

From Untouched Nature  
to Tourist Magnet.

## Interim Financial Statements Q3 2015

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## Key figures SpareBank 1 SR-Bank Group

MAIN FIGURES	01.01.15 - 30.09.15		01.01.14 - 30.09.14		2014	
	MNOK	%	MNOK	%		
Net interest income	1.915	1,42	1.749	1,43	2.404	1,45
Net commission and other income	1.160	0,86	1.327	1,08	1.732	1,04
Net income on financial investments	317	0,24	662	0,54	778	0,47
<b>Total income</b>	<b>3.392</b>	<b>2,52</b>	<b>3.738</b>	<b>3,05</b>	<b>4.914</b>	<b>2,96</b>
<b>Total operating costs</b>	<b>1.495</b>	<b>1,11</b>	<b>1.526</b>	<b>1,25</b>	<b>2.056</b>	<b>1,24</b>
<b>Operating profit before impairment losses</b>	<b>1.897</b>	<b>1,41</b>	<b>2.212</b>	<b>1,81</b>	<b>2.858</b>	<b>1,72</b>
Impairment losses on loans and guarantees	228	0,17	164	0,13	257	0,15
<b>Pre-tax profit</b>	<b>1.669</b>	<b>1,24</b>	<b>2.048</b>	<b>1,67</b>	<b>2.601</b>	<b>1,57</b>
Tax expense	365	0,27	401	0,33	506	0,30
<b>Profit after tax</b>	<b>1.304</b>	<b>0,97</b>	<b>1.647</b>	<b>1,34</b>	<b>2.095</b>	<b>1,26</b>
	<b>30.09.15</b>		<b>30.09.14</b>		<b>2014</b>	
<b>PROFITABILITY</b>						
Return on equity <sup>1)</sup>	10,9 %		15,0 %		14,2 %	
Cost ratio <sup>2)</sup>	44,1 %		40,8 %		41,8 %	
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,42 %		1,43 %		1,45 %	
<b>BALANCE SHEET</b>						
Gross loans to customers	151.911		137.343		141.620	
Gross loans to customers including SB1 Boligkreditt og Næringskreditt	182.940		170.270		174.492	
Growth in loans <sup>4)</sup>	10,6 %		17,7 %		17,7 %	
Growth in loans incl SB1 Boligkreditt and Næringskreditt	7,4 %		3,5 %		4,7 %	
Deposits from customers	88.980		81.228		81.489	
Deposit-to-loan ratio	58,6 %		59,1 %		57,5 %	
Growth in deposits	9,5 %		14,9 %		13,7 %	
Total assets	191.500		168.310		174.926	
Average total assets	179.823		163.782		166.017	
<b>LOSSES AND NON-PERFORMING COMMITMENTS</b>						
Impairment losses ratio, annualized <sup>5)</sup>	0,21 %		0,17 %		0,20 %	
Non-performing commitments as a percentage of gross loans	0,23 %		0,38 %		0,30 %	
Other doubtful commitments as a percentage of gross loans	0,45 %		0,39 %		0,36 %	
<b>SOLIDITY</b>						
Common equity Tier 1 capital ratio	12,2 %		11,3 %		11,5 %	
Tier 1 capital ratio	13,1 %		13,1 %		12,3 %	
Capital ratio	15,2 %		15,4 %		14,5 %	
Tier 1 capital	16.063		15.304		14.828	
Risk weighted balance	122.380		117.278		120.189	
Leverage ratio	5,9 %				6,1 %	
<b>BRANCHES AND STAFF</b>						
Number of branches	50		48		50	
Number of employees (annualised)	1.150		1.117		1.106	
<b>SpareBank 1 SR-Bank share</b>	<b>30.09.15</b>	<b>31.12.14</b>	<b>31.12.13</b>	<b>31.12.12</b>	<b>31.12.11</b>	
Market price	42,40	52,50	60,25	37,20	40,70	
Market capitalisation	10.844	13.427	15.409	9.514	5.182	
Book equity per share(including dividends) (group)	64,02	60,28	55,00	49,48	48,75	
Earnings per share, NOK	5,10	8,20	7,28	5,33	5,42	
Dividends per share	n.a.	2,00	1,60	1,50	1,50	
Price / Earnings per share	6,24	6,40	8,28	6,98	7,51	
Price / Book equity (group)	0,66	0,87	1,10	0,75	0,83	
Effective return <sup>6)</sup>	-15,4 %	-10,2 %	66,0 %	-4,9 %	-23,8 %	

<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 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> Percentage change in the market price in the last period, including paid share dividend

## Stable operating income, good cost control and low losses

### Q3 2015

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- Pre-tax profit: NOK 489 million (NOK 577 million)
  - Net profit for the period: NOK 377 million (NOK 454 million)
  - Return on equity after tax: 9.3% (12.2%)
  - Earnings per share: NOK 1.47 (NOK 1.78)
  - Net interest income: NOK 649 million (NOK 621 million)
  - Net commissions and other operating income: NOK 353 million (NOK 403 million)
  - Net income from financial investments: NOK 12 million (NOK 142 million)
  - Operating costs: NOK 429 million (NOK 520 million)
  - Impairment losses on loans: NOK 96 million (NOK 69 million)
- (Figures for Q3 2014 are shown in parentheses)*

### As at 30 September 2015

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- Pre-tax profit: NOK 1,669 million (NOK 2,048 million)
  - Net profit for the period: NOK 1,304 million (NOK 1,647 million)
  - Return on equity after tax: 10.9% (15.0%)
  - Earnings per share: NOK 5.10 (NOK 6.45)
  - Net interest income: NOK 1,915 million (NOK 1,749 million)
  - Net commissions and other operating income: NOK 1,160 million (NOK 1,327 million)
  - Net income from financial investments: NOK 317 million (NOK 662 million)
  - Operating costs: NOK 1,495 million (NOK 1,526 million)
  - Impairment losses on loans: NOK 228 million (NOK 164 million)
  - Total lending growth over last 12 months: 7.4% (3.5%)
  - Growth in deposits over last 12 months: 9.5% (14.9%)
  - Common equity Tier 1 capital ratio: 12.2% (11.3%)
  - Tier 1 capital ratio: 13.1% (13.1%)
- (As at 30 September 2014 in brackets)*

### Financial performance - Q3 2015

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The group's pre-tax profit was NOK 489 million (NOK 577 million), NOK 63 million lower than in the second quarter of 2015. The return on equity after tax for the quarter was 9.3% (12.2%) compared with 10.8% in the second quarter of 2015. The reduction in profit from the second quarter of 2015 was partly due to a NOK 82 million reduction in income from financial assets and a NOK 52 million increase in impairment losses on loans. The effect of these items was counteracted by the non-recurring effect of a NOK 63 million reduction in pension costs, as well as lower ordinary operating costs. The results from underlying operations were stable and solid.

Net interest income totalled NOK 649 million (NOK 621 million) compared with NOK 639 million in the second quarter of 2015. The average interest margin (net

interest income as a percentage of average total assets) was 1.39% in the third quarter of 2015 (1.48%) compared with 1.44% in the second quarter of 2015. The lower average interest margin in the last quarter was primarily attributable to an increase in average total assets due to a higher financial instruments balance. The higher net interest income in the last quarter was due to one extra interest day, increased deposit margins in both the retail and the corporate markets, and continued reduced funding costs. Interest rates for loans in the retail market division were lowered across the board by up to 0.35 percentage points with effect from 4 August 2015, while deposit interest rates in the retail market divisions were reduced by an average of 0.30 percentage points with effect from 20 August 2015.



Net commissions and other operating income was NOK 353 million (NOK 403 million) compared with NOK 399 million in the second quarter of 2015. Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt amounted to NOK 55 million (NOK 93 million), NOK 11 million lower than in the second quarter of 2015. Income from estate agency dropped by almost NOK 30 million compared with the second quarter of 2015 due to reduced activity in the housing market in the Stavanger region in the third quarter of 2015.

Net income from financial investments was NOK 12 million (NOK 142 million) compared with NOK 94 million in the second quarter of 2015. Income from ownership interests decreased by NOK 23 million compared with the previous quarter, in part due to the provisions for restructuring costs related to the corporate market portfolio in BN Bank in the third quarter of 2015. Dividend receipts were NOK 7 million lower than in the second quarter of 2015. The continuing weak securities market also contributed to capital losses on financial instruments increasing by NOK 52 million in the third quarter of 2015.

Operating costs totalled NOK 429 million (NOK 520 million), a reduction of NOK 107 million compared with the second quarter of 2015. The reduction in operating costs compared with the second quarter of 2015 is primarily attributable to the NOK 79 million reduction in personnel costs. Pension costs were reduced by NOK 63 million compared with the same quarter of last year due to the non-recurring effect (curtailment) resulting from all of the employees still in a defined benefit scheme being transferred to a defined contribution scheme from 1 January 2016. Other operating costs were reduced by NOK 28 million compared with the second quarter of 2015. The level of costs in several areas is generally low and a large proportion of this reduction is due in part to lower operating costs in EiendomsMegler 1 due to a lower level of activity in the third quarter of 2015.

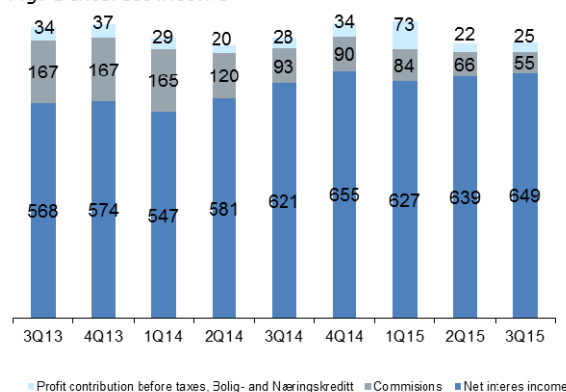
Impairment losses on loans amounted to NOK 96 million (NOK 69 million) compared with NOK 44 million in the second quarter of 2015. NOK 50 million of this was due to collective impairment losses in the third quarter of 2015. The higher collective impairment losses in the third quarter were primarily attributable to increased risk due to low oil prices and an unstable market.

## Financial performance as at 30 September 2015

### Net interest income

As at 30 September 2015, the group's net interest income amounted to NOK 1,915 million (NOK 1,749 million). Net interest income must be viewed in the context of commissions and profit contributions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Commissions from these companies amounted to NOK 205 million as at 30 September 2015 (NOK 378 million), whilst profit contributions before tax amounted to NOK 120 million (NOK 77 million). The increase in profit contributions was primarily attributable to SpareBank 1 Boligkreditt, which, as at 30 September 2015, had recognised as income for the company a total of NOK 380 million from the positive effects of basis swaps linked to borrowing. Net interest income, commissions, and profit contributions before tax had increased by a total of NOK 36 million as at 30 September 2015 compared with the corresponding period last year.

