

FIRST QUARTER 2017

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by incredible people



HAND IN HAND WITH THE INCREDIBLE

SpareBank   
SR-BANK

Chief Executive, CEO

Arne Austreid

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#### Information on the Internet

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

#### Financial Calendar

Dividend payment date	28 April
First quarter 2017	27 April
Second quarter 2017	9 August
Third quarter 2017	27 October

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# 1. SpareBank 1 SR-Bank ASA

## 1.1 Financial highlights

### Q1 2017

- Pre-tax profit: NOK 512 million (NOK 487 million)
- Profit after tax: NOK 403 million (NOK 386 million)
- Return on equity after tax: 8.7% (9.0%)
- Earnings per share: NOK 1.58 (NOK 1.51)
- Net interest income: NOK 739 million (NOK 698 million)
- Net commission and other income: NOK 371 million (NOK 352 million)
- Net income on investment securities: NOK 89 million (NOK 79 million)
- Operating expenses: NOK 519 million (NOK 492 million)
- Impairment losses on loans and guarantees: NOK 168 million (NOK 150 million)
- Total lending growth over past 12 months: -0.4% (2.9%)
- Growth in deposits over past 12 months: 7.0% (1.2%)
- Tier 1 capital ratio: 15.6% (14.3%)
- CET 1 capital ratio: 14.7% (13.4%)  
*(Q1 2016 in parentheses)*

### Income statement

#### Financial results

	Q1	Q4	Q3	Q2	Q1	31.12	31.12
MNOK	2017	2016	2016	2016	2016	2016	2015
Net interest income	739	733	729	711	698	2.871	2.593
Net commission and other income	371	355	347	389	352	1.443	1.532
Net return on investment securities	89	139	231	205	79	654	304
Total income	1.199	1.227	1.307	1.305	1.129	4.968	4.429
Total operating expenses	519	540	486	514	492	2.032	1.863
Operating profit before losses	680	687	821	791	637	2.936	2.566
Losses on loans and guarantees	168	162	161	305	150	778	420
Operating profit before tax	512	525	660	486	487	2.158	2.146
Tax expense	109	96	126	80	101	403	400
Profit after tax	403	429	534	406	386	1.755	1.746

## Key figures

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12 2016	31.12 2015
Return on equity <sup>1)</sup>	8,7 %	9,5 %	12,2 %	9,4 %	9,0 %	10,0 %	10,8 %
Cost ratio <sup>2)</sup>	43,3 %	44,0 %	37,2 %	39,4 %	43,6 %	40,9 %	42,1 %
Deposit-to-loan ratio	58,3 %	54,5 %	55,4 %	57,2 %	56,1 %	54,5 %	57,6 %
Growth in loans	3,0 %	1,6 %	3,6 %	4,3 %	7,2 %	1,6 %	9,6 %
Growth in loans incl. covered bond companies	-0,4 %	-0,9 %	0,1 %	1,1 %	2,9 %	-0,9 %	5,4 %
Growth in deposits	7,0 %	-3,9 %	-2,0 %	-1,3 %	1,2 %	-3,9 %	9,8 %
Average total assets, MNOK	195.967	194.963	195.489	192.792	194.300	194.264	182.768
Total assets, MNOK	200.182	193.408	193.219	196.763	194.763	193.408	192.049
Impairment losses ratio incl. loans from covered bond companies <sup>3)</sup>	0,37	0,35	0,35	0,66	0,33	0,42	0,23
Capital ratio	17,5	17,5	17,1	16,8	16,8	17,5	16,7
Common Equity Tier 1 capital ratio	14,7	14,7	13,8	13,5	13,4	14,7	13,3
Share price	64,25	60,75	45,60	41,20	40,60	60,75	39,30
EPS (group)	1,58	1,68	2,09	1,59	1,51	6,87	6,83

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

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

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

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

## The leading financial group in the southwest of Norway

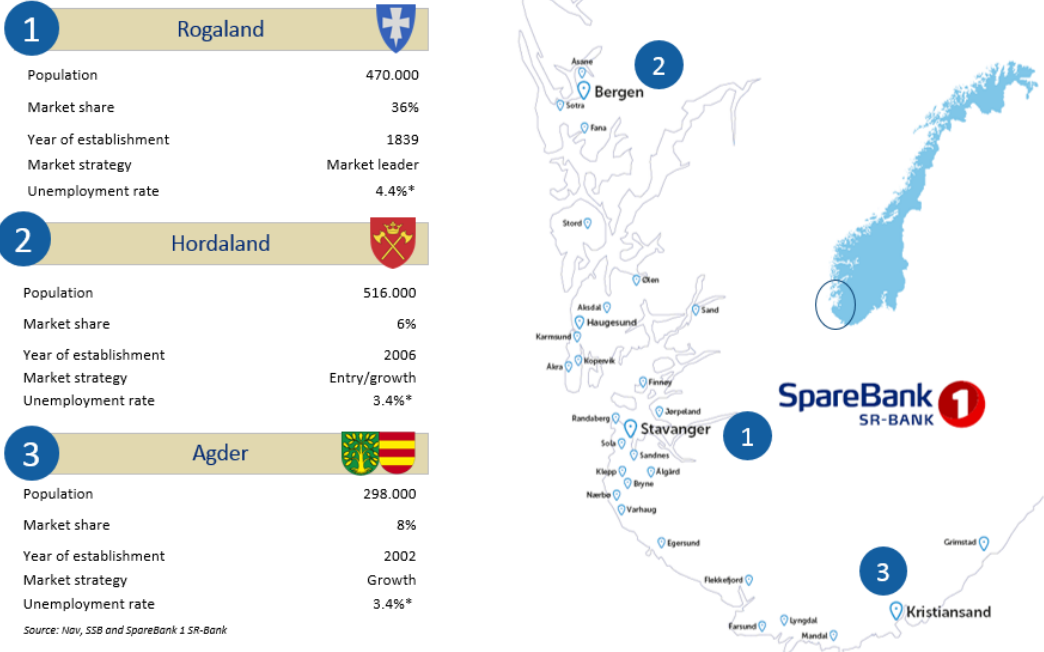


Figure 1.2.1: Operating areas

SpareBank 1 SR-Bank is Norway’s largest regional bank and the second largest Norwegian-owned bank (after DNB) with gross lending including covered bond companies of NOK 183.2 billion and market cap of NOK 16.4 billion as at 31 March 2017. Head office is in Stavanger. The market areas are the counties of Rogaland, Agder and Hordaland. SpareBank 1 SR-Bank ASA has 1 142 employees and provides a full range of products and services within financing, investments, money transfers, pensions as well as life and non-life insurance.

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

### Retail Market

SpareBank 1 SR-Bank ASA is the leading retail customer bank in Rogaland, with about 275,000 retail customers and a market share in Rogaland of about 40 per cent. The division also serves agricultural clients, sole proprietorships and associations.

### Corporate Market

SpareBank 1 SR-Bank ASA service about 14,000 customers in the business sector and public sector. These also include small businesses, agricultural customers, societies and associations. About 40 per cent of all businesses in the bank’s traditional market list SpareBank 1 SR-Bank ASA as their main bank.

### Capital Market

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

## SRBANK's activities



### Divisions of SpareBank 1 SR-Bank ASA

**Capital Markets**  
Number of man-years : 30

**Retail Market**  
Number of man-years : 481

**Corporate Market**  
Number of man-years : 170

**Administration & Support**  
Number of man-years : 208

### Fully owned companies



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



Number of man-years : 11  
Key areas:  
\* Asset management



Number of man-years : 87  
Key areas:  
\* Accounting  
\* Advisory



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

### Partly owned companies

**SpareBank 1 Gruppen AS**  
(19.5%)

Holding company for the SpareBank 1 - Alliance

**BN Bank ASA**  
(23.5%)

Commercial bank located in Oslo and Trondheim

**SpareBank 1 Boligkreditt AS**  
(13.9%)

Covered bond company (mortgages)

**SpareBank 1 Næringskreditt AS**  
(21.9%)

Covered bond company (commercial real estate)

**SpareBank 1 Kredittkort**  
(17.9%)

Credit card company located in Trondheim

**SpareBank 1 Mobilbetaling**  
(19.7%)

The company behind mCASH (mobilepay)

Figure 1.2.2: SpareBank 1 SR-Bank's activities

## Segment operating profit (not including subsidiaries)\*

Q1 2017

MNOK	Retail market		Corporate market		Capital market	
	2017	2016	2017	2016	2017	2016
Operating profit before tax 1th quarter only	350	298	193	234	35	(4)
Gross loans to customers excl. SB1 Boligkreditt and SB1 Næringskreditt as at 31 March	96.986	91.399	60.305	60.424	325	734
Deposits from customers as at 31 March	47.713	47.099	43.943	37.288	6	2.768

\*On 1 January 2017, SR-Finans was merged into the parent bank and the accounting figures for 2016 were distributed on the basis of estimates of 38% for the retail market and 62% for the corporate market in order to produce comparable figures.



