %</b>
<i>Of which liquidity purposes:</i>			
Risk category	Rating		
Very low risk	AAA, AA+, AA og AA-	15.025	96,3 %
Low risk	A+, A og A-	111	0,7 %
Moderate risk	BBB+, BBB og BBB-	467	3,0 %
High risk	BB+, BB og BB-	0	0,0 %
Very high risk	B+ and lower	0	0,0 %
<b>Total liquidity purposes</b>		<b>15.603</b>	<b>100,0 %</b>
<i>Of which trading purposes:</i>			
Risk category	Rating		
Very low risk	AAA, AA+, AA og AA-	0	0,0 %
Low risk	A+, A og A-	0	0,0 %
Moderate risk	BBB+, BBB og BBB-	57	11,3 %
High risk	BB+, BB og BB-	77	15,3 %
Very high risk	B+ and lower	367	73,4 %
<b>Total trading portfolio</b>		<b>500</b>	<b>100,0 %</b>

All amounts in MNOK.

## 2.8 Funding

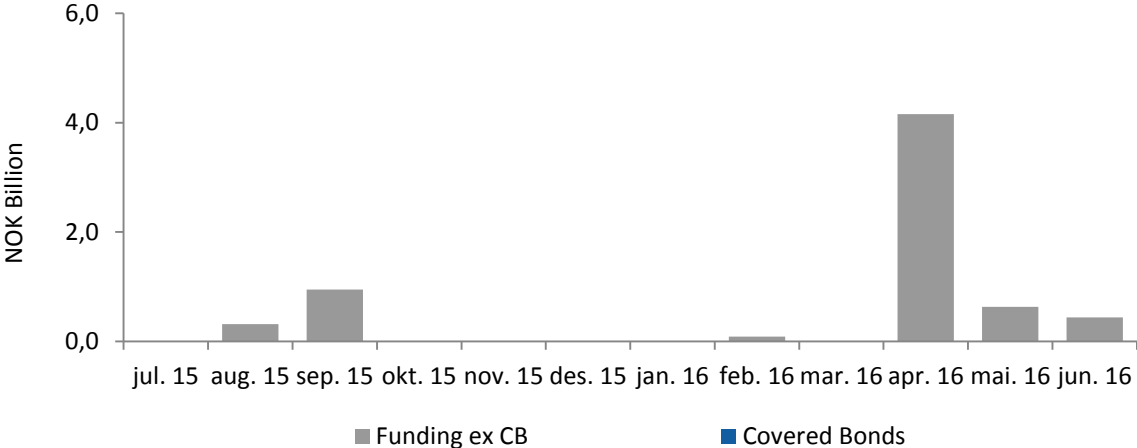


Figure 2.8.1: Funding - quarterly

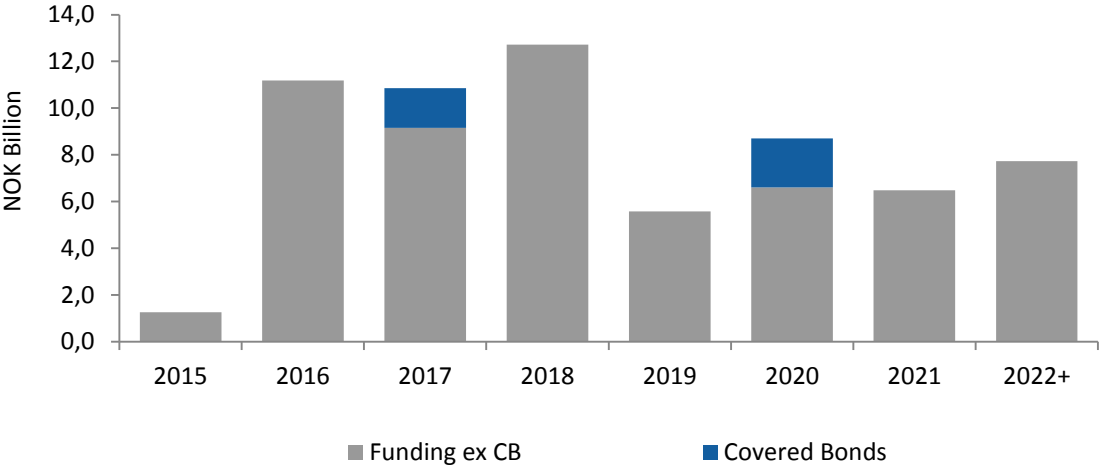
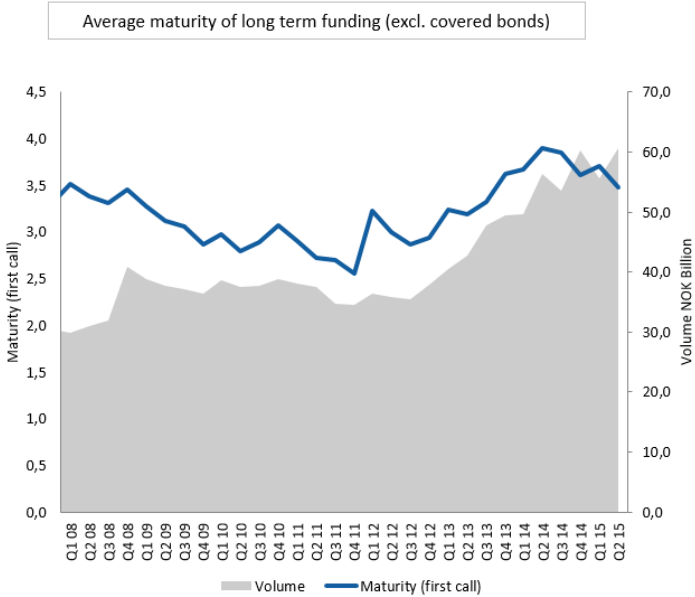


Figure 2.8.1: Funding - annual

# Funding structure

- LCR of 111% at the end of June 2015.  
Average LCR during Q1 2015 was 92%.