Fig. 1 Interest income



The average interest margin was 1.42% as at 30 September 2015, compared with 1.43% as at 30 September 2014.

### Net commissions and other operating income

As at 30 September 2015, net commissions and other operating income totalled NOK 1,160 million (NOK 1,327 million). NOK 173 million of the NOK 167 million year-on-year reduction is attributable to lower commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The reduction was due to the group buying back NOK 15.3 billion in loans from the mortgage companies in 2014 and the year-to-date. Other commissions increased by 0.6% from the corresponding period last year. The growth primarily came from guarantee commissions, insurance income, and management fees.

Income from estate agency dropped by NOK 32 million compared with 30 September 2014 due to the weak housing market in the Stavanger region, especially in the third quarter of 2015.

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

As at 30 September 2015, net income from financial investments was NOK 317 million (NOK 662 million). The capital losses on securities amounted to NOK 137 million (capital gains of NOK 222 million) and were primarily attributable to capital losses of NOK 195 million in the interest portfolio, which were counteracted by positive effects totalling NOK 64 million from hedging instruments. 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. The portfolio of equities and equity certificates experienced capital losses of NOK 6 million (capital gains of NOK 208 million, inclusive of the Nets effect of NOK 202 million).

The capital gains from interest and currency trading amounted to NOK 126 million (NOK 37 million). NOK 82 million (NOK 2 million) of this was due to the positive effects of basis swaps linked to borrowing, NOK 37 million of which had been realised as at 30 September 2015.

Dividends amounted to NOK 16 million (NOK 35 million), while income from ownership interests decreased by NOK 56 million compared with the same period last year to NOK 312 million.

Table 1, The share of net profit

The share of net profit after tax	30.09.15	30.09.14
SpareBank 1 Gruppen AS	183	258
SpareBank 1 Boligkreditt AS	70	32
SpareBank 1 Næringskreditt AS	18	24
BN Bank ASA	22	56
SpareBank 1 Kredittkort AS	15	-1
Other	4	-1
<b>Total income from ownership interests</b>	<b>312</b>	<b>368</b>

The profit contribution after tax from SpareBank 1 Gruppen fell by NOK 75 million compared with the same period last year and this was primarily due to higher compensation payouts for natural disasters and lower profit prior years in the P&C insurance company, as well as lower financial income.

The profit contribution after tax from SpareBank 1 Boligkreditt increased by NOK 38 million compared with the same period last year and this was due to SpareBank 1 Boligkreditt recognising the positive

effects of basis swaps linked to borrowing, as at 30 September 2015, totalling NOK 380 million for the company. The group's share of this was NOK 76 million (20.1% stake).

The profit contribution after tax from BN Bank decreased by NOK 34 million compared with the same period last year. Part of the reduction was due to an extra provision of almost NOK 38 million made in the third quarter of 2015 relating to restructuring costs in the corporate market portfolio. The group's share of these restructuring costs was NOK 9 million (23.5% stake).

### **Operating costs**

The group's operating costs totalled NOK 1,495 million as at 30 September 2015. This represents a reduction of NOK 31 million (-2.0%) compared with the same period last year. Personnel costs were reduced by NOK 63 million (-7.0%) to NOK 831 million, whilst other costs increased by NOK 32 million (5.1%) to NOK 664 million.

The reduction in personnel costs was primarily attributable to a NOK 63 million reduction in pension costs due to a non-recurring reduction in costs (curtailment) resulting from all of the employees still in a defined benefit scheme being transferred to a defined contribution scheme from 1 January 2016. In addition to this, bonus provisions were reduced by NOK 29 million as at 30 September compared with the same period last year.

Other costs in the group increased by NOK 32 million. Corrected for a NOK 14.6 million write-down of goodwill linked to EiendomsMegler 1 Forvaltning AS in the third quarter of 2014 and increased costs in the year-to-date linked to the group's Regnskapshuset venture, other costs increased by NOK 39 million (6.4%). A large proportion of this increase was due to ICT costs and costs associated with developing international cash management in the corporate market division, as well as further development of the automated response management system and customer care model that allow us to offer customers ever more relevant and timely advice.

The group's normalised total growth in costs for continued business amounted to NOK 16 million (1.1%). The group's cost growth is under control and it is constantly increasing efficiency in order to keep costs at a satisfactorily low level.

The group's cost/income ratio, costs measured as a percentage of income, was 44.1% (40.8%) as at 30 September 2015. As at 30 September 2014, the financial statements included income of NOK 202 million linked to the write-up of the shares in Nets Holding AS. Adjusted for this income, the cost/income ratio as at 30 September 2014 was 43.2%.

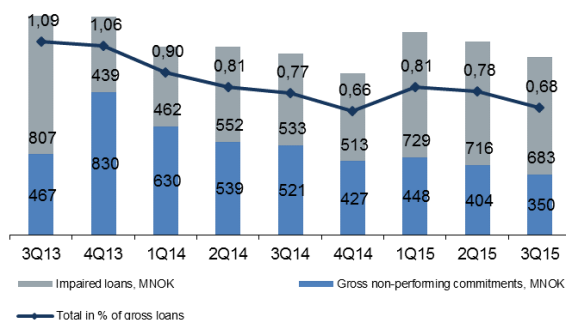
### Impairment losses on loans and non-performance

As at 30 September 2015, the group had recognised net impairment losses on loans totalling NOK 228 million (NOK 164 million). This corresponds to impairments as a percentage of gross loans of 0.21% (0.17%). Continued low oil prices and an assessment of the development of future local and national economic conditions provided a basis for increasing collective impairment losses and collective impairment losses on loans had been increased by NOK 89 million as at 30 September 2015.

Closely monitoring customers and preventive work are important tools for maintaining this good credit quality, and contribute to the continued moderate impairment losses on loans.

Gross non-performing commitments aggregated NOK 350 million (NOK 521 million) at the end of the third quarter of 2015. This corresponds to 0.23% (0.38%) of gross loans. The portfolio of impaired (not non-performing) loans totalled NOK 683 million (NOK 533 million). This corresponded to 0.45% (0.39%) of gross loans. Total non-performing and impaired loans at the end of the third quarter of 2015 came to NOK 1,033 million (NOK 1,054 million). In terms of gross loans, this represents a reduction over the last 12 months from 0.77% to 0.68%.

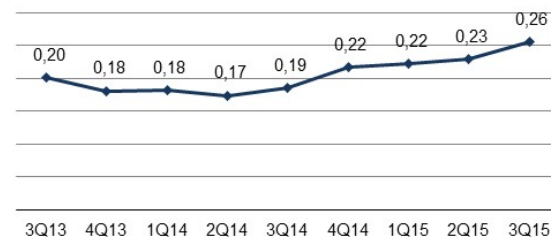
Fig 2. Impaired loans and gross non-performing commitments



The loan loss provision ratios, measured as individual write-downs as a percentage of non-performing and impaired loans, was 23% (25%) and 42% (41%) at

the end of the third quarter of 2015. In the last 12 months, collective impairment losses have increased by a total of NOK 152 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 0.26% at the end of the third quarter of 2015 (0.19%).

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

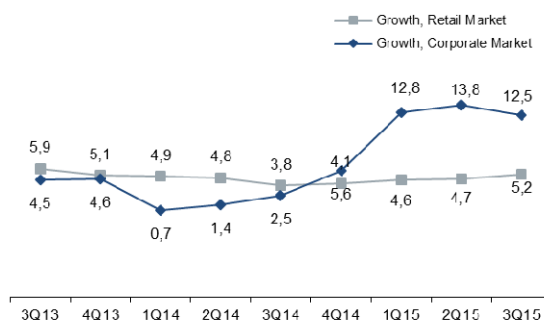


### Loans to and deposits from customers

Gross loans at the end of the third quarter of 2015 amounted to NOK 151.9 billion (NOK 137.3 billion). Including loans totalling NOK 31.0 billion (NOK 32.9 billion) sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, gross loans amounted to NOK 182.9 billion (NOK 170.3 billion) at the end of the third quarter of 2015. Gross lending growth over the last 12 months was 7.4% (3.5%). The effect of exchange rate fluctuations accounted for NOK 2.3 billion (1.4%) of the NOK 12.7 billion growth in gross loans over the last 12 months.

Loans to the retail market accounted for 62.6% (63.6%) of total loans (inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) at the end of the third quarter of 2015.

Fig. 4 12 month lending growth (%)



The group's total loan exposure of NOK 182.9 billion included a majority of commitments with a probability of default of less than 0.5%. These commitments represented 58% of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These accounted for around 68% of loan exposure and approximately 98% of customers. 19.2% of the total loan exposure was to customers who had loans in excess of NOK 100 million. All of the commitments involving loan exposure of more than NOK 100 million are corporate market commitments and the credit quality in this portfolio was better than in the rest of the corporate market portfolio.

Deposits from customers rose by 9.5% (14.9%) over the last 12 months to NOK 89.0 billion (NOK 81.2 billion). Deposits from the corporate market and public sector comprised 53.2% (51.4%) of the group's customer deposits as at 30 September 2015.

In addition to good growth in ordinary customer deposits, the group also increased the capital under management in alternative investment products to NOK 17.9 billion (NOK 15.3 billion) as at 30 September 2015. This management is primarily performed by SR-Forvaltning AS and ODIN Forvaltning AS.

At the end of the third quarter of 2015, the deposit-to-loan ratio was 58.6% (59.1%). The group has continued its policy of having a high proportion of long-term funding in the last year, and the Financial Supervisory Authority of Norway's Funding Indicator 1 (ratio of illiquid assets financed by debt with a duration of more than 1 year) is 111.9% for the parent bank and 110.9% on a consolidated basis.

### **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), corporate market, capital market and subsidiaries of significant importance.

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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

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

The retail market division's contribution before impairment losses on loans amounted to NOK 933 million as at 30 September 2015. The result was NOK 124 million lower than last year due to lower net interest income. Commissions continued to grow, particularly within insurance.

The division's costs increased by 1.7% compared with the corresponding period last year. The number of employees in the division has been reduced through continuous restructuring. The division expects continued low cost growth going forward.

The 12-month lending growth figure as at 30 September 2015 was 5.4%, while deposits grew by 6.2%. The proportion of non-performing loans over 30 days was 0.3% of total loans and impairment losses on loans are still low.

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 portfolio in SpareBank 1 Boligkreditt) within a loan-to-collateral value ratio of 85% amounted to 90.3% (91.5%) at the end of the third quarter of 2015. The IRB risk weightings for home mortgages reflect the solid, stable portfolio. The risk weightings increased slightly in the first quarter due to the Financial Supervisory Authority of Norway's stricter rules for home mortgage models.