## Vision and strategy

### Our vision: the customer's first choice in Southern and Western Norway

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Objectives	Financial goals
<ul style="list-style-type: none"><li>• SpareBank 1 SR-Bank's objectives are to stimulate growth and development in the region</li><li>• To provide a sustainable contribution to the wealth creation process in the region through:<ul style="list-style-type: none"><li>• A sustainable and profitable business model</li><li>• An owner-friendly, stable dividend policy</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Return on equity of 11% after tax in 2017. The longer term target is a minimum of 12%.</li><li>• Top 50% return on equity and cost/income in a Nordic benchmark</li></ul>
Strategic goals	Strategic focus
<ul style="list-style-type: none"><li>• Nearer to people and companies</li><li>• We want to be nearer to people and companies than our competitors by understanding the people, companies and markets in the region better than our competitors.</li><li>• We want to learn what is important for our customers through a combination of close, personal relationships and the proper utilisation of customer data. We want to be an accessible, long-term partner whom the customers trust.</li></ul>	<ul style="list-style-type: none"><li>• Portfolio quality</li><li>• Managed and selective growth, greater product mix</li><li>• Risk pricing</li><li>• Portfolio management</li><li>• Innovation, digitalisation and continuous streamlining - cost effectiveness</li><li>• Strengthening capital</li><li>• Diversified funding platform</li></ul>

Figure 1.2.3: Vision and strategy

### *Legal and organizational structure*

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



Figure 1.2.4: Overview of management and control bodies

### *Annual General Meeting*

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

### *Board of Directors*

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

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

### *Board committees*

The Board of Directors has established a Remuneration Committee, an Audit Committee and a Risk Committee. The committees make no decisions but supervise, on behalf of the board, the executive management team's work and prepare matters for the board's consideration within their areas of responsibility. The committees are free to draw on resources in the group and on resources, advice and recommendations from sources outside the group. Instructions for the committees are established by the Board of Directors.

*Organisation of SpareBank 1 SR-Bank ASA*

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

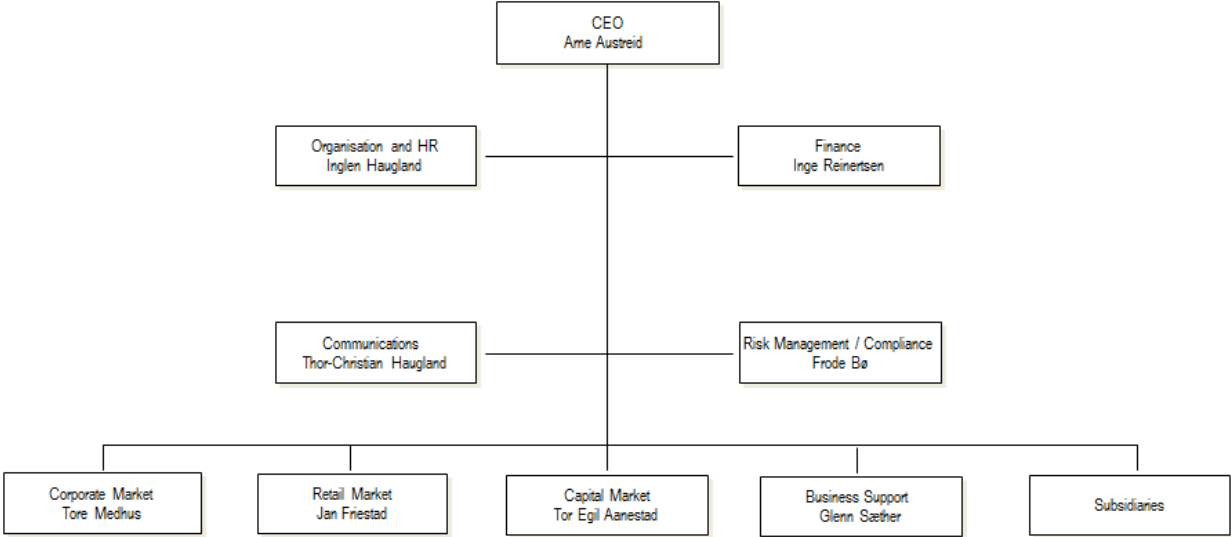


Figure 1.2.5: Organizational structure of SpareBank 1 SR-Bank

*The SpareBank 1 Alliance*

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

## The SpareBank 1 Alliance – strong benefits in economies of scale

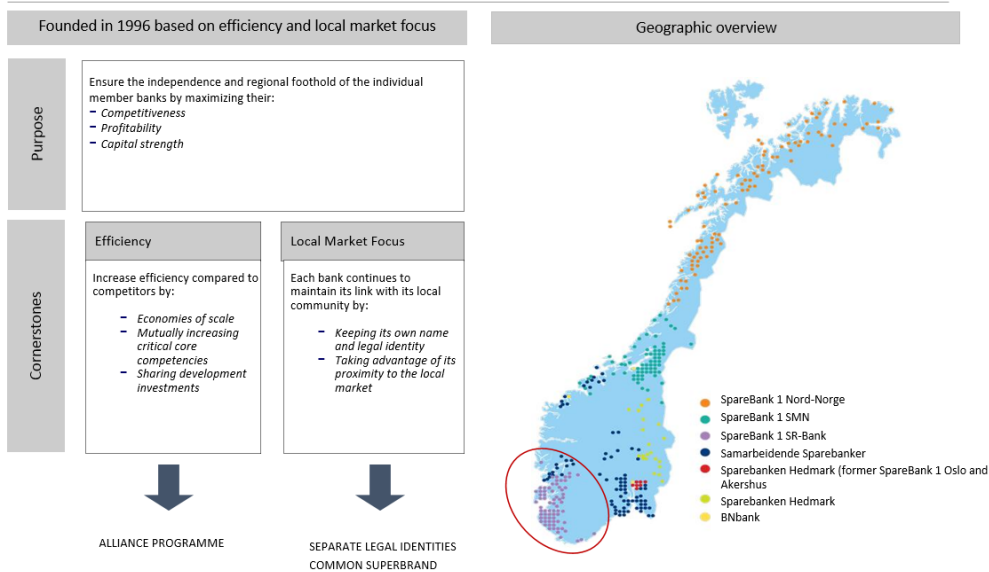


Figure 1.2.6: Geographic overview of the SpareBank 1 Alliance

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

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

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

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

# SpareBank 1 Alliance

## Owners of the alliance

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

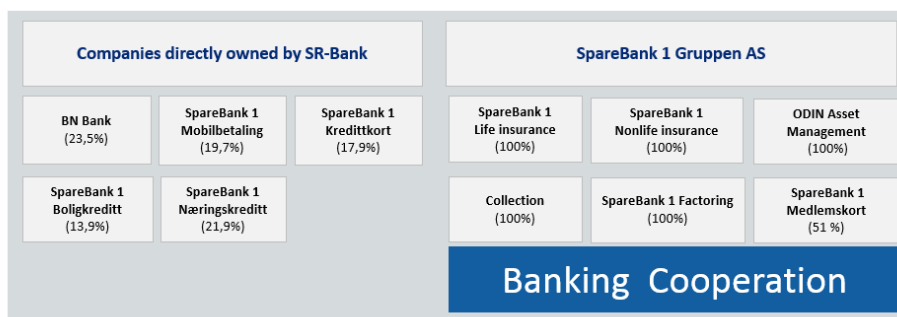
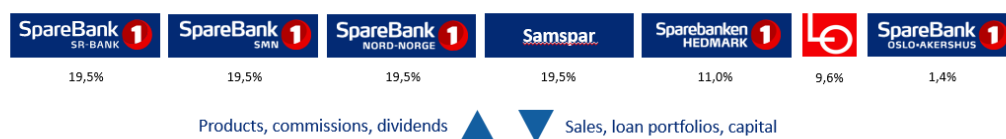


Figure 1.2.7: Structure of SpareBank 1 Alliance as at 31 March 2017

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

## 1.3 Shareholder information - SRBANK

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

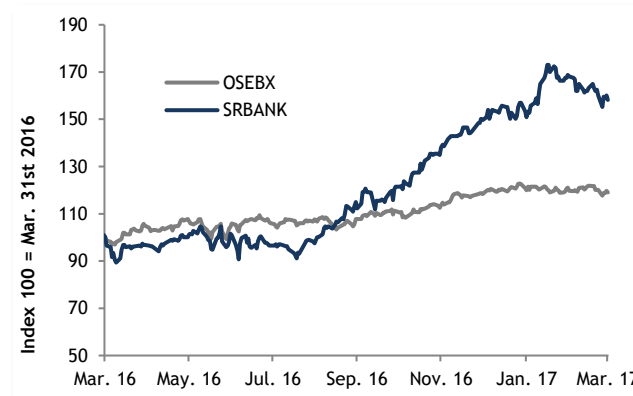


Figure 1.3.1: Relative performance; SRBANK vs OSEBX March 2016 – March 2017

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

SpareBank 1 SR-Bank aims to ensure good liquidity in its shares and achieve a good diversity of shareholders who represent customers, regional interests, as well as Norwegian and international investors. Figure 1.3.2 shows how daily liquidity has developed in the period from March 2012 to 31 March 2017. A general observation is that liquidity has increased after the conversion and issue of new shares.