NOK 6.6 billion (net) of new funding has been issued during the year. Average remaining maturity of the outstanding senior bonds is 3.5 years.

## 2.9 Capital adequacy

Basel II was introduced in Norway from 1 January 2007. Figure 2.8 shows the methods currently used by SpareBank 1 SR-Bank for calculating capital requirements for different types of risks. Using Internal Rating Based (IRB) methods for calculating capital requirements requires a formal approval from the FSAN (Finanstilsynet) on standards regarding organisation, competence, risk-modelling and risk-management systems.

In the autumn of 2009, the authorities resolved to postpone the final transition to the IRB rules from 1 January 2010 to 1 January 2012. It has later been decided to continue the transitional rule stating that the capital requirement using IRB cannot be less than 80% of the capital requirement under Basel I ("Basel I floor") until year-end 2017.

Type of risk	Portfolio	Regulatory method
Credit risk	States – parent bank	Standard method
	Institutions – parent bank	Standard method
	Housing cooperatives, clubs and associations – parent bank	Standard method
	Enterprises – parent bank	Advanced IRB Approach
	Mass market – parent bank	IRB – mass market (advanced)
	SpareBank 1 SR-Finans AS – subsidiary	Standard method
	SpareBank 1 SR-Investering AS – subsidiary	Standard method
	SpareBank 1 SR-Forvaltning AS – subsidiary	Standard method
	Mass market – SpareBank 1 Boligkreditt AS	IRB – mass market (advanced)
	Enterprises – SpareBank 1 Næringskreditt AS	Standard method
	Enterprises – BN Bank AS	Advanced IRB Approach
	Mass market – BN Bank AS	Standard method
	Market risk	Equity risk – parent bank
Debt risk – parent bank		Standard method
Currency risk – parent bank		Standard method
Subsidiaries and part-owned companies		Standard method
Operational risk		SpareBank 1 SR-Bank including subsidiaries
	Other part-owned companies	Standard method

Figure 2.9.1: SpareBank 1 SR-Bank's methods for calculating the minimum regulatory capital requirements

SpareBank 1 SR-Bank has received in first quarter 2015 from the FSAN approval to use IRB Advanced method also for its exposures to the corporate market ("Enterprise").

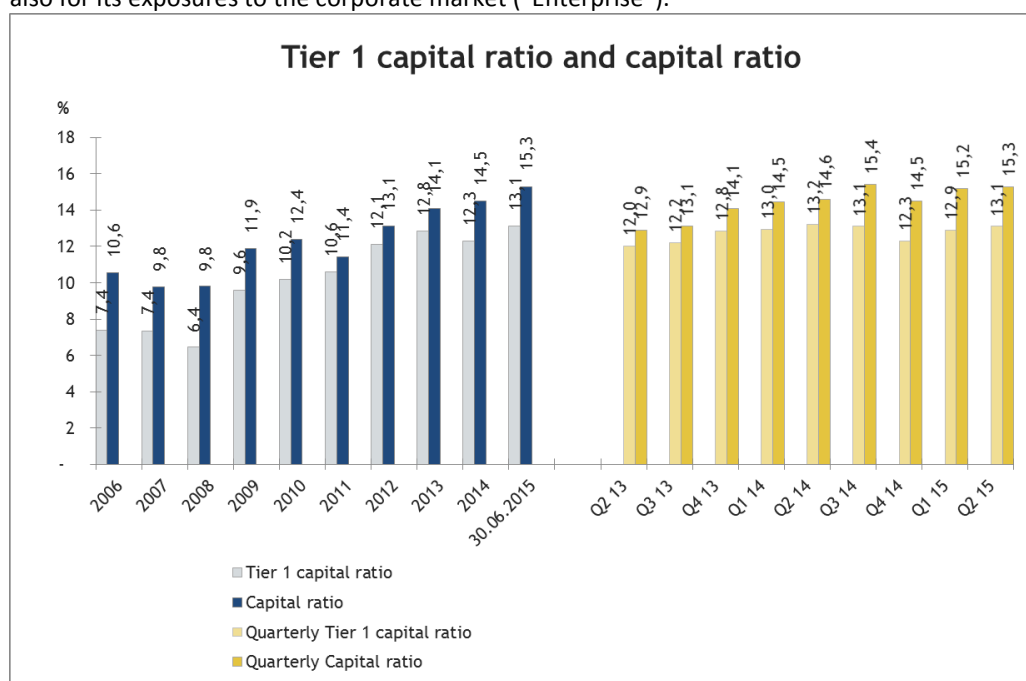


Figure 2.9.2: Development in capital ratios

Up until 30 June 2014, SpareBank 1 SR-Bank followed the Basel II regulations for capital adequacy calculations. On 22 August 2014, the Norwegian Ministry of Finance approved changes in a number of capital adequacy regulations. Parallel to this, Finanstilsynet changed the Consolidation Regulations to adapt to the EU's new capital adequacy regulations for banks and investment firms (CRD IV/CRR). As of 30 September 2014, capital adequacy is reported in accordance with the new reporting requirements. Valuation rules used in the statutory accounts form the basis for the consolidation, which is subject to special consolidation rules governed by the Consolidation Regulations.