The development of the housing market has been varied in the market area: Growth in Bergen, slight fall in Stavanger and weak growth in Kristiansand. The unemployment rate was still low but rising in Rogaland.

As at 30 September 2015, the division had experienced good growth in the number of customers and use of digital channels. Both the customers' use of digital channels and the group's sales via digital channels continue to grow.

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

The corporate market division's contribution before impairment losses on loans was NOK 846 million as at 30 September 2015, NOK 40 million higher than at the same time last year.

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



Over the last 12 months, the division's lending has increased by 12.2%. The increase in volume due to exchange rate fluctuations amounted to NOK 1.6 billion. Adjusting for this, the 12-month growth would have been 10%. The growth occurred in both the existing customer base and through the inflow of new customers, especially in focus areas in Hordaland. The division has not lost any key customers in the last 12 months. Lending in the year-to-date has increased by 7.9%, or 5.9% corrected for changes in exchange rates. Lower growth is expected in the fourth quarter. The division has strengthened its focus on deposits and has in the last 12 months enjoyed 11.7% growth here.

The quality of the corporate market portfolio is considered to be good. The average probability of default has developed positively over time, largely due to the stronger risk profile of the existing customer base. The proportion of commitments with a probability of default of less than 2.5% was 78.2% (75.1%) of the portfolio at the end of the third quarter of 2015. The property sector portfolio represents the group's largest concentration in a single sector and accounted for 15.1% (15.9%) 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 114 million were recognised, compared with NOK 140 million in individual impairment losses in the corresponding period last year. The division's ordinary pre-tax profit (after losses) was NOK 13 million lower than in the corresponding period last year.

Balanced, profitable volume growth, good customer relations, and a well-developed range of products are priority areas for the division, as is closely monitoring the development of risk in the portfolio.

#### ***Capital market division<sup>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 result before tax was NOK -8 million as at 30 September 2015, NOK 63 million lower

than in the corresponding period last year. The income generated is recognised as income in the business areas to which the customers are assigned, primarily the corporate market division.

Prior to the allocation of customer income to other business areas, SR-Bank Markets had achieved operating income of NOK 82 million as at 30 September 2015. This represents a decrease of NOK 67 million from the same period in 2014 and is primarily attributable to a drop in the value of the bank's bond portfolio, as well as less income from interest and currency instruments. The pre-tax profit before the allocation of customer income amounted to NOK 17 million as at 30 September 2015, a reduction of NOK 78 million compared with the corresponding period last year.

The bulk of this income came from customer trading in fixed income and foreign exchange instruments. The value of the bank's trading portfolio dropped significantly in the third quarter of 2015. Income from sales of equities and bonds has been relatively stable.

#### **Subsidiaries and associated companies**

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

As at 30 September 2015, the company had achieved a pre-tax profit of NOK 27.0 million (NOK 46.6 million). The significant drop in the profit reflects the weak housing market in the Stavanger region in the last quarter.

1,484 properties were brokered in the third quarter of 2015 (1,817 contracts). 5,207 properties have been brokered in the year-to-date with a combined value of NOK 16 billion. The supply of new assignments is satisfactory given the market situation, but overall it is around 10% lower than in the corresponding period last year.

There have been and still are, significant differences in the regional markets, both with respect to price and turnover times. The housing market in Bergen was very good, with turnover times of 20 days and price rises of 8.4% over the last 12 months. The housing market in the Stavanger region has in the last quarter been impacted by downsizing and a fall in the level of activity within the oil industry. Prices have fallen 2.8%

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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 the last 12 months and the downwards trend is expected to last for the remainder of the year. The turnover time for used housing is now almost 60 days. The housing market in Kristiansand has been significantly energised in the last 12 months after many years of stagnation. This good development has continued and prices have risen by around 5.1% in the last 12 months. The turnover time is now 45 days.

The overall market saw growth in both Hordaland and Agder, but the opposite was the case in Rogaland. Significantly fewer homes were sold here in the third quarter than in the corresponding period last year.

The supply of new homes is good, but turnover figures have been lower than wished for. The new homes market is sensitive to economic cycles and the situation in oil-oriented activities is having a negative impact on sales of new homes, especially in the Stavanger region. The market for new homes is expected to remain difficult in the coming period.

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 very 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 continued good activity in the housing market in both Agder and Hordaland, but here too there is some uncertainty concerning developments since both of these counties are home to significant activities within the oil sector. The housing market in Rogaland is already being impacted by weak price growth and the poorer development of the overall market. This trend is expected to continue for the remainder of the year.

#### ***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.

The company achieved a profit before losses of NOK 134.0 million as at 30 September 2015 (NOK 112.1 million). The improvement in the result is primarily attributable to higher net interest income due to both a higher lending volume and higher interest margin

compared with the same period of last year. Net losses at the end of 30 September 2015 amounted to NOK 14.9 million and are still considered to be low. The pre-tax profit was NOK 119.1 million as at 30 September 2015 (NOK 110.2 million).

Net lending has increased by 4.0% in the last 12 months and at the end of the third quarter of 2015 it amounted to NOK 6,902 million (NOK 6,637 million). 5,726 new contracts have been established in the year-to-date (5,254 contracts) with a total volume of NOK 1,820 million (NOK 1,945 million). The market is highly competitive and new leasing sales are expected to fall slightly.

So far this year, the business sector in the company's market area has been characterised by falls in oil prices, cost cutting and downsizing. Because of this, lower growth is expected within lease financing for the corporate market going forward. Continued growth is expected in car loans for retail customers.

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

The company was established in the first quarter of 2015 in connection with the purchase of the Rogaland's branch of SpareBank 1 Regnskapshuset Østlandet AS, which comprised three accounting offices in Stavanger, Sandnes and Ålgård. At the end of the second quarter of 2015 SpareBank 1 Regnskapshuset SR AS purchased ODB Regnskap AS in Sotra and thereby gained a solid foothold in the Bergen region as well. At the end of the third quarter of 2015, the company had a total of 48 employees.

The accounting firm venture enables the group to satisfy customers' total needs better by being able to offer customers in the region accounting services and advice. The company has drawn up an aggressive growth strategy for the coming 3-year period. This will be realised through both organic growth and further acquisitions. The company will focus on developing new advice services and will, by developing its expertise well and utilising relationships and its network, become Southern and Western Norway's leading actor in the sector. The establishment of the company was well received in the market.

As at 30 September 2015, SpareBank 1 Regnskapshuset AS had achieved a pre-tax profit of NOK 2.2 million, which is in line with the expectations set out for the company at the beginning of its first year.

### **SR-Boligkreditt AS**

SR-Boligkreditt AS 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 AS its best rating, Aaa.

The company issued its first bond in June 2015 and it has, as at the end of the third quarter of 2015, two outstanding benchmarks in the Norwegian market worth a combined NOK 4.6 billion and one international benchmark worth EUR 500 million. SR-Boligkreditt AS has purchased loans equivalent to NOK 9.3 billion from SpareBank 1 SR-Bank.

### **SpareBank 1 Gruppen AS**

SpareBank 1 Gruppen AS is a holding company that develops and delivers common IT/mobile solutions, brands and marketing concepts, business concepts, products and services, expertise, analyses, processes, best practice solutions and purchases for the banks in the SpareBank 1 Alliance. Its subsidiaries produce, deliver and distribute SpareBank 1 Gruppen products within P&C insurance, life insurance, fund management, factoring, debt collection and long-term monitoring.

SpareBank 1 Gruppen achieved a net profit of NOK 1,224 million as at 30 September 2015 (NOK 1,753 million). The lower profit in the year-to-date was primarily due to higher compensation payouts for natural disasters and lower profit prior years in the P&C insurance company, as well as lower financial income.

SpareBank 1 SR-Bank's stake in SpareBank 1 Gruppen at the end of the third quarter of 2015 was unchanged at 19.5%.

### **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's total lending volume at the end of the third quarter of 2015 amounted to NOK 166.2 billion, NOK 30.5 billion (NOK 32.3 billion) of which were home mortgages bought from SpareBank 1 SR-Bank. The bank owned a 20.1% stake in the company. This is normally updated at the end of each year in line with the volume sold.

SpareBank 1 Næringskreditt's total lending volume at the end of the third quarter of 2015 amounted to NOK 15.3 billion, NOK 0.5 billion (NOK 0.6 billion) of which were loans bought from SpareBank 1 SR-Bank. The bank owned a 26.8% stake in the company.

### **Funding**

SpareBank 1 SR-Bank's access to market funding has been very good. The risk premium the bank pays above the money market rate for senior unsecured debt increased during the third quarter. This has not affected SpareBank 1 SR-Bank's funding costs since the bank has been able to use markets that have not experienced the same negative development. The bank's wholly owned home mortgage company was established in March of this year and has issued covered bonds worth a combined NOK 9.3 billion since it started operations.

SpareBank 1 SR-Bank had good liquidity at the end of the third quarter of 2015 and believes it will continue to have good access to long-term funding at competitive prices. The group strives to achieve an even maturity structure for funding and believes it is important to have good relations with Norwegian and international investors and banks. The liquidity buffer<sup>3</sup> amounted to NOK 24.1 billion at the end of the third quarter of 2015. NOK 6.7 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 21.4 billion in home mortgages ready for covered bond funding.

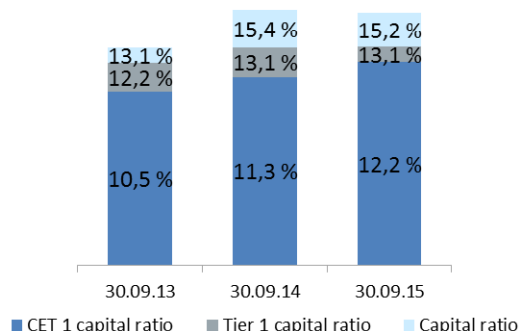
### **Capital adequacy**

At the end of the third quarter of 2015, the common equity Tier 1 capital ratio was 12.2%, up from 11.3% at the same time last year. The Tier 1 capital ratio was 13.1% (13.1%), while the total capital ratio was 15.2%.

<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.

Fig. 5 Capital adequacy



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

The common equity Tier 1 capital ratio requirement including countercyclical capital buffer is 11.0% and the capital ratio requirement is 14.5%. SpareBank 1 SR-Bank therefore fulfils the requirements by a good margin.

There is a countercyclical capital buffer requirement in Norway in the range of 0-2.5% in the form of common equity Tier 1 capital. On 18 June 2015, on the advice of Norges Bank, the Ministry of Finance set the buffer at 1 percentage point from 30 June 2015. At the same time, the Ministry of Finance decided to increase the buffer requirement to 1.5 percentage points from 30 June 2016. The formal requirement for common equity Tier 1 capital will then be 11.5% for non-systemically important financial institutions and 13.5% for systemically important financial institutions.