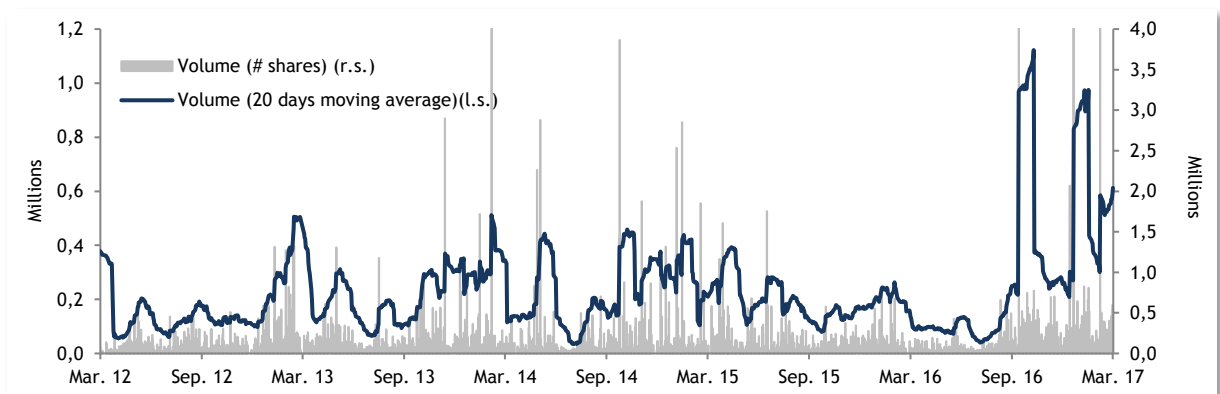


Figure 1.3.2 Development in liquidity; SRBANK March 2012 – March 2017

Figure 1.3.3 shows the share price movements and Price/Book development from March 2016 to March 2017.

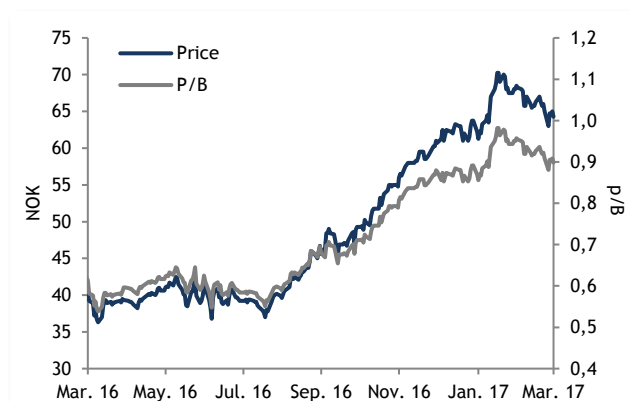


Figure 1.3.3: Share price and development in P/B; March 2016 – March 2017

### *Investor relations policy*

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

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

*Arctic Securities*, Roy Tilley: +47 21 01 32 24, [Roy.Tilley@articsec.no](mailto:Roy.Tilley@articsec.no)

*SpareBank 1 Markets*, Nils Christian Øyen: +47 24 14 74 00 [nils.oyen@sb1.markets.no](mailto:nils.oyen@sb1.markets.no)

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*Nordea Markets*, Thomas Svendsen +47 22 48 79 21 [thomas.svendsen@nordea.com](mailto:thomas.svendsen@nordea.com)

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*Carnegie*, Johan Strøm: +47 22 00 93 52, [js@carnegie.no](mailto:js@carnegie.no)

### *Shareholder and dividend policy*

#### Shareholder policy

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

#### Dividend policy

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

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

### *Ownership structure as at 31 March 2017*

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
State Street Bank and Trust Co, U.S.A.	Nominee	7.804.809	3,1%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Vpf Nordea Norge Verdi		6.057.547	2,4%
Folketrygdfondet		5.274.979	2,1%
Verdipapirfondet DNB Norge (IV)		4.725.767	1,8%
Odin Norge		4.270.982	1,7%
Danske Invest Norske Instit. II		3.595.310	1,4%
State Street Bank and Trust Co, U.S.A.	Nominee	2.925.239	1,1%
Pareto Aksje Norge		2.815.036	1,1%
Clipper AS		2.565.000	1,0%
Gjensidige Forsikring ASA		2.308.416	0,9%
State Street Bank and Trust Co, U.S.A.	Nominee	2.250.903	0,9%
JPMorgan Chase Bank, U.S.A.	Nominee	1.879.751	0,7%
Verdipapirfondet Alfred Berg Gambak		1.833.914	0,7%
KAS Bank NV, Nederland	Nominee	1.804.586	0,7%
Danske Invest Norske Aksjer Inst.		1.787.194	0,7%
Swedbank Generator		1.737.660	0,7%
State Street Bank and Trust Co, U.S.A.	Nominee	1.733.730	0,7%
Vpf Nordea Norge Avkastning		1.664.410	0,7%
<hr/>			
Top 5		97.783.223	38,2%
Top 10		116.115.557	45,4%
Top 20		135.681.121	53,1%

Table 1.3.1: 20 largest shareholders as at 31 March 2017

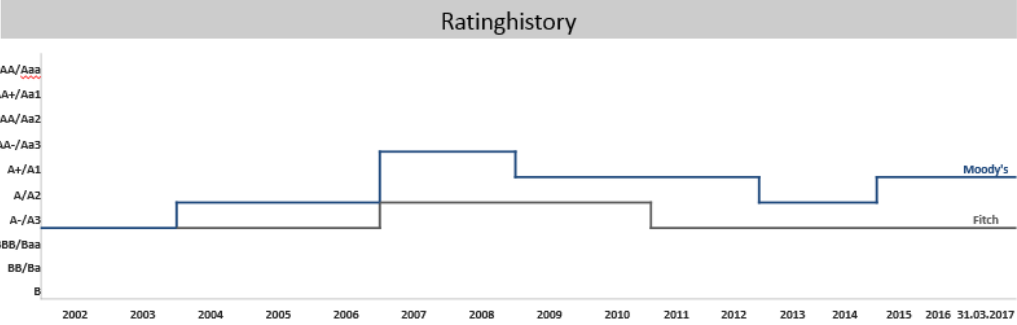


# 1.4 Credit ratings

Current credit rating status as at 31 March 2017 was as follows:

## Rating

Moody's		Fitch	
Long-term debt	A1	Long-term IDR	A-
Outlook	Negative	Outlook	Stable
Updated	10 April 2017	Updated	26 January 2017



## 2. Financial results and balance sheet

### Income statement

#### Financial results

<i>MNOK</i>	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12 2016	31.12 2015
Interest income	1.392	1.400	1.384	1.379	1.400	5.563	5.752
Interest expense	653	667	655	668	702	2.692	3.159
<b>Net interest income</b>	<b>739</b>	<b>733</b>	<b>729</b>	<b>711</b>	<b>698</b>	<b>2.871</b>	<b>2.593</b>
Commission income	389	372	365	405	369	1.511	1.605
Commission expenses	19	18	18	17	19	72	78
Other operating income	1	1	0	1	2	4	5
<b>Net commission and other income</b>	<b>371</b>	<b>355</b>	<b>347</b>	<b>389</b>	<b>352</b>	<b>1.443</b>	<b>1.532</b>
Dividend income	5	5	0	97	8	110	17
Income from investment in associates	63	78	90	112	104	384	422
Net gains/losses on financial instruments	21	56	141	-4	-33	160	-135
<b>Net return on investment securities</b>	<b>89</b>	<b>139</b>	<b>231</b>	<b>205</b>	<b>79</b>	<b>654</b>	<b>304</b>
<b>Total income</b>	<b>1.199</b>	<b>1.227</b>	<b>1.307</b>	<b>1.305</b>	<b>1.129</b>	<b>4.968</b>	<b>4.429</b>
Personnel expenses	306	293	282	296	295	1.166	945
Administrative expenses	112	133	115	114	102	464	480
Other operating expenses	101	114	89	104	95	402	438
<b>Total operating expenses</b>	<b>519</b>	<b>540</b>	<b>486</b>	<b>514</b>	<b>492</b>	<b>2.032</b>	<b>1.863</b>
<b>Operating profit before losses</b>	<b>680</b>	<b>687</b>	<b>821</b>	<b>791</b>	<b>637</b>	<b>2.936</b>	<b>2.566</b>
Losses on loans and guarantees	168	162	161	305	150	778	420
<b>Operating profit before tax</b>	<b>512</b>	<b>525</b>	<b>660</b>	<b>486</b>	<b>487</b>	<b>2.158</b>	<b>2.146</b>
Tax expense	109	96	126	80	101	403	400
<b>Profit after tax from continuing operations</b>	<b>403</b>	<b>429</b>	<b>534</b>	<b>406</b>	<b>386</b>	<b>1.755</b>	<b>1.746</b>