#### Capital Adequacy

MNOK	30 June 2015	31 March 2015	31 Dec. 2014	30 June 2014
Share capital	6.394	6.394	6.394	6.394
Premium reserve	1.587	1.587	1.587	1.587
Allocated to dividend	0	512	512	0
Reserve for unrealised gains	59	59	59	162
Other equity	7.031	6.896	6.851	5.390
Interim	927	496		1.193
<b>Total book equity</b>	<b>15.998</b>	<b>15.944</b>	<b>15.403</b>	<b>14.726</b>
<b>Tier 1 capital</b>				
Deferred taxes, goodwill and other intangible assets	-55	-55	-24	-42
Fund for unrealized gains, available for sale	0	0	0	0
Deduction for allocated dividends	0	-512	-512	0
50% deduction for subordinated capital in other financial institutions				-149
Deduction for expected losses on IRB, net of write-downs <sup>1)</sup>	-446	-519	-676	-376
50% capital adequacy reserve				-619
Year-to-date profit not included in common equity Tier 1 capital	-464	-248		-597
Deduction for common equity Tier 1 capital in significant investments in financial institutions	-226	-368	-326	0
The institution's own credit risk related to derivative liabilities	-47	-48	-48	0
Tier 1 capital instruments	1.011	1.012	1.011	2.035
<b>Total Tier 1 capital</b>	<b>15.771</b>	<b>15.206</b>	<b>14.828</b>	<b>14.978</b>
<b>Tier 2 capital</b>				
Tier 2 capital - Tier 1 capital instruments in excess of 15%	0	0	0	0
Term subordinated loan capital	2.693	2.692	2.697	2.750
50% deduction for investment in capital instruments in other financial institutions		0	0	-149
50% deduction for expected losses on IRB, net of write-downs		0	0	-376
Deduction for significant investments in financial institutions	-61	-60	-60	
50 % capital adequacy reserve		0	0	-619
<b>Total Tier 2 capital</b>	<b>2.632</b>	<b>2.632</b>	<b>2.637</b>	<b>1.606</b>
<b>Net primary capital</b>	<b>18.403</b>	<b>17.838</b>	<b>17.465</b>	<b>16.584</b>

<sup>1)</sup> As a result of CRD IV / CRR, the entire amount will be deducted from common equity Tier 1 capital as of 30 September 2014. Up until 30 September 2014, 50% of the amount was deducted from common equity Tier 1 capital and 50% from Tier 2 capital

Table 2.9.1: *Specification of consolidated primary capital*

Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.



**Credit risk Basel II**

<i>MNOK</i>	30 June 2015	31 March 2015	31 Dec. 2014	30 June 2014
SME exposure	14.496	14.657	21.789	18.539
Specialised lending exposure	23.941	25.696	32.685	33.018
Other corporations exposure	6.432	6.496	8.789	8.878
Other SME exposure	1.169	1.179	1.144	1.175
Retail mortgage exposure (properties)	25.424	26.536	20.661	19.915
Other retail exposure	1.030	1.001	845	900
Equity investments	0	0	0	0
<b>Total credit risk IRB</b>	<b>72.492</b>	<b>75.565</b>	<b>85.913</b>	<b>82.425</b>
Debt risk	1.917	1.865	1.978	2.000
Equity risk	607	595	598	675
Currency risk	0	0	0	0
Participations calculated after other market risk	4.104	3.763	3.642	2.270
Financial derivatives	2.576	3.457	3.227	1.280
Credit value adjustment risk (CVA)	982	1.175	1.127	
Operational risk	6.811	6.811	6.220	6.237
Transitional arrangements	11.429	5.827	0	4.575
Participations calculated using standard method	19.445	18.531	17.484	15.850
Deductions	0	0	0	-1.587
<b>Minimum capital requirement</b>	<b>120.363</b>	<b>117.589</b>	<b>120.189</b>	<b>113.725</b>
<b>Common Equity Tier 1 capital ratio <sup>1)</sup></b>	<b>12,26 %</b>	<b>12,07 %</b>	<b>11,50 %</b>	<b>11,38 %</b>
Tier 1 capital ratio	13,10 %	12,93 %	12,34 %	13,17 %
Tier 2 capital ratio	15,29 %	15,17 %	14,53 %	14,58 %
Common Equity Tier 1 capital ratio, IRB	13,55 %	12,70 %	11,50 %	11,86 %
Tier 1 capital ratio, IRB	14,48 %	13,61 %	12,34 %	13,72 %
Tier 2 capital ratio, IRB	16,89 %	15,96 %	14,53 %	15,19 %

<sup>1)</sup> Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

Table 2.9.2: *Specification of minimum capital requirement*

## 3. Business areas

### 3.1 Business segments - Financial performance

MNOK	SpareBank 1 SR-Bank Group													
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		SR-Finans		Other*		Total	
	Q2 15	Q2 14	Q2 15	Q2 14	Q2 15	Q2 14	Q2 15	Q2 14	Q2 15	Q2 14	Q2 15	Q2 14	Q2 15	Q2 14
Net interest income	260	260	246	236	16	10	1	1	63	54	53	20	639	581
Net commission and other income	172	223	83	74	6	6	113	128	-6	-5	31	18	399	444
Net return on investment securities	4	2	6	10	15	27	0	0	0	0	69	162	94	201
Operating expenses	117	116	44	41	24	14	96	102	15	14	240	214	536	501
Operating profit before losses	319	369	291	279	13	29	18	27	42	35	-87	-14	596	725
Change in individual write-downs in the period	6	3	16	48	0	0	0	0	3	0	0	0	25	51
Change in group write-downs in the period	2	5	17	-12	0	0	0	0	0	-3	0	0	19	-10
<b>Operating profit before tax</b>	<b>311</b>	<b>361</b>	<b>258</b>	<b>243</b>	<b>13</b>	<b>29</b>	<b>18</b>	<b>27</b>	<b>39</b>	<b>38</b>	<b>-87</b>	<b>-14</b>	<b>552</b>	<b>684</b>
Gross loans to customers excl. covered bond companies	84.280	76.958	55.961	49.078	628	513	0	0	6.956	6.484	2.421	2.303	150.245	135.335
Deposits from customers	47.883	45.207	37.997	32.596	3.082	2.265	0	0	0	0	1.826	1.660	90.788	81.728