On 12 May 2014, the Ministry of Finance issued regulations concerning systemically important financial institutions (SIFI). Institutions with total assets of at least 10% of Mainland Norway's GDP, or at least a 5% share of the market for loans, will be covered by this definition. Upon implementation, DNB, Nordea Bank Norway and Kommunalbanken Norway were defined as systemically important. The three SIFI banks will thus be subject to a special capital buffer requirement from 1 July 2015. From 1 July 2016, when the new capital requirements have been fully implemented, the systemically important institutions must satisfy a minimum requirement for their common equity Tier 1 capital ratio of 12%, while the minimum requirement for other institutions will be 10%. The countercyclical capital buffer comes on top of this. SpareBank 1 SR-Bank is close to the SIFI requirement

concerning market share and takes account of this in its capital planning.

In February 2015, SpareBank 1 SR-Bank received permission to use Advanced IRB to calculate regulatory capital requirements for credit risk for the corporate market. Based on this permission the bank uses internal models for calculating the necessary requirements for compulsory savings. This in turn means that the regulatory capital requirements will better suit the actual credit risk the bank is bearing in its overall loan portfolio.

The Financial Supervisory Authority of Norway will set an individual Pillar 2 premium for Norwegian banks in 2016. The Pillar 2 premium is intended to ensure that the banks have adequate capital to cover the risk associated with operations, including risks not covered by the regulatory minimum requirement. The Pillar 2 premium will be implemented as an addition to the regulatory minimum requirement and include buffers for the individual banks. The Financial Supervisory Authority of Norway has yet to communicate the size of the Pillar 2 premium for SpareBank 1 SR-Bank.

#### The bank's shares

The bank's share price (SRBANK) was NOK 42.40 at the end of the third quarter of 2015. This was a decrease of 18.8% from the end of the second quarter of 2015. The main Oslo Stock Exchange index fell by 7.5% in the same period. 5.1% (3.0%) of outstanding SRBANK shares were traded in the third quarter of 2015.

There were 10,083 (10,621) shareholders of SRBANK at the end of the third quarter of 2015. The proportion owned by foreign companies and individuals was 18.3%, whilst 49.4% were owned by residents of Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned a combined 63.8% of the shares. The bank holds 25,398 treasury shares, while group employees owned 1.8%.

The table below shows the 20 largest shareholders as at 30 September 2015:

Table 2, 20 largest shareholders

	Number of shares (1,000)	%
Sparebankstiftelsen SR-Bank	72.419	28,3 %
Gjensidige Forsikring ASA	26.808	10,5 %
State Street Bank and Trust Co, U.S.A.	10.031	3,9 %
Vpf Nordea Norge Verdi	6.591	2,6 %
SpareBank 1-stiftinga Kvinnherad	6.227	2,4 %
Wimoh Invest AS	5.761	2,3 %
Odin Norge	5.020	2,0 %
Pareto Aksje Norge	4.156	1,6 %
MSCO Equity Firm Account, U.S.A.	3.361	1,3 %
State Street Bank and Trust Co, U.S.A.	2.930	1,1 %
Danske Invest Norske Instit. II	2.834	1,1 %
Clipper AS	2.565	1,0 %
The Bank of New York Mellon, U.S.A.	2.292	0,9 %
State Street Bank and Trust Co, U.S.A.	2.274	0,9 %
State Street Bank and Trust Co, U.S.A.	1.887	0,7 %
Danske Invest Norske Aksjer Inst.	1.675	0,7 %
Vpf Nordea Kapital	1.653	0,6 %
Vpf Nordea Avkastning	1.630	0,6 %
Westco	1.578	0,6 %
The Northern Trust Co, U.K.	1.572	0,6 %
<b>Total 20 largest</b>	<b>163.265</b>	<b>63,8 %</b>

### **Accounting policies**

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

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

No material events have been registered after 30 September 2015 that affect the interim financial statements as prepared.

### **Future prospects**

Oil prices fell dramatically in the latter half of 2014 and the low prices have lasted into 2015. The drop in oil prices has resulted in greater uncertainty, especially in the petroleum sector. Oil investments flattened out in 2014 after having increased by almost 9% annually in each of the preceding 3 years. A reduction of around 15% in relation to 2014 is expected in the petroleum sector in 2015. Both oil companies and the supplier industry are in the process of rationalising operations and reducing costs. The risk of lower growth in the Norwegian economy has consequently increased. There are now signs of lower levels of activity in the Stavanger region in the building and construction sector, as well as in some commodity segments.

The unemployment rate in the Stavanger region was 4.0% at the end of the third quarter of 2015. This is higher than the rate of 2.1% at the same time last year. The unemployment rate is now somewhat higher than the national average, which is 2.9%.

In the last year, the Stavanger region has experienced a weaker house price trend than the rest of the country with a drop in prices of 2.8% compared with the national average of a 6.9% rise in prices. The volume of sales is also dropping and 13.0% fewer homes have been sold in the year-to-date than were in the corresponding period in 2014. This development must be seen in the context of house prices having grown much more in recent years in Stavanger and Rogaland than in the rest of the country. A higher degree of uncertainty about how the economy will develop will contribute to dampening the demand for loans, while lower interest rates have the opposite effect. Non-performance and loan loss provisions are expected to remain moderate in 2015 as well. The board would like to stress that a certain level of uncertainty is associated with assessments of future conditions.

Competition in the banking market is increasing and significantly so with respect to home mortgage customers. The group has, therefore, reduced home mortgage rates on three occasions: up to 0.45 percentage points with effect from 10 March 2015, up to 0.35 percentage points with effect from 4 August and up to 0.20 percentage points with effect from 27 November. The negative effect on the group's interest margin will partly be counteracted by the terms for deposits being adjusted at the same time, as well as falling costs for the group's external funding.

SpareBank 1 SR-Bank is a solid, profitable group, but must, like other banks, continue to strengthen its solidity in line with the authorities' new capital requirements. Because of its good earnings from a business model with good breadth and efficient operations, the group well positioned to implement the necessary build-up of capital, while ensuring strong competitiveness. Due to technological developments, changed customer behaviour and the lower level of activity in the region, the group will implement cost measures that ensure competitiveness. The group will focus on strict capital management to achieve a goal of common equity tier 1 capital of 14% by the end of 2016. This also entails lower lending growth and a greater focus on pricing risk. The level of dividends will remain moderate in 2015 and 2016.

Stavanger, 28 October 2015

The Board of Directors of SpareBank 1 SR-Bank ASA



## Income statement

Parent bank					Note	Group				
2014	Q3 2014	Q3 2015	01.01.14 - 30.09.14	01.01.15 - 30.09.15		01.01.15 - 30.09.15	01.01.14 - 30.09.14	Q3 2015	Q3 2014	2014
<b>Income statement (MNOK)</b>										
5.918	1.513	1.333	4.388	4.114		4.344	4.549	1.431	1.568	6.137
3.736	951	763	2.804	2.411		2.429	2.800	782	947	3.733
2.182	562	570	1.584	1.703		1.915	1.749	649	621	2.404
1.319	304	270	1.008	855		1.217	1.381	372	421	1.804
73	18	19	55	54		61	59	21	20	78
6	2	1	5	4		4	5	2	2	6
1.252	288	252	958	805		1.160	1.327	353	403	1.732
24	3	1	24	15		16	35	1	10	36
473	0	0	443	530		312	368	78	150	506
125	-10	-63	180	-34	13	-11	259	-67	-18	236
622	-7	-62	647	511		317	662	12	142	778
4.056	843	760	3.189	3.019		3.392	3.738	1.014	1.166	4.914
900	230	153	674	613	14	831	894	221	307	1.202
412	100	98	298	308		355	340	114	114	468
244	55	61	180	207		309	292	94	99	386
1.556	385	312	1.152	1.128		1.495	1.526	429	520	2.056
2.500	458	448	2.037	1.891		1.897	2.212	585	646	2.858
248	65	92	162	213	2, 3 and 4	228	164	96	69	257
2.252	393	356	1.875	1.678	12	1.669	2.048	489	577	2.601
446	110	98	352	316		365	401	112	123	506
1.806	283	258	1.523	1.362		1.304	1.647	377	454	2.095
<b>Other comprehensive income</b>										
-415	-74	-11	-266	164		172	-278	-13	-74	-444
112	20	3	72	-44		-47	75	3	20	120
0	0	0	0	0		0	0	0	0	0
-303	-54	-8	-194	120		125	-203	-10	-54	-324
0	0	0	0	0		30	16	5	4	5
0	0	0	0	0		31	16	6	4	5
-303	-54	-8	-194	120		156	-187	-4	-50	-319
1.503	229	250	1.329	1.482		1.460	1.460	373	404	1.776
<b>Earnings per share (group)</b>						5,10	6,45	1,47	1,78	8,20

\* From and including 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.

## Balance sheet

Parent bank			Note	Group		
31.12.14	30.09.14	30.09.15		30.09.15	30.09.14	31.12.14
			<b>Balance sheet (MNOK)</b>			
1.847	336	2.923	Cash and balances with central banks	2.923	336	1.847
8.117	7.971	8.709	Balances with credit institutions	2.843	2.216	2.222
134.158	130.212	134.840	Loans to customers	3, 8 151.078	136.685	140.920
15.248	16.789	21.268	Certificates, bonds and other fixed-income securities	20.484	16.802	15.261
7.344	4.027	7.106	Financial derivatives	10 7.099	4.023	7.340
477	466	370	Shares, ownership stakes and other securities	17 516	623	626
22	65	136	Business available for sale	136	65	22
3.250	3.242	3.333	Investment in associates	4.839	4.601	4.727
1.226	1.099	1.955	Investment in subsidiaries	0	0	0
1.605	2.539	1.179	Other assets	5 1.582	2.959	1.961
173.294	166.746	<b>181.819</b>	<b>Total assets</b>	12 <b>191.500</b>	168.310	174.926
6.145	5.496	6.671	Balances with credit institutions	6.129	5.493	6.139
81.723	81.436	89.156	Deposits from customers	7 88.980	81.228	81.489
63.253	56.009	61.883	Listed debt securities	11 70.444	56.009	63.253
3.317	3.146	3.242	Financial derivatives	10 3.224	3.146	3.317
2.095	2.927	3.082	Other liabilities	6 3.346	3.195	2.361
2.964	4.109	3.006	Subordinated loan capital	11 3.006	4.109	2.964
159.497	153.123	<b>167.040</b>	<b>Total liabilities</b>	<b>175.129</b>	153.180	159.523
6.394	6.394	6.394	Share capital	6.394	6.394	6.394
1.587	1.587	1.587	Premium reserve	1.587	1.587	1.587
512	0	0	Proposed dividend	0	0	512
59	162	59	Fund for unrealised gains	59	162	59
5.245	3.957	5.377	Other equity	7.027	5.340	6.851
0	1.523	1.362	Profit/loss at period end	1.304	1.647	0
13.797	13.623	<b>14.779</b>	<b>Total equity</b>	<b>16.371</b>	15.130	15.403
173.294	166.746	<b>181.819</b>	<b>Total liabilities and equity</b>	12 <b>191.500</b>	168.310	174.926