## Key figures

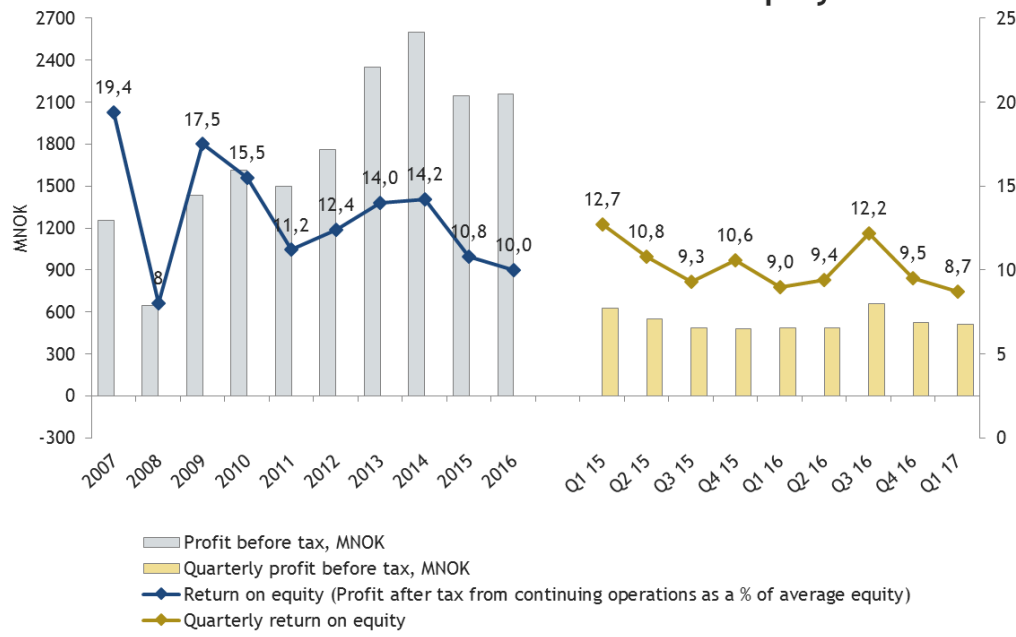
	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12 2016	31.12 2015
Return on equity <sup>1)</sup>	8,7 %	9,5 %	12,2 %	9,4 %	9,0 %	10,0 %	10,8 %
Cost ratio <sup>2)</sup>	43,3 %	44,0 %	37,2 %	39,4 %	43,6 %	40,9 %	42,1 %
Net interest margin	1,53 %	1,50 %	1,48 %	1,48 %	1,44 %	1,48 %	1,42 %
Gross loans to customers	159.843	157.638	157.352	156.738	155.172	157.638	155.190
Gross loans to customers incl. covered bond companies	183.182	182.332	183.042	183.438	183.939	182.332	183.896
Deposits from customers	93.125	85.914	87.240	89.633	87.023	85.914	89.444
Deposit-to-loan ratio	58,3 %	54,5 %	55,4 %	57,2 %	56,1 %	54,5 %	57,6 %
Growth in loans	3,0 %	1,6 %	3,6 %	4,3 %	7,2 %	1,6 %	9,6 %
Growth in loans incl. covered bond companies	-0,4 %	-0,9 %	0,1 %	1,1 %	2,9 %	-0,9 %	5,4 %
Growth in deposits	7,0 %	-3,9 %	-2,0 %	-1,3 %	1,2 %	-3,9 %	9,8 %
Average total assets	195.967	194.963	195.489	192.792	194.300	194.264	182.768
Total assets	200.182	193.408	193.219	196.763	194.763	193.408	192.049
Impairment losses ratio <sup>3)</sup>	0,42	0,41	0,41	0,78	0,39	0,50	0,28
Impairment losses ratio incl. loans from covered bond companies	0,37	0,35	0,35	0,66	0,33	0,42	0,23
Non-performing commitments as a percentage of gross loans	0,46	0,68	0,73	0,56	0,49	0,68	0,55
Non-performing commitments as a percentage of gross loans incl. loans from covered bond companies	0,40	0,59	0,63	0,48	0,41	0,59	0,46
Other doubtful commitments as a percentage of gross loans	0,95	0,72	0,64	0,78	0,61	0,72	0,35
Other doubtful commitments as a percentage of gross loans incl. loans from covered bond companies	0,83	0,62	0,55	0,67	0,51	0,62	0,30
Capital ratio	17,5	17,5	17,1	16,8	16,8	17,5	16,7
Tier 1 capital ratio	15,6	15,6	14,7	14,4	14,3	15,6	14,2
Common Equity Tier 1 capital ratio	14,7	14,7	13,8	13,5	13,4	14,7	13,3
Tier 1 capital	18.484	18.227	17.552	17.266	16.955	18.227	16.882
Net primary capital	20.744	20.443	20.386	20.139	19.853	20.443	19.933
RWA	118.410	116.651	119.118	119.705	118.527	116.651	119.124
Number of branches	36	36	47	49	49	36	49
Man-years (permanent)	1.142	1.127	1.154	1.148	1.169	1.127	1.161
Share price	64,25	60,75	45,60	41,20	40,60	60,75	39,30
Market capitalisation	16.432	15.537	11.662	10.537	10.383	15.537	10.051
Book equity per share (including dividends) (group)	72,91	71,54	69,36	67,16	67,68	71,54	66,14
Earnings per share (group)	1,58	1,68	2,09	1,59	1,51	6,87	6,83
Dividends per share	n.a	2,25	n.a.	n.a	n.a.	2,25	1,50
Price / Earnings per share	10,17	9,04	5,45	6,48	6,72	8,84	5,75
Price / Book equity (group)	0,88	0,85	0,66	0,61	0,60	0,85	0,59

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

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

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

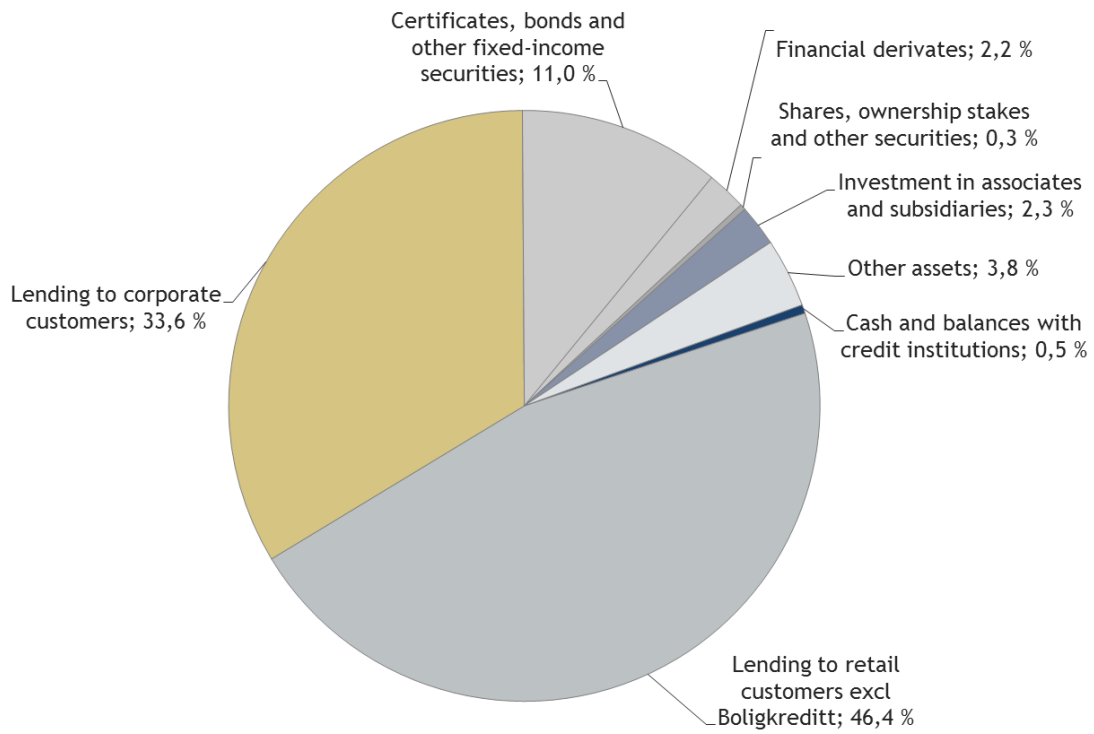
## Profit before tax and return on equity