MNOK	SpareBank 1 SR-Bank Group pr 30.06															
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		SR-Finans		Other*		Total			
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014		
Net interest income	532	478	483	467	37	21	2	2	127	108	85	52	1.266	1.128		
Net commission and other income	368	489	162	159	18	20	217	228	-11	-9	53	37	807	924		
Net return on investment securities	6	4	18	20	20	41	0	0	-1	0	262	455	305	520		
Operating expenses	269	264	109	98	46	33	189	194	29	27	424	390	1.066	1.006		
Operating profit before losses	637	707	554	548	29	49	30	36	86	72	-24	154	1.312	1.566		
Change in individual write-downs in the period	5	2	77	102	0	0	0	0	11	-1	0	0	93	103		
Change in group write-downs in the period	2	5	37	-12	0	0	0	0	0	-1	0	0	39	-8		
<b>Operating profit before tax</b>	<b>630</b>	<b>700</b>	<b>439</b>	<b>458</b>	<b>29</b>	<b>49</b>	<b>30</b>	<b>36</b>	<b>75</b>	<b>74</b>	<b>-23</b>	<b>154</b>	<b>1.180</b>	<b>1.471</b>		
Gross loans to customers excl. covered bond companies	84.280	76.958	55.961	49.078	628	513	0	0	6.956	6.484	2.421	2.303	150.245	135.335		
Deposits from customers	47.883	45.207	37.997	32.596	3.082	2.265	0	0	0	0	1.826	1.660	90.788	81.728		

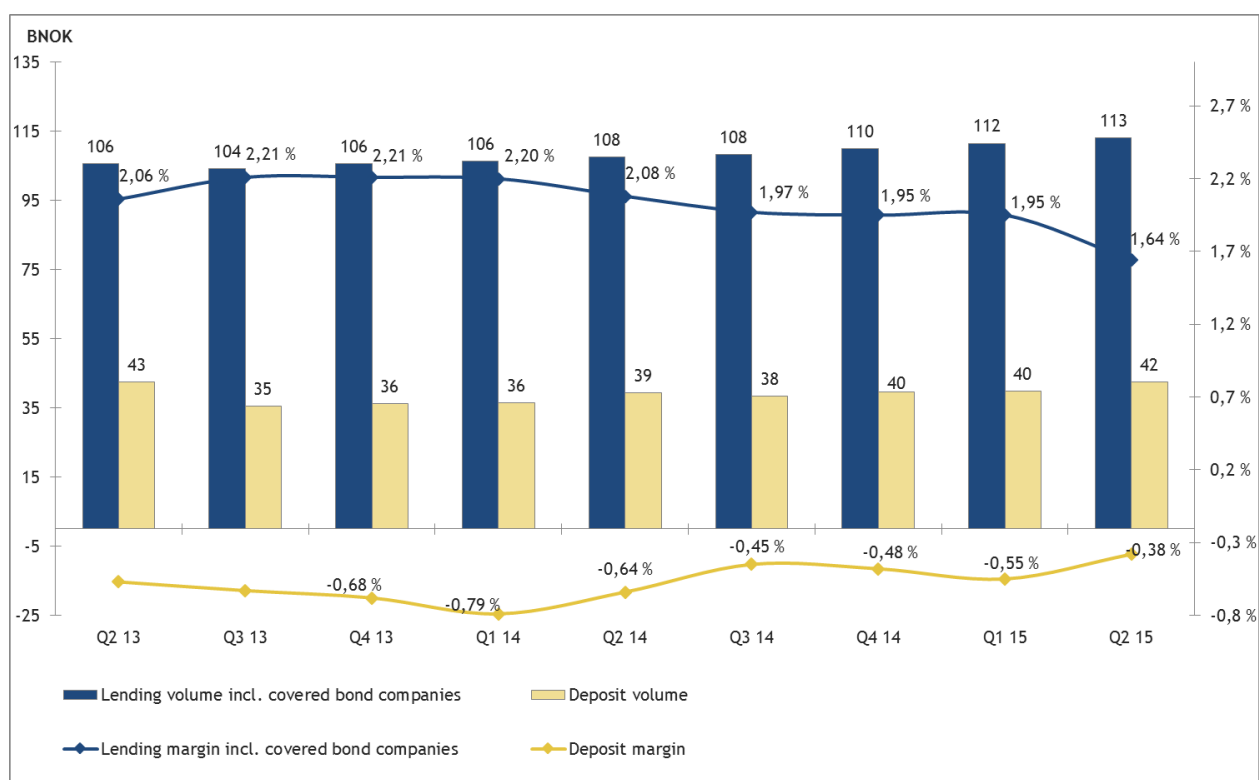
\* Includes SR-Forvaltning and SR-Investering