## Statement of changes in equity

SpareBank 1 SR-Bank Group (Amounts in NOK million)	Share-capital	Premium reserve	Other equity	Reserve for unrealised gains	Total equity
Equity as of 31.12.2013	6.394	1.587	5.913	162	14.056
Profit after tax			2.198	-103	2.095
Unrecognised actuarial gains and losses after tax			-324		-324
Share of profit associated companies and joint ventures			5		5
Total items not reclassified through profit or loss			1.879	-103	1.776
Adjusted equity accosiates			-19		-19
Dividend 2013, resolved in 2014			-409		-409
Purchase/sale of own shares			-1		-1
Items reclassified through profit or loss	0	0	-410	0	-410
<b>Equity as of 31.12.2014</b>	<b>6.394</b>	<b>1.587</b>	<b>7.363</b>	<b>59</b>	<b>15.403</b>
Profit after tax			1.304		1.304
Unrecognised actuarial gains and losses after tax			125		125
Share of profit associated companies and joint ventures			31		31
Total items not reclassified through profit or loss			1.460	0	1.460
Adjusted equity accosiates			8		8
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 30.09.2015</b>	<b>6.394</b>	<b>1.587</b>	<b>8.331</b>	<b>59</b>	<b>16.371</b>

## Cash flow statement

Parent bank			Cash flow statement	Group		
2014	01.01.14 - 30.09.14	01.01.15 - 30.09.15		01.01.15 - 30.09.15	01.01.14 - 30.09.14	2014
-20.812	-16.806	-819	Change in gross lending to customers	-10.243	-17.098	-21.347
5.214	3.858	3.698	Interest receipts from lending to customers	4.030	4.118	5.570
9.883	9.596	7.433	Change in deposits from customers	7.491	9.561	9.822
-1.760	-310	-262	Interest payments on deposits from customers	-272	-295	-1.734
-4.602	-5.471	-1.188	Change in receivables and debt from credit institutions	-891	-5.121	-4.129
-256	-174	-270	Interest on receivables and debt to financial institutions	-364	-309	-438
5.804	4.263	-6.020	Change in certificates and bonds	-5.223	4.263	5.804
480	368	270	Interest receipts from commercial paper and bonds	270	368	480
2.075	1.341	768	Commission receipts	1.126	1.709	2.557
267	292	-40	Capital gains from sale of trading	-40	292	267
-1.537	-1.090	-1.103	Payments for operations	-1.501	-1.432	-2.084
-280	-280	-102	Taxes paid	-206	-355	-377
1.487	-41	3.013	Other accruals	2.715	-141	1.563
-4.037	-4.454	5.378	<b>A Net change in liquidity from operations</b>	<b>-3.108</b>	<b>-4.440</b>	<b>-4.046</b>
-70	-39	-91	Investments in tangible fixed assets	-127	-49	-81
47	47	0	Receipts from sale of tangible fixed assets	0	47	47
-456	-270	-655	Change in long-term investments in equities	-660	-284	-466
870	785	2	Receipts from sales of long-term investments in equities	2	794	884
497	467	545	Dividends from long-term investments in equities	546	478	509
888	990	-199	<b>B Net cash flow, investments</b>	<b>-239</b>	<b>986</b>	<b>893</b>
15.659	13.068	3.468	Debt raised by issuance of securities	12.005	13.068	15.659
-8.292	-8.650	-7.246	Repayments - issued securities	-7.246	-8.650	-8.292
-1.058	-894	-878	Interest payments on securities issued	-899	-894	-1.058
44	44	0	Additional subordinated loan capital issued	0	44	44
-1.115	0	0	Repayments - additional capital instruments	0	0	-1.115
-222	-114	-57	Interest payments on subordinated loans	-57	-114	-222
0	0	0	Issue shares	0	0	0
-409	-409	-512	Dividend to share holders	-512	-409	-409
4.607	3.045	-5.225	<b>C Net cash flow, financing</b>	<b>3.291</b>	<b>3.045</b>	<b>4.607</b>
1.458	-419	-46	<b>A+B+C Net cash flow during the period</b>	<b>-56</b>	<b>-409</b>	<b>1.454</b>
1.526	1.526	2.984	Cash and cash equivalents as at 1 January	2.996	1.542	1.542
2.984	1.107	2.938	Cash and cash equivalents as at 31 March	2.940	1.133	2.996
			<b>Cash and cash equivalents specified</b>			
1.847	336	2.923	Cash and balances with central banks	2.923	336	1.847
1.137	771	15	Balances with credit institutions	17	797	1.149
2.984	1.107	2.938	<b>Cash and cash equivalents</b>	<b>2.940</b>	<b>1.133</b>	<b>2.996</b>

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

# *Notes to the financial statements*

*(in MNOK)*

## *Note 1 Accounting policies*

### **1.1 Basis of preparation**

These interim financial statements for SpareBank 1 SR-Bank ASA cover the period 1 January - 30 September 2015. 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 2014.

#### **Effects of applying IFRIC 21 for reporting in the first half of 2015**

IFRIC 21 Levies regulates the recognition of obligations to pay levies that fall within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. 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 should be charged as a cost in its entirety in the first quarter of 2015. The charge for the Norwegian Banks Guarantee Fund is normally based on the average guaranteed deposit and average basis for calculation for previous quarters. The extent to which a withdrawal from the scheme would entail a repayment of any overpaid charge has not been regulated. The practice has been a pro-rata charge upon enrolment. The practice and the principle of equal treatment indicate pro-rata upon disenrollment. The Ministry of Finance will determine this through individual decisions. This is of significance when recognising the charge in the accounts. SpareBank 1 SR-Bank has in the first half continued its previous practice of monthly accrual accounting for the charge, and the cost amounted to NOK 31 million in the first half of 2015. If the charge for the Norwegian Banks Guarantee Fund had been recognised as a cost in its entirety in the first half, this would increase interest costs by NOK 31 million.

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

A number of new standards, amendments to standards and interpretations will be compulsory in future annual financial statements. Among those the group has chosen not to apply early are the two most important standards, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The group is currently assessing the effects of these standards.

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 2014 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		
01.01.14 - 31.12.14	01.01.14 - 30.09.14	01.01.15 - 30.09.15		01.01.15 - 30.09.15	01.01.14 - 30.09.14	01.01.14 - 31.12.14
-103	-83	50	Change in individual impairment losses provisions for the period	46	-100	-124
69	11	89	Change in collective impairment loss provisions for the period	89	13	75
11	6	8	Amortised cost	8	6	11
217	181	59	Actual loan losses on commitments for which provisions have been made	66	188	228
60	50	11	Actual loan losses on commitments for which no provision has been made	26	61	74
0	0	0	Change in assets taken over for the period	0	0	0
-6	-3	-4	Recoveries on commitments previously written-off	-7	-4	-7
248	162	213	<b>The period's net losses / (reversals) on loans and advances</b>	<b>228</b>	<b>164</b>	<b>257</b>

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

Parent bank				Group		
31.12.14	30.09.14	30.09.15		30.09.15	30.09.14	31.12.14
405	405	302	Provisions for Individual impairment losses at start of period	322	446	446
42	28	26	Increases in previous provisions for individual impairment losses	26	29	42
-35	-28	-58	Reversal of provisions from previous periods	-61	-47	-54
109	97	145	New provisions for individual impairment losses	152	105	118
-2	1	-4	Amortised cost	-5	1	-2
-217	-181	-59	Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-66	-188	-228
302	322	352	<b>Provisions for Individual impairment losses at period end</b>	<b>368</b>	<b>346</b>	<b>322</b>
277	231	70	<b>Net losses</b>	<b>92</b>	<b>249</b>	<b>302</b>

**Note 4**      *Non-performing and impaired loans*

Parent bank				Group		
31.12.14	30.09.14	30.09.15		30.09.15	30.09.14	31.12.14
			<b>Non-performing loans and advances</b>			
395	483	318	Gross non-performing loans above 90 days	350	521	427
91	127	78	Provisions for Individual impairment losses	82	129	93
304	356	240	<b>Net non-performing loans and advances</b>	<b>268</b>	<b>392</b>	<b>334</b>
23 %	26 %	25 %	<b>Loan loss provision ratio</b>	<b>23 %</b>	<b>25 %</b>	<b>22 %</b>
			<b>Other problem commitments</b>			
481	491	668	Problem commitments	683	533	513
211	195	274	Provisions for Individual impairment losses	286	217	229
270	296	394	<b>Net other problem commitments</b>	<b>397</b>	<b>316</b>	<b>284</b>
44 %	40 %	41 %	<b>Loan loss provision ratio</b>	<b>42 %</b>	<b>41 %</b>	<b>45 %</b>

**Note 5**      *Other assets*

Parent bank				Group		
31.12.14	30.09.14	30.09.15		30.09.15	30.09.14	31.12.14
0	0	3	Intangible assets	61	25	20
295	280	327	Tangible fixed assets	392	313	327
29	440	18	Income earned but not received from SpareBank 1 Bolig- and Næringskredit	18	440	29
16	46	60	Prepaid expences	62	49	17
35	35	35	Capital contribution SR-Pensjonskasse	35	35	35
1.053	1.683	672	Unsettled trades	672	1.683	1.053
177	55	64	Other assets	342	414	480
1.605	2.539	1.179	<b>Total other assets</b>	<b>1.582</b>	<b>2.959</b>	<b>1.961</b>

*Note 6 Other liabilities*

Parent bank				Group		
31.12.14	30.09.14	30.09.15		30.09.15	30.09.14	31.12.14
264	323	230	Accrued expenses and prepaid revenue	323	419	363
855	556	826	Deferred tax	868	565	821
625	480	398	Pension liabilities	437	512	674
1	3	2	Other specified provisions	2	3	1
102	346	316	Taxes payable	367	447	206
0	907	1.025	Unsettled trades	1.025	907	0
248	312	285	Other liabilities	324	342	296
<b>2.095</b>	<b>2.927</b>	<b>3.082</b>	<b>Total other liabilities</b>	<b>3.346</b>	<b>3.195</b>	<b>2.361</b>