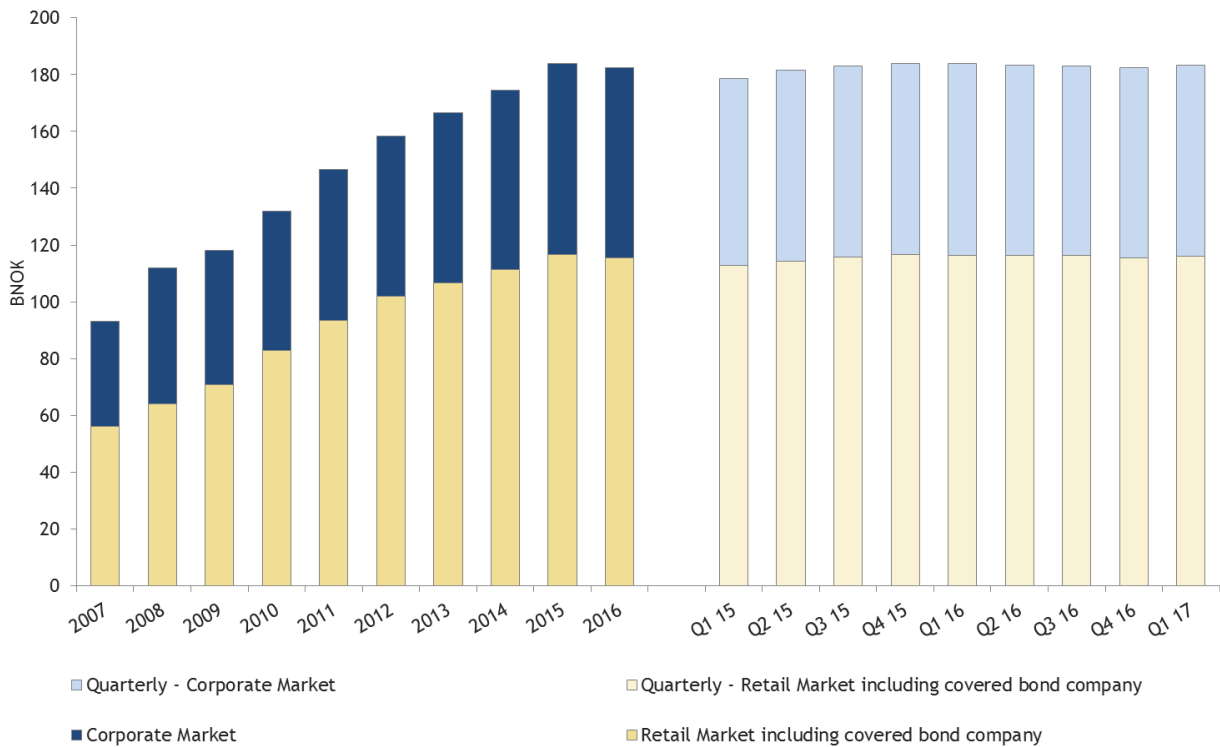
## Balance sheet

<i>MNOK</i>	31.03 2017	31.12 2016	30.09 2016	30.06 2016	31.03 2016
Cash and balances with central banks	965	1.079	172	910	1.497
Balances with credit institutions	7.148	4.334	1.073	2.188	5.059
Net loans to customers	158.628	156.372	156.153	155.612	154.221
Certificates, bonds and other fixed-income sec.	22.078	21.024	21.737	24.814	20.963
Financial derivatives	4.329	4.315	4.653	5.056	5.403
Shares, ownership stakes and other securities	623	596	579	535	428
Business available for sale	22	22	23	22	162
Investment in associates	4.537	4.460	4.858	4.792	5.017
Other assets	1.852	1.206	3.971	2.834	2.013
<b>Total assets</b>	<b>200.182</b>	<b>193.408</b>	<b>193.219</b>	<b>196.763</b>	<b>194.763</b>
Balances with credit institutions	2.847	2.674	4.729	3.934	4.174
Deposits from customers	93.125	85.914	87.240	89.633	87.023
Listed debt securities	77.946	79.183	74.140	76.830	75.737
Financial derivatives	2.623	2.515	3.554	3.047	3.064
Other liabilities	2.338	2.188	2.570	2.867	4.160
Additional Tier 1 and Tier 2 capital instruments	2.671	2.646	3.256	3.284	3.310
<b>Total liabilities</b>	<b>181.550</b>	<b>175.120</b>	<b>175.489</b>	<b>179.595</b>	<b>177.468</b>
Share capital	6.394	6.394	6.394	6.394	6.394
Premium reserve	1.587	1.587	1.587	1.587	1.587
Proposed dividend	575	575	0	0	384
Fund for unrealised gains	52	52	163	163	163
Other equity	9.621	9.680	8.260	8.232	8.381
Profit/loss at period end	403	0	1.326	792	386
<b>Total equity</b>	<b>18.632</b>	<b>18.288</b>	<b>17.730</b>	<b>17.168</b>	<b>17.295</b>
<b>Total liabilities and equity</b>	<b>200.182</b>	<b>193.408</b>	<b>193.219</b>	<b>196.763</b>	<b>194.763</b>

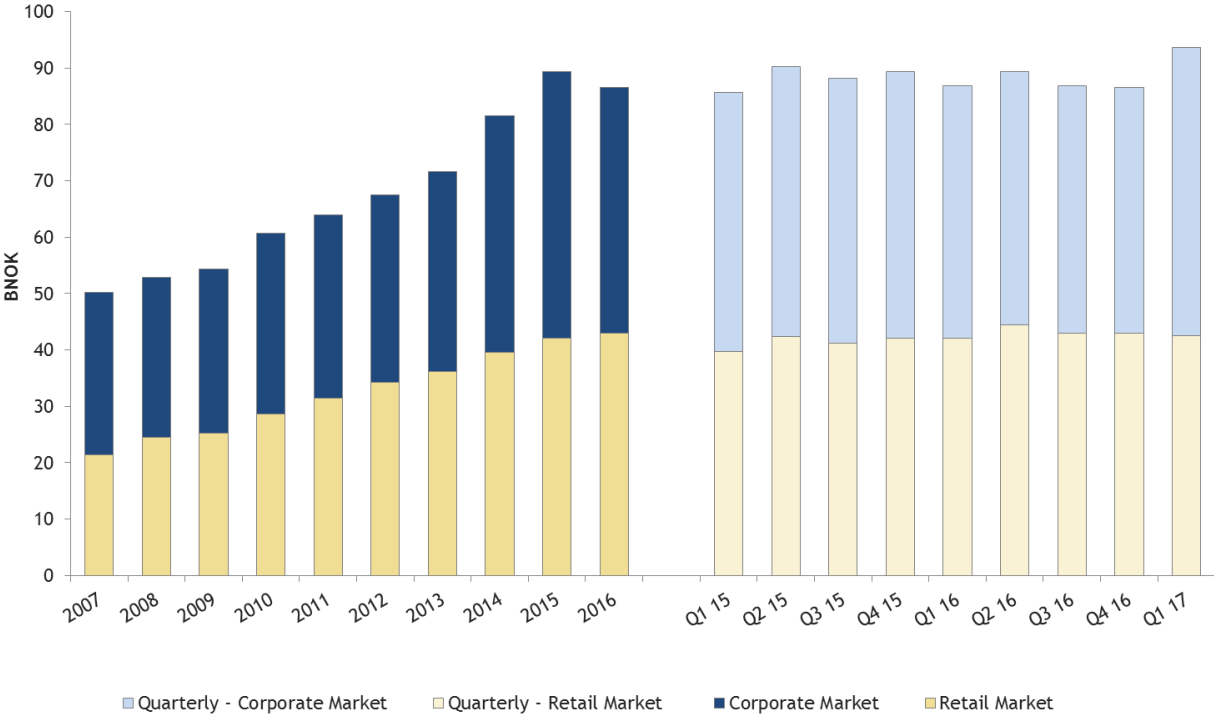
## Total assets as at 31 March 2017:



## Development in lending volume

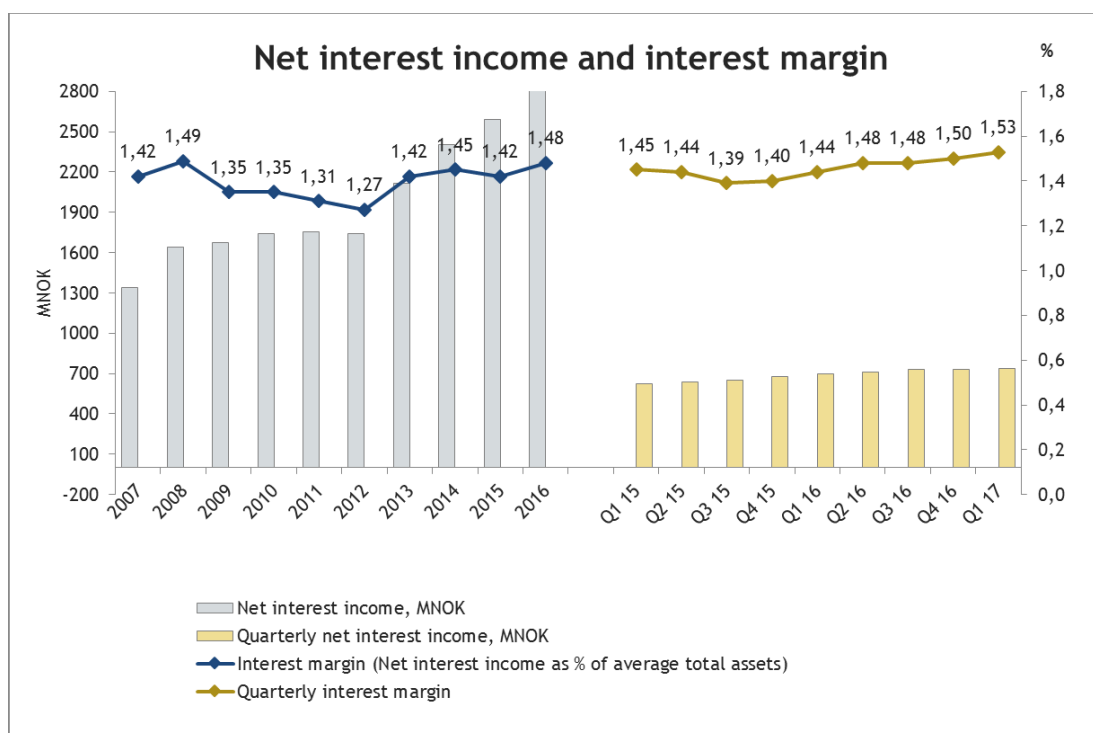


### Development in deposit volume



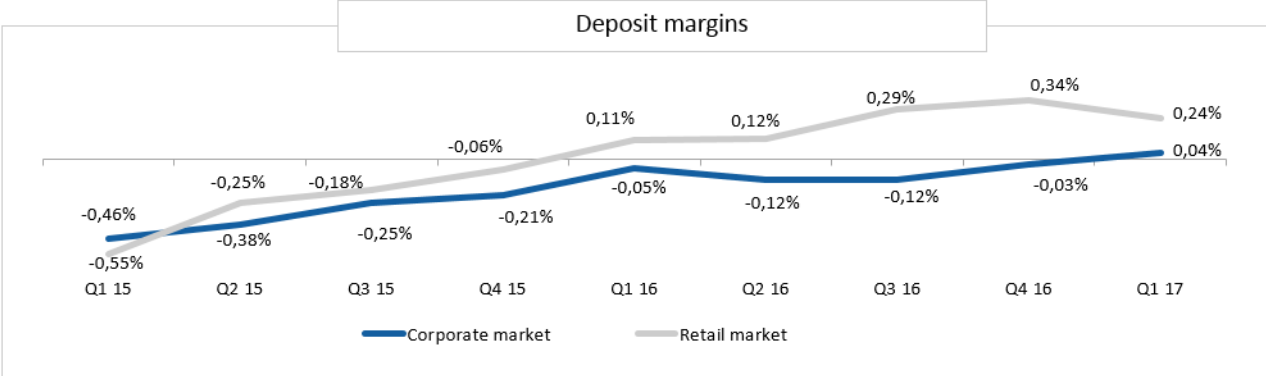
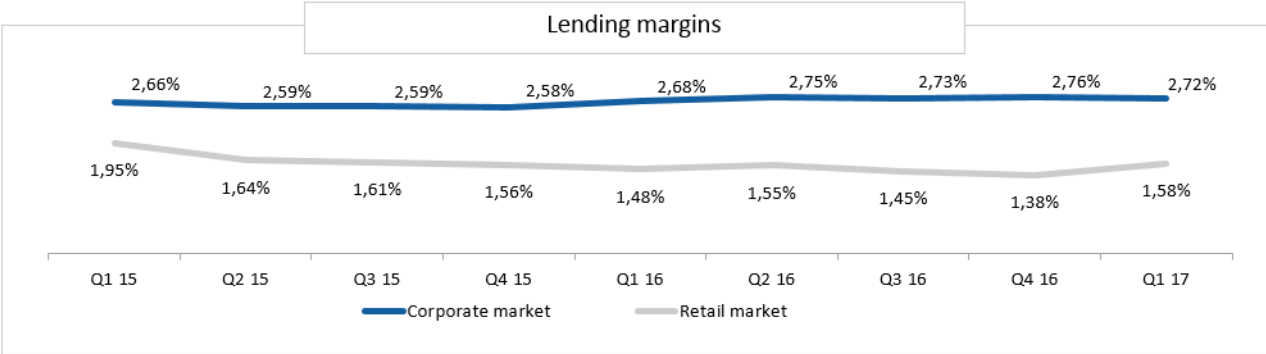
## 2.1 Net interest income

	Q1	Q4	Q3	Q2	Q1	31.12	31.12
MNOK	2017	2016	2016	2016	2016	2016	2015
Interest income	1.392	1.400	1.384	1.379	1.400	5.563	5.752
Interest expense	653	667	655	668	702	2.692	3.159
<b>Net interest income</b>	<b>739</b>	<b>733</b>	<b>729</b>	<b>711</b>	<b>698</b>	<b>2.871</b>	<b>2.593</b>
As % of average total assets	1,53 %	1,50 %	1,48 %	1,48 %	1,44 %	1,48 %	1,42 %





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



<sup>1</sup> Definition margin: Average customer interest rate measured against 3-month moving average for 3-month NIBOR. Lending margins include loan portfolio in covered bond companies. SpareBank 1 SR-Finans AS was merged into SpareBank 1 SR-Bank from 1 January 2017. The figures (lending margins) are therefore not entirely comparable.

## 2.2 Net other operating income

	Q1	Q4	Q3	Q2	Q1	31.12	31.12
MNOK	2017	2016	2016	2016	2016	2016	2015
Net commission and other income	371	355	347	389	352	1.443	1.532
Net return on investment securities	89	139	231	205	79	654	304
Net other operating income	460	494	578	594	431	2.097	1.836
As % of total income	38 %	40 %	44 %	46 %	38 %	42 %	41 %

### Net commission and other income

	Q1	Q4	Q3	Q2	Q1	31.12	31.12
MNOK	2017	2016	2016	2016	2016	2016	2015
Payment facilities	63	60	75	63	54	252	236
Savings/placements	51	45	45	44	51	185	190
Insurance products	52	50	48	50	50	198	190
Commission income from real estate broking	93	85	87	107	68	348	383
Guarantee commission	25	31	24	31	28	114	129
Arrangement fees	13	33	14	24	30	101	85
Accounting Services SpareBank 1 Regnskapshuset SR*	28	18	16	24	23	81	35
Other	10	3	3	3	7	15	26
<b>Net commission and other income excl. covered bond companies</b>	<b>335</b>	<b>325</b>	<b>312</b>	<b>346</b>	<b>311</b>	<b>1.294</b>	<b>1.274</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	36	30	35	43	41	149	258
<b>Net commission and other income incl. covered bond companies</b>	<b>371</b>	<b>355</b>	<b>347</b>	<b>389</b>	<b>352</b>	<b>1.443</b>	<b>1.532</b>
As % of total income	31 %	29 %	27 %	30 %	31 %	29 %	35 %

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

### Change in net commission and other income

	Q1		Q1
MNOK	2017	Change	2016
<b>Net commission and other income</b>	<b>371</b>	<b>19</b>	<b>352</b>
Payment facilities		9	
Savings/placements		0	
Insurance products		2	
Commission income from real estate broking		25	
Guarantee commission		-3	
Arrangement fees		-17	
Accounting Services SpareBank 1 Regnskapshuset SR		5	
Other		3	
Commission income SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt		-5	

## Net return on investment securities

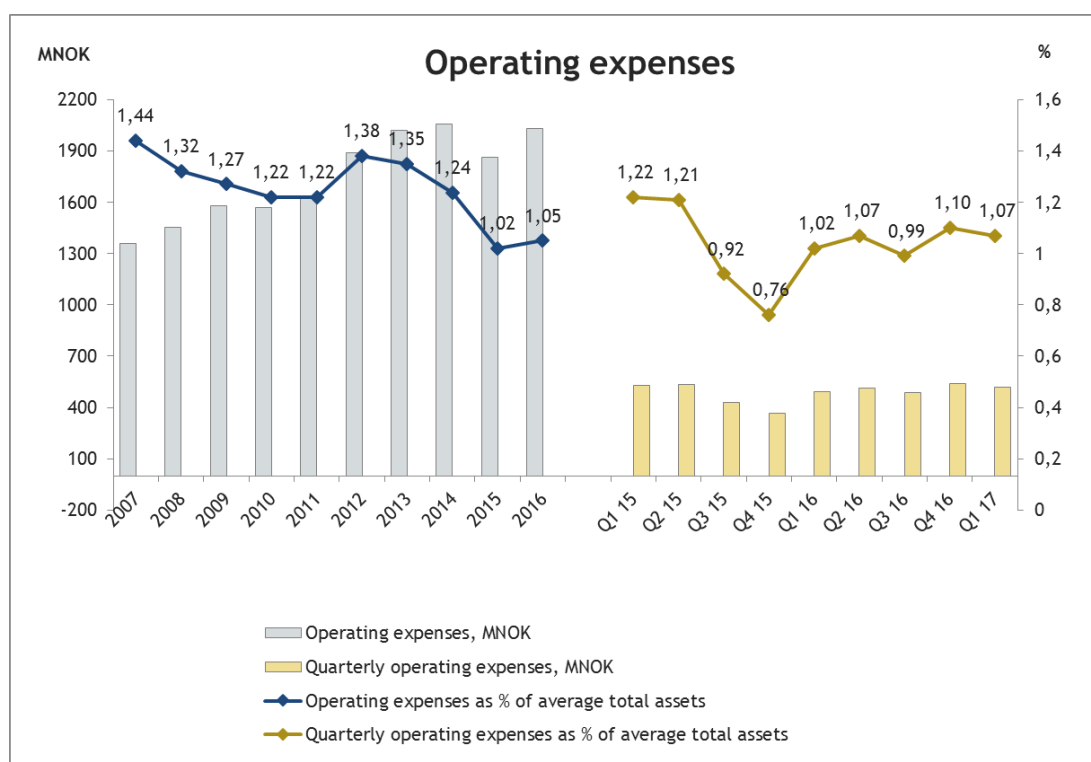
MNOK	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12 2016	31.12 2015
Dividend	5	5	0	97	8	110	17
Investment income, associates	63	78	90	112	104	384	422
Securities gains/losses	25	50	105	-36	-66	53	-224
- of which capital change in shares and certificates	7	42	63	-33	-21	51	-40
- of which capital change in certificates and bonds	-7	-44	-21	-38	-53	-156	-275
- of which derivatives; bonds and certificates	25	52	63	35	8	158	91
Currency/interest gains/losses	-4	6	36	32	33	107	89
- of which currency customer- and own-account trading	17	39	40	32	26	137	104
- of which value change basis swap spread	-16	-16	-11	-1	13	-15	88
- of which counterparty risk derivatives including CVA	1	1	1	-1	1	2	-66
- of which other IFRS-effects	-6	-18	6	2	-7	-17	-37
<b>Net return on investment securities</b>	<b>89</b>	<b>139</b>	<b>231</b>	<b>205</b>	<b>79</b>	<b>654</b>	<b>304</b>
As % of total income	7 %	11 %	18 %	16 %	7 %	13 %	7 %