## 3.2 Retail Market<sup>2</sup>

### Financial performance in the retail market segment

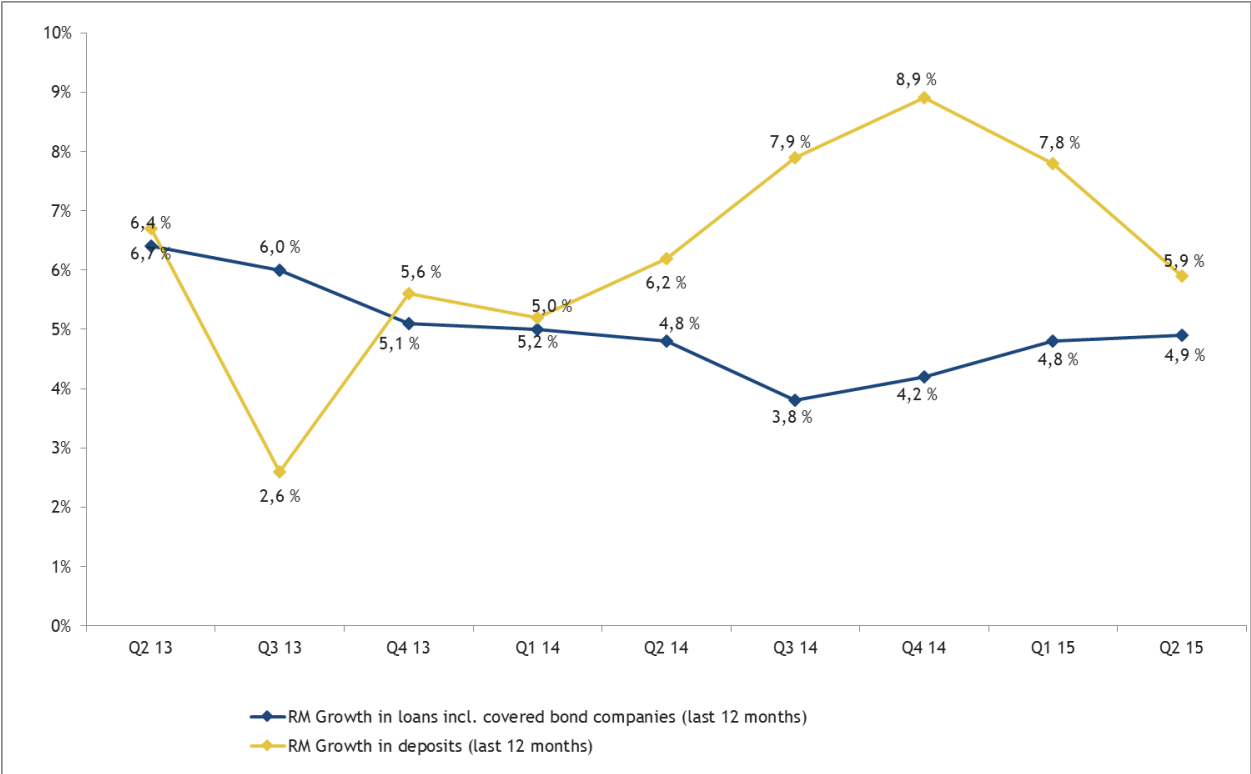
MNOK	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Net interest income	260	272	284	283	260	532	478
Net other income	176	198	198	215	225	374	493
Total income	436	470	482	498	485	906	971
Total operating expenses	117	152	169	149	116	269	264
Operating profit before losses	319	318	313	349	369	637	707
Change in individual write-downs in the period	6	-1	4	9	3	5	2
Change in group write-downs in the period	2	0	1	0	5	2	5
Operating profit before tax	311	319	308	340	361	630	700

### Development in average volume and interest margin



<sup>2</sup> Interest on intercompany receivables for the retail market division and the corporate market division is determined based on expected observable market interest rates (NIBOR) plus expected additional costs in connection with the group's long term financing (credit premium). Deviations between the group's actual financing costs and the applied interest on intercompany receivables are eliminated at the group level. In the year to date, the group's real financing cost has been higher than the interest on intercompany receivables, principally due to the falling NIBOR.