*Note 7 Customer deposits by sector and industry*

Parent bank				Group		
31.12.14	30.09.14	30.09.15		30.09.15	30.09.14	31.12.14
1.121	1.151	1.229	Agriculture/forestry	1.229	1.151	1.121
252	285	318	Fishing/Fish farming	318	285	252
2.135	3.054	2.147	Mining/extraction	2.147	3.054	2.135
1.403	1.021	1.060	Industry	1.060	1.021	1.403
2.030	1.777	1.764	Power and water supply/building and construction	1.764	1.777	2.030
2.210	1.937	2.163	Retail trade, hotels and restaurants	2.163	1.937	2.210
1.369	1.119	1.553	Foreign trade shipping, pipeline transport and other transport activities	1.553	1.119	1.369
6.883	6.472	6.936	Real estate	6.936	6.472	6.883
9.730	9.221	12.217	Service industry	12.055	9.014	9.496
15.043	15.958	17.714	Public sector and financial services	17.714	15.958	15.043
<b>42.176</b>	<b>41.995</b>	<b>47.101</b>	<b>Total corporate sector</b>	<b>46.939</b>	<b>41.788</b>	<b>41.942</b>
<b>39.545</b>	<b>38.420</b>	<b>41.239</b>	<b>Retail customers</b>	<b>41.239</b>	<b>38.420</b>	<b>39.545</b>
<b>2</b>	<b>1.021</b>	<b>816</b>	<b>Accrued interests corporate sector and retail customers</b>	<b>802</b>	<b>1.020</b>	<b>2</b>
<b>81.723</b>	<b>81.436</b>	<b>89.156</b>	<b>Deposits from customers</b>	<b>88.980</b>	<b>81.228</b>	<b>81.489</b>

*Note 8 Loans by sector and industry*

Parent bank				Group		
31.12.14	30.09.14	30.09.15		30.09.15	30.09.14	31.12.14
4.225	4.171	4.085	Agriculture/forestry	4.327	4.404	4.458
467	428	674	Fishing/Fish farming	848	558	596
4.210	3.422	4.866	Mining/extraction	5.061	3.550	4.341
1.973	1.882	2.468	Industry	3.117	2.563	2.650
2.681	2.614	2.658	Power and water supply/building and construction	3.540	3.439	3.520
2.174	2.172	2.192	Retail trade, hotels and restaurants	2.587	2.638	2.529
7.642	6.756	9.254	Foreign trade shipping, pipeline transport and other transport activities	9.806	7.348	8.239
27.020	26.861	27.543	Real estate	27.673	27.013	27.163
5.845	5.491	6.250	Service industry	8.256	7.155	7.860
1.686	1.915	1.926	Public sector and financial services	2.105	2.105	1.877
<b>57.923</b>	<b>55.712</b>	<b>61.916</b>	<b>Total corporate sector</b>	<b>67.319</b>	<b>60.773</b>	<b>63.233</b>
<b>76.107</b>	<b>74.473</b>	<b>73.022</b>	<b>Retail customers</b>	<b>83.937</b>	<b>75.975</b>	<b>77.651</b>
<b>423</b>	<b>287</b>	<b>362</b>	<b>Unallocated (excess value fixed interest loans and amort. lending fees)</b>	<b>346</b>	<b>276</b>	<b>411</b>
<b>323</b>	<b>317</b>	<b>295</b>	<b>Accrued interests corporate sector and retail customers</b>	<b>309</b>	<b>319</b>	<b>325</b>
<b>134.776</b>	<b>130.789</b>	<b>135.595</b>	<b>Gross loans</b>	<b>151.911</b>	<b>137.343</b>	<b>141.620</b>
<b>-302</b>	<b>-319</b>	<b>-350</b>	<b>- Individual impairment losses provisions</b>	<b>-366</b>	<b>-343</b>	<b>-322</b>
<b>-316</b>	<b>-258</b>	<b>-405</b>	<b>- Collective impairment losses provisions</b>	<b>-467</b>	<b>-315</b>	<b>-378</b>
<b>134.158</b>	<b>130.212</b>	<b>134.840</b>	<b>Loans to customers</b>	<b>151.078</b>	<b>136.685</b>	<b>140.920</b>

## 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 increasing in the run up to 1 July 2016.

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 Boligkreditl, SpareBank 1 Næringskreditl and BN Bank. A proportionate consolidation is carried out for the group's capital adequacy.

Parent bank				Group		
31.12.14	30.09.14	30.09.15		30.09.15	30.09.14	31.12.14
6.394	6.394	6.394	Share capital	6.394	6.394	6.394
1.587	1.587	1.587	Premium reserve	1.587	1.587	1.587
512	0	0	Allocated to dividend	0	0	512
59	162	59	Reserve for unrealised gains	59	162	59
5.245	3.957	5.377	Other equity	7.027	5.340	6.851
	1.523	1.362	Profit for the period	1.304	1.647	
<b>13.797</b>	<b>13.623</b>	<b>14.779</b>	<b>Total book equity</b>	<b>16.371</b>	<b>15.130</b>	<b>15.403</b>
<b>Tier 1 capital</b>						
0	0	-3	Deferred taxes, goodwill and other intangible assets	-66	-28	-24
0	0	0	Fund for unrealised gains, available for sale	0	0	0
-512	0	0	Deduction for allocated dividends	0	0	-512
-622	-681	-355	Deduction for expected losses on IRB, net of write-downs	-395	-719	-676
	-761	-681	Profit for the period that cannot be included in total Tier 1 capital	-652	-824	
0	0	0	Deduction for common equity Tier 1 capital in essential investments in financial institutions	-251	-252	-326
-35		-42	Value of derivative liabilities at fair value	-59	-42	-48
<b>12.628</b>	<b>12.148</b>	<b>13.698</b>	<b>Total Common equity Tier 1 capital</b>	<b>14.948</b>	<b>13.265</b>	<b>13.817</b>
794	1.821	794	Tier 1 capital instruments	1.115	2.039	1.011
<b>13.422</b>	<b>13.969</b>	<b>14.492</b>	<b>Total Tier 1 capital</b>	<b>16.063</b>	<b>15.304</b>	<b>14.828</b>
<b>Tier 2 capital</b>						
0	0	0	Tier 2 capital - Tier 1 capital instruments in excess of 15%	0	0	0
2.069	2.143	2.004	Term subordinated loan capital	2.632	2.776	2.697
-60		-60	Deduction for essential investments in financial institutions	-60	-43	-60
<b>2.009</b>	<b>2.143</b>	<b>1.944</b>	<b>Total Tier 2 capital</b>	<b>2.572</b>	<b>2.733</b>	<b>2.637</b>
<b>15.431</b>	<b>16.112</b>	<b>16.436</b>	<b>Net primary capital</b>	<b>18.635</b>	<b>18.037</b>	<b>17.465</b>
<b>Credit risk Basel II</b>						
21.786	18.783	16.213	SME exposure	16.213	18.791	21.789
30.354	31.401	21.244	Specialised lending exposure	23.072	33.689	32.685
8.429	8.553	6.484	Other corporations exposure	7.191	8.973	8.789
1.011	1.050	1.004	SME retail exposure	1.140	1.181	1.144
14.468	14.079	19.171	Retail mortgage exposure (properties)	25.291	20.261	20.661
823	827	949	Other retail exposure	986	849	845
6.944	6.519	8.165	Equity investments	0	0	0
<b>83.815</b>	<b>81.212</b>	<b>73.230</b>	<b>Total credit risk IRB</b>	<b>73.893</b>	<b>83.744</b>	<b>85.913</b>

2.086	2.209	2.689	Debt risk	2.566	2.099	1.978
598	670	0	Equity risk	0	670	598
0	0	0	Currency risk	0	0	0
2.994	2.871	3.959	Participations calculated after other market risk	4.385	3.483	3.642
2.786	2.065	2.725	Financial derivatives	3.001	2.442	3.227
524		481	Credit value adjustment risk (CVA)	1.001	1.709	1.127
4.760	4.760	5.295	Operational risk	6.811	6.222	6.220
0	0	0	Transitional scheme	10.048	0	0
5.296	5.652	6.099	Participations calculated using standard method	20.675	16.909	17.484
102.859	99.985	94.478	<b>Risk weighted balance</b>	<b>122.380</b>	<b>117.278</b>	<b>120.189</b>
4.629		4.252	Minimum requirement for common equity Tier 1 capital ratio 4,5 %	5.507		5.409
			Buffer requirement			
2.571		2.362	Capital conservation buffer 2,5 %	3.060		3.005
3.086		2.834	Systemic risk buffer 3 %	3.671		3.606
		945	Countercyclical capital buffer 1 %	1.224		
5.657		6.141	Total buffer requirement to common equity Tier 1 capital ratio	7.955		6.610
2.342		3.305	Available common equity Tier 1 capital ratio after buffer requirement	1.486		1.798
15,00 %	16,11 %	17,40 %	Capital ratio	15,23 %	15,38 %	14,53 %
13,05 %	13,97 %	15,34 %	Tier 1 capital ratio	13,13 %	13,05 %	12,34 %
1,95 %	2,14 %	2,06 %	Tier 2 capital ratio	2,10 %	2,33 %	2,19 %
12,28 %	12,15 %	14,50 %	Common equity Tier 1 capital ratio	12,21 %	11,31 %	11,50 %
15,00 %	16,11 %	17,40 %	Capital ratio, IRB	16,59 %	15,38 %	14,53 %
13,05 %	13,97 %	15,34 %	Tier 1 capital ratio, IRB	14,30 %	13,05 %	12,34 %
12,28 %	12,15 %	14,50 %	Common equity Tier 1 capital ratio, IRB	13,31 %	11,31 %	11,50 %
7,30 %		7,38 %	Leverage Ratio	5,90 %		6,11 %

## Note 10 Financial derivatives

At fair value through profit and loss	Contract amount	Fair value at 30.09.15	
	30.09.15	Assets	Liabilities
<b>Currency instruments</b>			
Currency forward contracts	3.588	271	28
Currency swaps	43.492	1.626	354
Currency options	0	0	0
<b>Total currency instruments</b>	<b>47.080</b>	<b>1.897</b>	<b>382</b>
<b>Interest rate instruments</b>			
Interest rate swaps (including cross-currency)	69.579	2.106	2.369
Other interest rate contracts	2.059	1	1
<b>Total interest rate instruments</b>	<b>71.638</b>	<b>2.107</b>	<b>2.370</b>
<b>Hedging / Interest rate instruments</b>			
Interest rate swaps (including cross currency)	51.956	2.294	111
<b>Total hedging / Interest rate instruments</b>	<b>51.956</b>	<b>2.294</b>	<b>111</b>
<b>Accrued interests</b>			
Accrued interests		801	361
<b>Total accrued interests</b>		<b>801</b>	<b>361</b>
<b>Total currency and interest rate instruments</b>			
Total currency instruments	47.080	1.897	382
Total interest rate instruments	123.594	4.401	2.481
Total accrued interests		801	361
<b>Total financial derivatives</b>	<b>170.674</b>	<b>7.099</b>	<b>3.224</b>

Counterparty risk associated with derivatives is reduced via ISDA agreements and CSA supplements. The CSA supplement regulates the counterparty risk through payments of margins in relation to exposure limits. The contract sum and effect of reinvestment costs covered by offsetting agreements amounted to NOK 147,2 billion and NOK 3,9 billion as of the third quarter of 2015.