## Change in net return on investment securities

MNOK	Q1 2017	Change	Q1 2016
<b>Net return on investment securities</b>	<b>89</b>	<b>10</b>	<b>79</b>
Dividend		-3	
Investment income, associates		-41	
Securities gains/losses		91	
- of which capital change in shares and certificates		28	
- of which capital change in certificates and bonds		46	
- of which derivatives; bonds and certificates		17	
Currency/interest gains/losses		-37	
- of which currency customer- and own-account trading		-9	
- of which value change basis swap spread		-29	
- of which counterparty risk derivatives including CVA		0	
- of which other IFRS-effects		1	
<b>Net return on investment securities</b>		<b>10</b>	

## 2.3 Operating expenses

	Q1	Q4	Q3	Q2	Q1	31.12	31.12
MNOK	2017	2016	2016	2016	2016	2016	2015
Wages	223	221	212	221	220	874	851
Pension expenses	26	21	25	30	28	104	-94
Other personnel expenses	57	51	45	45	48	188	188
<b>Total personnel expenses</b>	<b>306</b>	<b>293</b>	<b>282</b>	<b>296</b>	<b>295</b>	<b>1.166</b>	<b>945</b>
IT expenses	75	87	83	78	73	321	301
Marketing expenses	16	23	17	20	14	74	90
Other administrative expenses	21	23	15	16	15	69	89
Write-down	18	24	20	19	18	81	85
Expenses real property	10	9	9	8	9	35	41
Other operating expenses	73	81	60	77	68	286	312
<b>Other expenses</b>	<b>213</b>	<b>247</b>	<b>204</b>	<b>218</b>	<b>197</b>	<b>866</b>	<b>918</b>
<b>Total operating expenses</b>	<b>519</b>	<b>540</b>	<b>486</b>	<b>514</b>	<b>492</b>	<b>2.032</b>	<b>1.863</b>



### Change in operating expenses

MNOK	Q1 2017	Change	Q1 2016
<b>Total</b>	<b>519</b>	<b>27</b>	<b>492</b>
Personnel expenses*		11	
IT expenses		2	
Marketing expenses		2	
Other administrative expenses		6	
Write-down		0	
Expenses real property		1	
Other operating expenses		5	

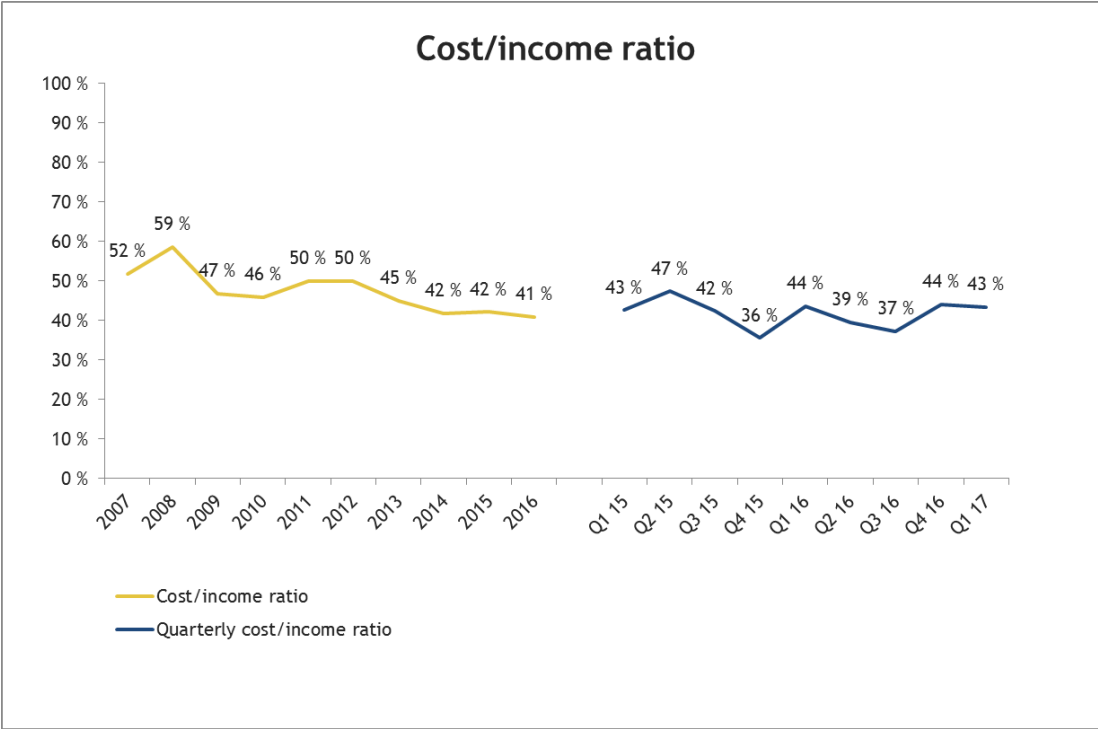
\*Increase in personnel expenses are due to financial activity tax that was introduced on 1 January 2017.

### Cost/income ratio

MNOK	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12 2016	31.12 2015
Operating expenses	519	540	486	514	492	2.032	1.863
Cost/income ratio	43,3 %	44,0 %	37,2 %	39,4 %	43,6 %	40,9 %	42,1 %
Growth in expenses last 12 months*	5,5 %	46,7 %	13,3 %	-4,1 %	-7,2 %	9,1 %	-9,4 %

\*Low cost per Q4 2015 is affected by changes in the pension plan and lower bonus provisions

Development in cost/income ratio



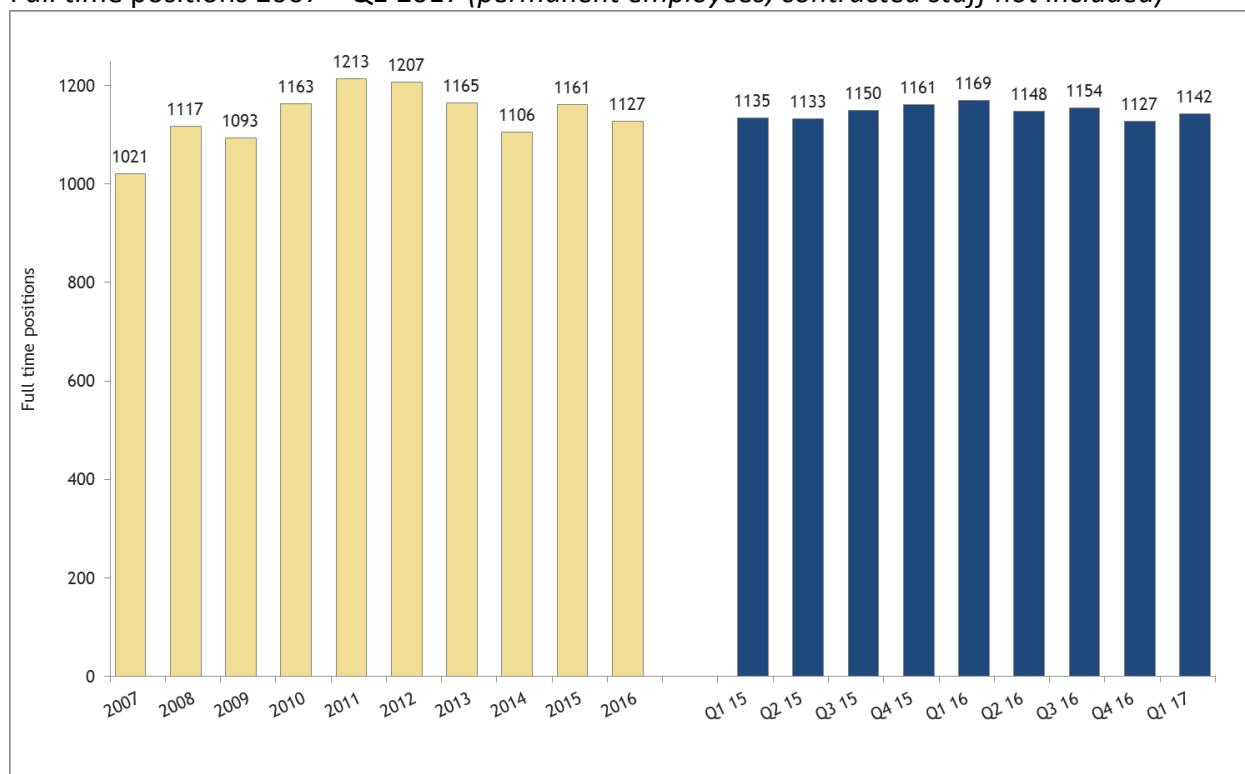
## Number of full time positions (permanent employees, contracted staff not included)