Growth in loans and deposits

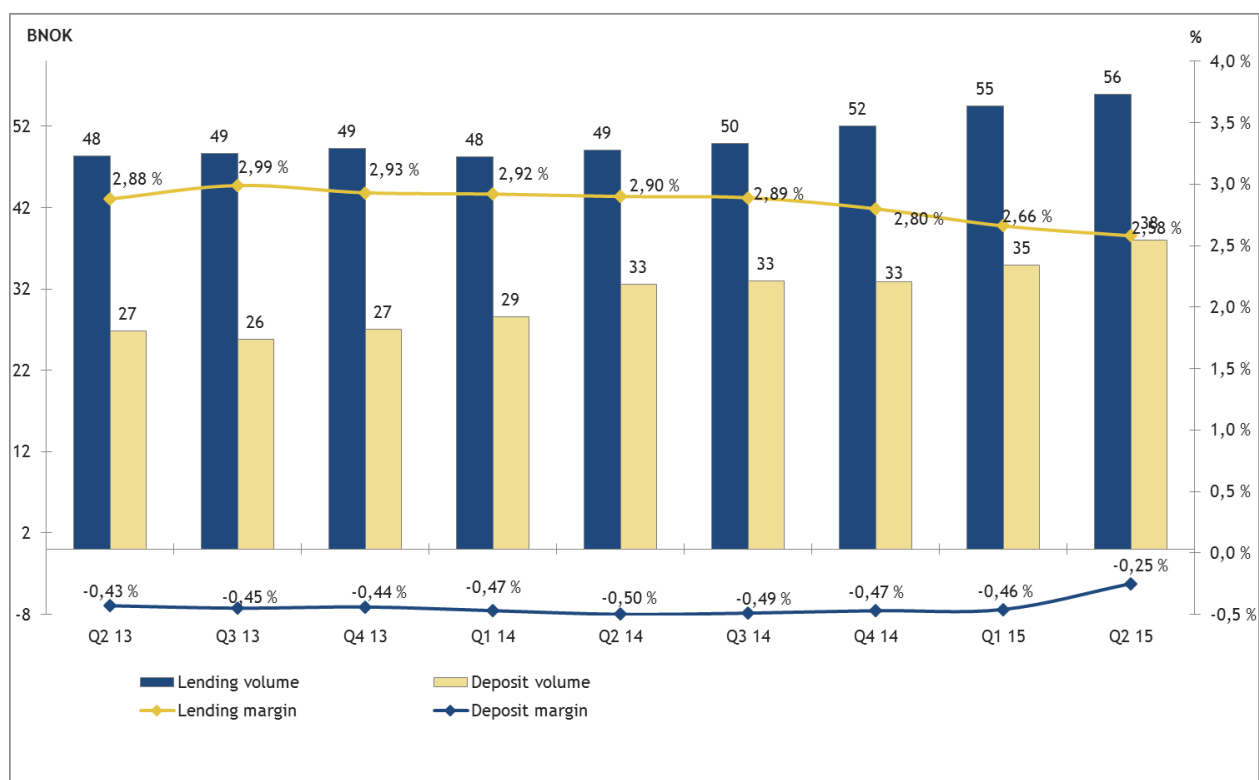


### 3.3 Corporate Market

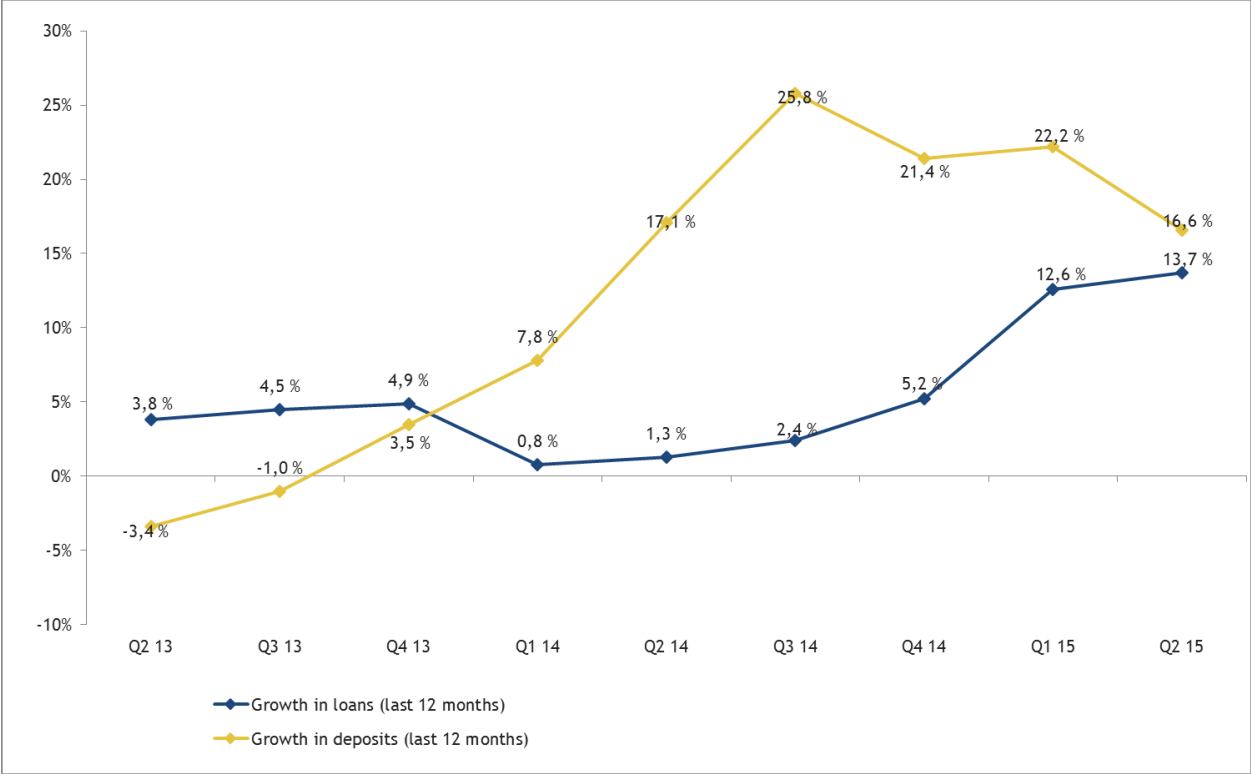
#### Financial performance in the corporate market segment

MNOK	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Net interest income	246	237	251	246	236	483	467
Net other income	89	91	96	68	84	180	179
Total income	335	328	347	314	320	663	646
Total operating expenses	44	65	71	56	41	109	98
Operating profit before losses	291	263	276	258	279	554	548
Change in individual write-downs in the period	16	61	24	38	48	77	102
Change in group write-downs in the period	17	20	57	18	-12	37	-12
Operating profit before tax	258	182	195	202	243	439	458

#### Development in average volume and interest margin



Growth in loans and deposits



### 3.4 Capital Market

The securities activities are organised under the SR-Markets brand and include own account and customer trading in interest rate instruments, foreign exchange and equities, and corporate finance services, as well as settlement and administrative securities services. Management is organised in a separate subsidiary, SR-Forvaltning AS.

#### Financial performance in the capital market segment

<i>MNOK</i>	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Net interest income	16	21	19	14	10	37	21
Net other operating income	21	17	-36	12	33	38	61
Total income	37	38	-17	26	43	75	82
Total operating expenses	24	22	19	20	14	46	33
Operating profit before losses	13	16	-36	6	29	29	49
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	13	16	-36	6	29	29	49