*The note is approximately identical for the Parent Bank and the Group*

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

	Balance as at				Balance as at
<b>Debt raised through issuance of securities</b>	<b>30.09.15</b>				<b>31.12.14</b>
Bonds and certificates, nominal val	67.428				59.942
Adjustments	2.298				2.468
Accrued interests	718				843
<b>Total debt raised through issuance of securities</b>	<b>70.444</b>				<b>63.253</b>
		Issued/ sale	Past due/	FX rate- and	
	<b>Balance as at</b>	own	redeemed	other changes	
<b>Change in debt raised through issuance of securities</b>	<b>30.09.15</b>	2015	2015	2015	<b>31.12.14</b>
Bonds and certificates, nominal val	67.428	12.005	-7.246	2.727	59.942
Adjustments	2.298			-170	2.468
Accrued interests	718			-125	843
<b>Total debt raised through issuance of securities</b>	<b>70.444</b>	<b>12.005</b>	<b>-7.246</b>	<b>2.432</b>	<b>63.253</b>
<b>Additional Tier 1 and Tier 2 capital instruments</b>	<b>30.09.15</b>				<b>31.12.14</b>
Term subordinated loan capital, nominal amount	2.070				2.069
Perpetual subordinated loan capital, nominal amount	0				0
Tier 1 capital instruments, nominal amount	794				794
Adjustments	83				89
Accrued interests	59				12
<b>Total additional Tier 1 and Tier 2 capital instruments</b>	<b>3.006</b>				<b>2.964</b>

The nominal value of the net outstanding covered bonds in SR-Boligkreditt is NOK 3,800 million.

	Balance as at	Issued/ sale	Past due/	FX rate- and	
<b>Change in additional Tier 1 and Tier 2 capital instruments</b>	<b>30.09.15</b>	own	redeemed	other changes	<b>31.12.14</b>
		2015	2015	2015	
Term subordinated loan capital, nominal amount	2.070			1	2.069
Perpetual subordinated loan capital, nominal amount	0				0
Tier 1 capital instruments, nominal amount	794				794
Adjustments	83			-6	89
Accrued interests	59			47	12
<b>Total additional Tier 1 and Tier 2 capital instruments</b>	<b>3.006</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>2.964</b>

The note is approximately identical for the Parent Bank and the Group



## Note 12 Segment reporting

Management 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 considerable significance. The Bank's own investment activities are not a separate reportable segment and they appear under the item "Other activities" together with activities that cannot be allocated to the retail market, corporate market, capital market or subsidiaries of considerable significance. Own account trading/support/staff parent bank consists of administration, management, investment services, strategy and ownership, treasury and finance function. 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/support in the parent bank segments. Commission income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are included under "Net commission and other income".

SpareBank 1 SR-Bank Group 01.01.15 - 30.09.15									
Income statement (MNOK)	Retail Market	Corporate Market	Capital Market <sup>1)</sup>	Own account trading/support	Eiendoms-Megler 1	SR-Finans	Other activities	Eliminations	Total
Interest income	1.422	1.241	871	641	3	293	0	-127	4.344
Interest expense	622	470	819	537	0	104	0	-123	2.429
<b>Net interest income <sup>1)</sup></b>	<b>800</b>	<b>771</b>	<b>52</b>	<b>104</b>	<b>3</b>	<b>189</b>	<b>0</b>	<b>-4</b>	<b>1.915</b>
Commission income <sup>1)</sup>	570	251	24	10	301	3	96	-38	1.217
Commission expenses	29	19	4	2	0	19	25	-37	61
Other operating income	0	0	0	4	0	0	0	0	4
<b>Net commission and other income</b>	<b>541</b>	<b>232</b>	<b>20</b>	<b>12</b>	<b>301</b>	<b>-16</b>	<b>71</b>	<b>-1</b>	<b>1.160</b>
Dividend income	3	0	1	11	0	0	1	0	16
Income from investment in associates	0	40	0	490	0	0	0	-218	312
Net gains/losses on financial instruments <sup>1)</sup>	9	-28	-16	-7	0	0	-12	43	-11
<b>Net income on investment securities</b>	<b>12</b>	<b>12</b>	<b>-15</b>	<b>494</b>	<b>0</b>	<b>0</b>	<b>-11</b>	<b>-175</b>	<b>317</b>
Personnel expenses	264	124	49	177	167	22	32	-4	831
Administrative expenses	81	19	9	200	34	7	4	1	355
Other operating expenses	75	26	7	103	76	10	14	-2	309
<b>Total operating expenses</b>	<b>420</b>	<b>169</b>	<b>65</b>	<b>480</b>	<b>277</b>	<b>39</b>	<b>50</b>	<b>-5</b>	<b>1.495</b>
<b>Operating profit before losses</b>	<b>933</b>	<b>846</b>	<b>-8</b>	<b>130</b>	<b>27</b>	<b>134</b>	<b>10</b>	<b>-175</b>	<b>1.897</b>
Change in individual write-downs in the period	10	114	0	0	0	15	0	0	139
Change in group write-downs in the period	4	85	0	0	0	0	0	0	89
<b>Pre-tax profit</b>	<b>919</b>	<b>647</b>	<b>-8</b>	<b>130</b>	<b>27</b>	<b>119</b>	<b>10</b>	<b>-175</b>	<b>1.669</b>
<b>Net interest income <sup>1)</sup></b>									
External net interest income	800	771	52	104	0	293	0	-105	1.915
Internal net interest income	0	0	0	0	3	-104	0	101	0
Net interest income	800	771	52	104	3	189	0	-4	1.915
									0
<b>Balance sheet (MNOK)</b>									0
Loans to customers	85.591	56.187	720	2.441	0	6.981	0	-9	151.911
Individual loss provisions	-65	-284	0	0	0	-17	0	0	-366
Group loss provisions	-44	-361	0	0	0	-62	0	0	-467
Certificates/bonds/financial derivatives	0	0	6.375	15.843	0	1	16	5.348	27.583
Other assets	58	972	245	24.039	185	5	549	-13.214	12.839
<b>Total assets</b>	<b>85.540</b>	<b>56.514</b>	<b>7.340</b>	<b>42.323</b>	<b>185</b>	<b>6.908</b>	<b>565</b>	<b>-7.875</b>	<b>191.500</b>
Deposits from customers	46.917	36.833	4.625	781	0	0	0	-176	88.980
Other debt and equity <sup>2)</sup>	38.623	19.681	2.715	41.542	185	6.908	565	-7.699	102.520
<b>Total debt and equity</b>	<b>85.540</b>	<b>56.514</b>	<b>7.340</b>	<b>42.323</b>	<b>185</b>	<b>6.908</b>	<b>565</b>	<b>-7.875</b>	<b>191.500</b>
<b>Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt</b>	<b>30.483</b>	<b>546</b>							<b>31.029</b>

<sup>1)</sup> The capital market division serves customers throughout the group. Previously, most of the income this division generates was recognised in the division. From the 1 January 2014, the internal income recognition policy was changed and income is now recognised, in its entirety, in the business area to which the customer belongs.

<sup>2)</sup> Other liabilities contain allocated arrangements between the segments.

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.

## SpareBank 1 SR-Bank Group 01.01.13 - 30.09.14

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	1.552	1.218	863	754	4	293	1	-136	4.549
Interest expense	791	505	828	680	0	128	0	-132	2.800
<b>Net interest income <sup>1)</sup></b>	<b>761</b>	<b>713</b>	<b>35</b>	<b>74</b>	<b>4</b>	<b>165</b>	<b>1</b>	<b>-4</b>	<b>1.749</b>
Commission income <sup>1)</sup>	731	250	26	1	333	3	76	-38	1.381
Commission expenses	30	20	3	2	0	16	21	-32	59
Other operating income	0	0	0	4	0	0	1	-1	5
<b>Net commission and other income</b>	<b>701</b>	<b>230</b>	<b>23</b>	<b>3</b>	<b>333</b>	<b>-13</b>	<b>56</b>	<b>-7</b>	<b>1.327</b>
Dividend income	0	0	3	21	0	0	11	0	35
Income from investment in associates	0	0	0	443	0	0	0	-75	368
Net gains/losses on financial instruments <sup>1)</sup>	7	17	48	109	0	0	0	78	259
<b>Net income on investment securities</b>	<b>7</b>	<b>17</b>	<b>51</b>	<b>573</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>4</b>	<b>662</b>
Personnel expenses	261	122	41	251	179	24	22	-5	894
Administrative expenses	81	16	10	192	32	6	4	-1	340
Other operating expenses	71	17	3	89	80	9	15	9	292
<b>Total operating expenses</b>	<b>413</b>	<b>155</b>	<b>54</b>	<b>531</b>	<b>290</b>	<b>40</b>	<b>41</b>	<b>3</b>	<b>1.526</b>
<b>Operating profit before losses</b>	<b>1.057</b>	<b>806</b>	<b>55</b>	<b>119</b>	<b>47</b>	<b>112</b>	<b>27</b>	<b>-11</b>	<b>2.212</b>
Change in individual write-downs in the period	11	140	0	0	0	0	0	0	151
Change in group write-downs in the period	5	6	0	0	0	2	0	0	13
<b>Pre-tax profit</b>	<b>1.041</b>	<b>660</b>	<b>55</b>	<b>119</b>	<b>47</b>	<b>110</b>	<b>27</b>	<b>-11</b>	<b>2.048</b>
<b>Net interest income <sup>1)</sup></b>									
External net interest income	761	713	35	74	0	293	1	-128	1.749
Internal net interest income	0	0	0	0	4	-128	0	124	0
Net interest income	761	713	35	74	4	165	1	-4	1.749
<b>Balance sheet (MNOK)</b>									
Loans to customers	77.924	49.931	521	2.413	0	6.719	0	-165	137.343
Individual loss provisions	-58	-261	0	0	0	-24	0	0	-343
Group loss provisions	-39	-219	0	0	0	-57	0	0	-315
Certificates/bonds/financial derivatives	0	0	3.409	17.407	0	0	13	-4	20.825
Other assets	63	763	3.917	10.975	230	19	401	-5.567	10.800
<b>Total assets</b>	<b>77.890</b>	<b>50.214</b>	<b>7.848</b>	<b>30.795</b>	<b>230</b>	<b>6.657</b>	<b>414</b>	<b>-5.736</b>	<b>168.310</b>
Deposits from customers	44.192	32.977	1.741	2.525	0	0	0	-208	81.228
Other debt and equity <sup>2)</sup>	33.697	17.237	6.107	28.270	230	6.657	414	-5.528	87.082
<b>Total debt and equity</b>	<b>77.890</b>	<b>50.214</b>	<b>7.848</b>	<b>30.795</b>	<b>230</b>	<b>6.657</b>	<b>414</b>	<b>-5.736</b>	<b>168.310</b>
Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	32.298	629							32.927



## 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.

The 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 2014 annual financial statements.