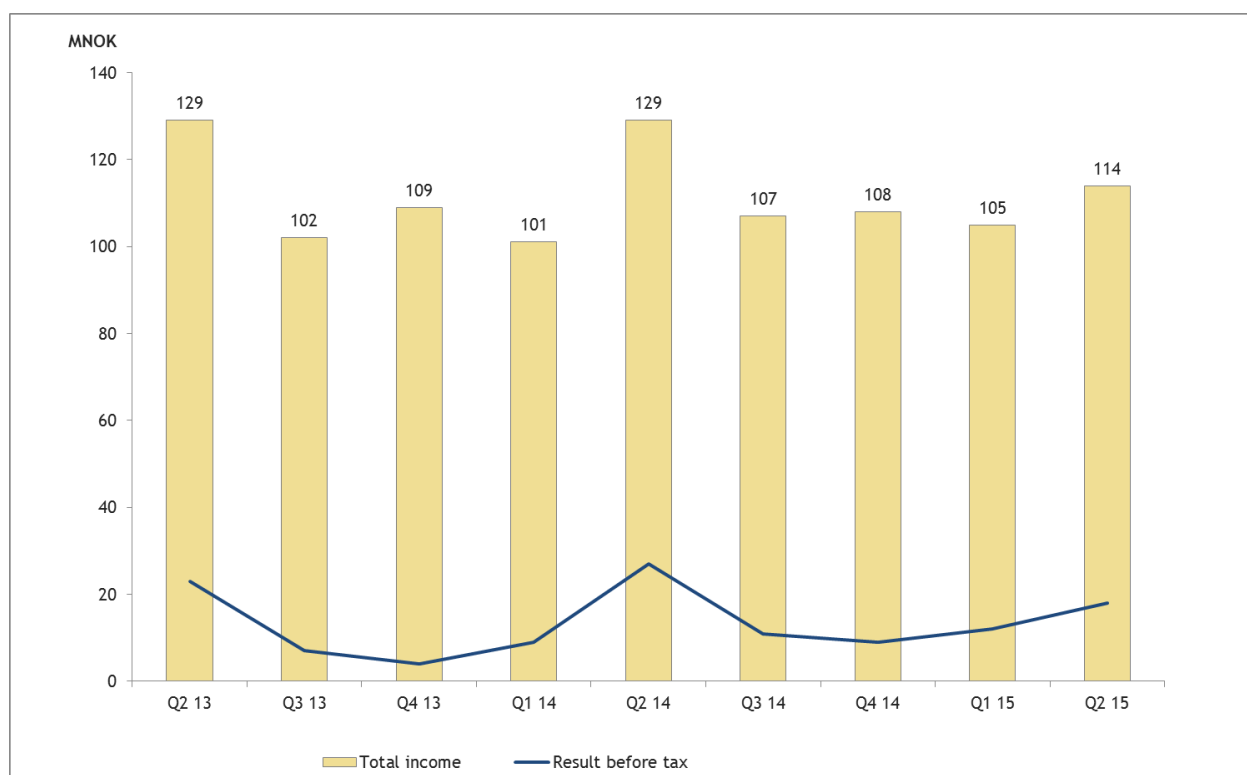
## 3.5 Subsidiaries

### *EiendomsMegler 1 SR-Eiendom AS*

EiendomsMegler 1 SR-Eiendom AS, which is fully owned by SpareBank 1 SR-Bank, is our region's market leader and the largest company in the nationwide EiendomsMegler 1 chain. This chain is the largest chain of real estate agents in Norway. As at 30 June 2015, the company sold 3723 properties from its 30 real estate offices in Rogaland, Agder and Hordaland. The activities cover commercial real estate, holiday homes, housing rental and new-builds and used homes.

### Financial performance

	Q2	Q1	Q4	Q3	Q2	30.06	30.06
MNOK	2015	2015	2014	2014	2014	2015	2014
Interest income	1	1	1	2	1	2	2
Other income	113	104	107	105	128	217	228
Total income	114	105	108	107	129	219	230
Total operating expenses	96	93	99	96	102	189	194
Operating profit before losses	18	12	9	11	27	30	36
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	18	12	9	11	27	30	36



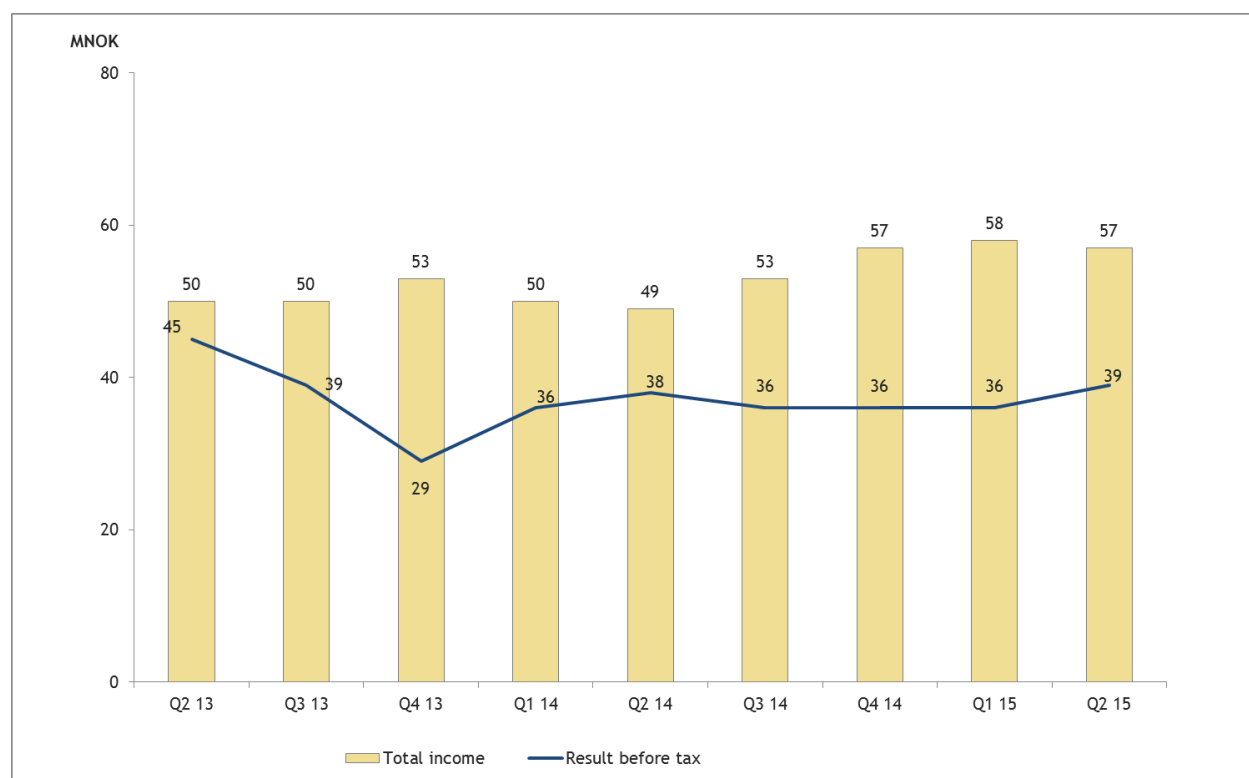


## SpareBank 1 SR-Finans AS

SpareBank 1 SR-Finans AS is the leading leasing company in Rogaland with approximately NOK 7.0 billion in total assets. The company's principal activities are lease financing for corporate customers and secured car loans for retail customers.

### Financial performance

MNOK	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Interest income	63	64	61	57	54	127	108
Other income	-6	-6	-4	-4	-5	-12	-9
Total income	57	58	57	53	49	115	99
Total operating expenses	15	14	14	13	14	29	27
Operating profit before losses	42	44	43	40	35	86	72
Change in individual write-downs in the period	3	8	3	1	0	11	-1
Change in group write-downs in the period	0	0	4	3	-3	0	-1
Operating profit before tax	39	36	36	36	38	75	74

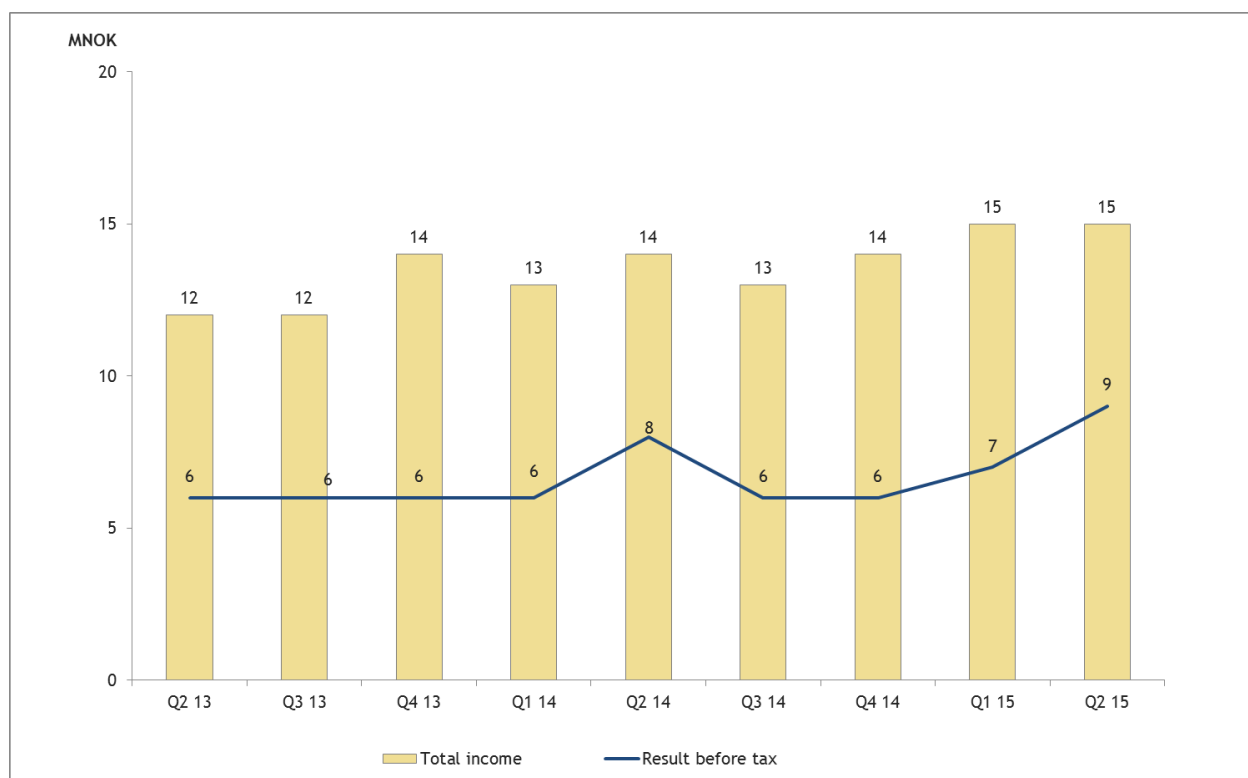


## SR-Forvaltning AS

SR-Forvaltning AS is a securities firm with a licence to provide asset management services. The company's objective is to be a local alternative with a high level of expertise in financial management. The company manages portfolios for SpareBank 1 SR-Bank and SpareBank 1 SR-Bank's pension fund, in addition to portfolios for about 2,500 external customers. The external customer base is made up of pension funds, public and private enterprises and affluent private individuals. Total assets amount to approximately NOK 9 billion as at 30.06.2015. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

MNOK	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Interest income	0	0	0	0	0	0	0
Other income	15	15	14	13	14	30	27
Total income	15	15	14	13	14	30	27
Total operating expenses	6	8	8	7	6	14	13
Operating profit before losses	9	7	6	6	8	16	14
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	9	7	6	6	8	16	14



## SR-Investering AS

The company's objective is to contribute to long-term value creation, through investment in business in the group's market segment. The company invests primarily in private equity funds and small and medium-sized companies that need capital to develop and grow further. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

MNOK	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	30.06 2015	30.06 2014
Interest income	0	0	1	0	0	0	0
Other income	-11	0	-11	0	-1	-11	12
Total income	-11	0	-10	0	-1	-11	12
Total operating expenses	0	0	1	0	0	0	0
Operating profit before losses	-11	0	-11	0	-1	-11	12
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	-11	0	-11	0	-1	-11	12