SpareBank 1 SR-Bank ASA has also concluded an agreement concerning the sale of loans with good security and collateral in real estate from SpareBank 1 SR-Bank ASA to SR-Boligkreditt AS. Such loans are derecognised from the parent bank's balance sheet, but are recognised in the consolidated 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 was 3.4 years at the end of the third quarter of 2015. LCR was 16% at the end of the third quarter of 2015, and the average LCR was 125% in the third quarter of 2015.

## 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) for the asset or liability.

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

Fair value 30.09.15	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Net lending to customers			10.934	10.934
Commercial paper and bonds at fair value	11.599	8.885		20.484
Financial derivatives		7.099		7.099
Equities, units and other equity interests	205	20	289	514
Operations that will be sold			136	136
<b>Liabilities</b>				
Financial derivatives		3.224		3.224

No transfers between levels 1 and 2

Fair value 30.09.14	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Net lending to customers			10.232	10.232
Commercial paper and bonds at fair value	9.590	7.212		16.802
Financial derivatives		4.023		4.023
Equities, units and other equity interests	197	130	293	620
Operations that will be sold			65	65
<b>Liabilities</b>				
Financial derivatives		3.146		3.146

No transfers between levels 1 and 2

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

Group	Loans to customers	Shares, ownership stakes and other securities	Business available for sale
Balance 01.01	9.994	288	22
Additions	4.000	5	100
Disposals	-2.998		
Transferred from or to measurement according to prices in an active market or observable market data			
Change in value <sup>1)</sup>	-62	-4	14
<b>Balance 30.09</b>	<b>10.934</b>	<b>289</b>	<b>136</b>
Nominal value/cost price	10.481	249	130
Fair value adjustment	453	40	6
<b>Balance 30.09</b>	<b>10.934</b>	<b>289</b>	<b>136</b>

The stakes in Nordito Property and Bank 1 Oslo Akershus are valued every quarter by SpareBank 1 Gruppen and distributed to all of the alliance banks. A contract on the sale of the stakes in Nets Holding was signed in the first quarter of 2014. The value according to the sales contract was used in the interim financial statements and resulted in income of NOK 202 million in the first quarter of 2014. Valuations of the stakes in Nordito Property and Bank 1 Oslo Akershus are based on an average of five different methods in which the last known transaction price, earnings per share, dividends per share and EBITDA are input for the valuations.

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 34 million.

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

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

No material events that have influence on the prepared interim financial statements have been registered after 30 September 2015.

## QUARTERLY INCOME STATEMENT

SpareBank 1 SR-Bank Group, MNOK	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Interest income	1.431	1.436	1.477	1.588	1.568	1.543	1.438	1.466	1.451
Interest expense	782	797	850	933	947	962	891	892	883
<b>Net interest income</b>	<b>649</b>	<b>639</b>	<b>627</b>	<b>655</b>	<b>621</b>	<b>581</b>	<b>547</b>	<b>574</b>	<b>568</b>
Commission income	372	418	427	423	421	462	498	500	487
Commission expenses	21	20	20	19	20	19	20	12	23
Other operating income	2	1	1	1	2	1	2	1	2
<b>Net commission and other income</b>	<b>353</b>	<b>399</b>	<b>408</b>	<b>405</b>	<b>403</b>	<b>444</b>	<b>480</b>	<b>489</b>	<b>466</b>
Dividend income	1	8	7	1	10	7	18	-2	3
Income from investment in associates	78	101	133	138	150	137	81	95	130
Net gains/losses on financial instrument	-67	-15	71	-23	-18	57	220	102	4
<b>Net income on financial investments</b>	<b>12</b>	<b>94</b>	<b>211</b>	<b>116</b>	<b>142</b>	<b>201</b>	<b>319</b>	<b>195</b>	<b>137</b>
<b>Total income</b>	<b>1.014</b>	<b>1.132</b>	<b>1.246</b>	<b>1.176</b>	<b>1.166</b>	<b>1.226</b>	<b>1.346</b>	<b>1.258</b>	<b>1.171</b>
Personnel expenses	221	300	310	308	307	293	294	323	284
Administrative expenses	114	122	119	128	114	120	106	109	104
Other operating costs	94	114	101	94	99	88	105	102	90
<b>Total operating cost</b>	<b>429</b>	<b>536</b>	<b>530</b>	<b>530</b>	<b>520</b>	<b>501</b>	<b>505</b>	<b>534</b>	<b>478</b>
<b>Operating profit before impairment losses</b>	<b>585</b>	<b>596</b>	<b>716</b>	<b>646</b>	<b>646</b>	<b>725</b>	<b>841</b>	<b>724</b>	<b>693</b>
Impairment losses on loans and guarantees	96	44	88	93	69	41	54	50	32
<b>Pre-tax profit</b>	<b>489</b>	<b>552</b>	<b>628</b>	<b>553</b>	<b>577</b>	<b>684</b>	<b>787</b>	<b>674</b>	<b>661</b>
Tax expense	112	121	132	105	123	150	128	107	145
<b>Profit after tax</b>	<b>377</b>	<b>431</b>	<b>496</b>	<b>448</b>	<b>454</b>	<b>534</b>	<b>659</b>	<b>567</b>	<b>516</b>

### Profitability

Return on equity per quarter <sup>1)</sup>	9,3 %	10,8 %	12,7 %	11,7 %	12,2 %	14,5 %	18,4 %	16,2 %	15,6 %
Cost percentage <sup>2)</sup>	42,3 %	47,3 %	42,5 %	45,1 %	44,6 %	40,9 %	37,5 %	42,4 %	40,8 %
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,39 %	1,44 %	1,45 %	1,51 %	1,48 %	1,41 %	1,40 %	1,46 %	1,49 %

### Balance sheet figures from quarterly accounts

Gross loans to customers	151.911	150.245	144.686	141.620	137.343	135.335	121.723	120.273	116.720
Gross loans to customers including SB1 Boligkreditt og Næringskreditt	182.940	181.440	178.750	174.492	170.270	168.624	166.593	166.662	164.538
Growth in loans over last 12 months <sup>4)</sup>	10,6 %	11,0 %	18,9 %	17,7 %	17,7 %	17,5 %	8,4 %	-16,8 %	-11,2 %
Growth in loans incl SB1 Boligkreditt and Næringskreditt	7,4 %	7,6 %	7,3 %	4,7 %	3,5 %	3,6 %	3,8 %	5,3 %	5,5 %
Deposits from customers	88.980	90.788	85.984	81.489	81.228	81.728	74.440	71.667	70.714
Deposit-to-loan ratio	58,6 %	60,4 %	59,4 %	57,5 %	59,1 %	60,4 %	61,2 %	59,6 %	60,6 %
Growth in deposits over last 12 months	9,5 %	11,1 %	15,5 %	13,7 %	14,9 %	11,5 %	8,5 %	6,0 %	2,2 %
Total assets	191.500	181.889	176.913	174.926	168.310	167.273	157.752	156.985	153.639
Average total assets	185.459	177.861	175.938	172.179	166.894	164.949	158.867	155.489	151.683

### Losses and non-performing commitments

Impairment losses ratio, annualized <sup>5)</sup>	0,25 %	0,12 %	0,25 %	0,27 %	0,20 %	0,13 %	0,18 %	0,17 %	0,11 %
Non-performing commitments as a percentage of total loans	0,23 %	0,27 %	0,31 %	0,30 %	0,38 %	0,40 %	0,52 %	0,69 %	0,40 %
Other doubtful commitments as a percentage of total loans	0,45 %	0,51 %	0,50 %	0,36 %	0,39 %	0,41 %	0,38 %	0,37 %	0,69 %

### Solidity

Common equity Tier 1 capital ratio	12,2 %	12,3 %	12,1 %	11,5 %	11,3 %	11,4 %	11,2 %	11,1 %	10,5 %
Tier 1 capital ratio	13,1 %	13,1 %	12,9 %	12,3 %	13,1 %	13,2 %	13,0 %	12,8 %	12,2 %
Capital ratio	15,2 %	15,3 %	15,2 %	14,5 %	15,4 %	14,6 %	14,5 %	14,1 %	13,1 %
Tier 1 capital	16.063	15.771	15.206	14.828	15.304	14.978	14.691	14.511	13.974
Net primary capital	18.635	18.403	17.838	17.465	18.037	16.584	16.407	15.915	15.034
Risk weighted balance	122.380	120.363	117.589	120.189	117.278	113.725	113.413	113.075	115.038
Leverage ratio	5,9 %	6,3 %	6,1 %						

Se next page for definition of key figures

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
SpareBank 1 SR-Bank share	2015	2015	2015	2014	2014	2014	2014	2013	2013
Market price at end of quarter	42,40	52,25	56,25	52,50	61,00	59,75	60,75	60,25	47,70
Market capitalisation	10,844	13,363	14,386	13,427	15,601	15,281	15,537	15,409	12,199
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)	64,02	62,56	62,40	60,28	59,21	57,63	57,45	55,00	52,87
Earnings per share, NOK (annualised)	1,47	1,69	1,94	1,75	1,78	2,09	2,58	2,22	2,02
Price/earnings per share	7,21	7,73	7,25	7,50	8,57	7,15	5,89	6,78	5,90
Price / Book equity (group)	0,66	0,84	0,90	0,87	1,03	1,04	1,06	1,10	0,90
Annualised turnover rate in quarter <sup>6)</sup>	5,1 %	5,6 %	7,4 %	7,7 %	3,0 %	5,5 %	7,6 %	6,3 %	3,1 %
Effective return <sup>7)</sup>	-18,9 %	-3,6 %	7,1 %	-13,9 %	2,1 %	1,0 %	0,8 %	26,3 %	0,4 %

### 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 is attributable to a buy-back of loans from SpareBank 1 Boligkredit AS

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

<sup>6)</sup> Annualised turnover of the share during the period, measured as a percentage of the number of outstanding shares

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

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### 2015 Financial Calendar

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Preliminary annual results for 2014	Wednesday 4 February
Annual General Meeting	Tuesday 28 April
Ex-dividend	Wednesday 29 April
Q1 2015	Wednesday 29 April
Q2 2015	Wednesday 12 August
Q3 2015	Thursday 29 October