### Number of employees

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
<i>Full time positions</i>					
SpareBank 1 SR-Bank	850	813	833	824	849
EiendomsMegler 1 SR-Eiendom AS	194	192	199	200	196
SR-Forvaltning AS	11	12	12	13	14
SR-Finans AS*		31	31	32	31
SpareBank 1 Regnskapshuset SR AS	87	79	79	79	79
<b>Total</b>	<b>1.142</b>	<b>1.127</b>	<b>1.154</b>	<b>1.148</b>	<b>1.169</b>

\*SpareBank 1 SR-Finans AS has been merged into SpareBank 1 SR-Bank from 1 January 2017

### Full time positions 2007 – Q1 2017 (permanent employees, contracted staff not included)



## 2.4 Losses on loans and loss provisions

### Losses on loans and guarantees

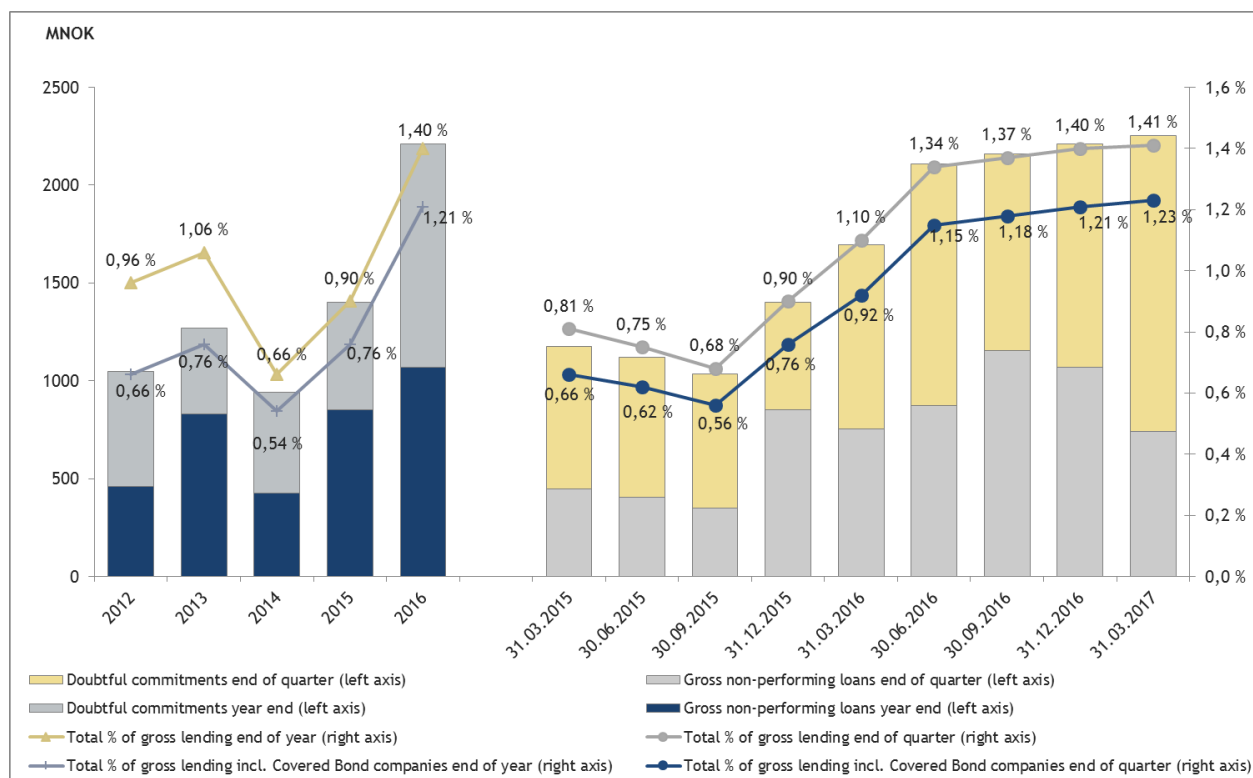
#### Losses on loans and guarantees

MNOK	31 March 2017	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 March 2016
Change in individual impairment losses provisions for the period	-54	277	229	273	59
Change in collective impairment loss provisions for the period	1	158	138	93	60
Amortised cost	0	6	6	4	1
Actual loan losses on commitments for which provisions have been made	132	142	108	66	24
Actual loan losses on commitments for which no provision has been made	45	208	134	16	9
Change in assets take-over for the period	47	0	10	10	0
Recoveries on commitments previously written-off	-3	-13	-9	-7	-3
<b>The period's net losses/(reversals) on loans and advances</b>	<b>168</b>	<b>778</b>	<b>616</b>	<b>455</b>	<b>150</b>

### Provisions for impairment losses on loans and guarantees

MNOK	31 March 2017	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 March 2016
Provisions for individual impairment losses at start of period	521	318	318	318	318
Provisions for Individual impairment losses at start of period SR-	74	0	0	0	0
Increases in previous provisions for individual impairment losses	70	33	26	26	19
Reversal of provisions from previous periods	-77	-51	-44	-53	-30
New provisions for individual impairment losses	84	443	357	367	95
Amortised cost	1	-7	-3	-2	-1
Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-132	-141	-108	-66	-24
<b>Provisions for individual impairment losses at the end of period</b>	<b>541</b>	<b>595</b>	<b>547</b>	<b>591</b>	<b>377</b>
<b>Net losses</b>	<b>177</b>	<b>350</b>	<b>242</b>	<b>82</b>	<b>33</b>

### Non-performing loans and doubtful commitments



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



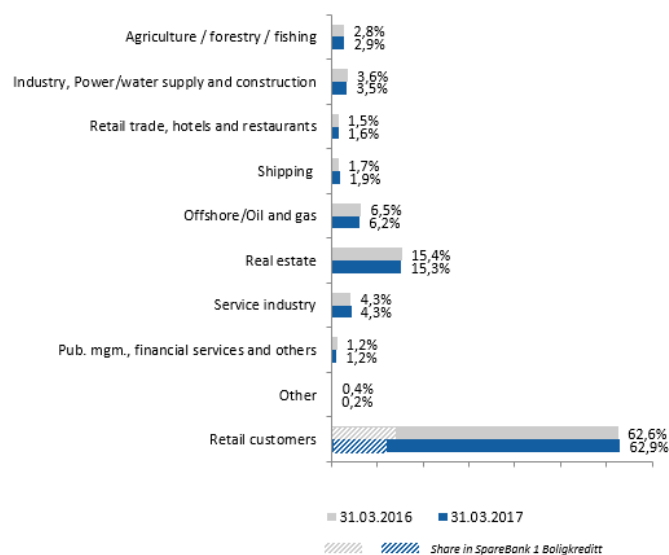
## 2.5 Loans

### DISTRIBUTION OF LOANS by industry

MNOK	31 March 2017	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 March 2016
Agriculture/forestry	4.543	4.549	4.460	4.409	4.431
Fishing/Fish farming	748	755	729	705	772
Mining/extraction	5.159	4.780	6.029	5.739	5.646
Industry	3.003	2.914	3.031	3.240	3.272
Power and water supply/building and construction	3.385	3.533	3.493	3.527	3.300
Retail trade, hotel and restaurant business	2.870	2.885	2.934	2.992	2.810
Foreign trade shipping, pipeline transport and other transport activities	9.769	9.766	9.044	9.326	9.427
Real estate business	27.630	27.269	26.751	27.102	27.761
Service industry	7.960	8.441	8.267	8.254	7.958
Public sector and financial services	2.127	1.898	1.838	1.854	2.276
Retail customers	92.893	91.171	90.267	88.945	86.838
Unallocated (excess value fixed interest loans and amort. lending fees)	117	118	219	345	375
Accrued interests corporate sector and retail customers	292	301	290	300	306
Net cooperate accounts currency	-655	-741			
Gross loans	159.843	157.638	157.352	156.738	155.172
SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	23.339	24.694	25.690	26.700	28.767
Gross loans incl SpareBank 1 Boligkreditt and Næringskreditt	183.182	182.332	183.042	183.438	183.939

### Loan portfolio as at 31.03.2017

- Gross loans (incl. covered bond companies) as at 31 March 2017 amount to NOK 183.2 billion compared with NOK 183.9 billion at the same time the year before.
- 12-month growth in loans of -0.4%.
- Loans to retail customers (incl. covered bond company) account for 62.9% of total loans, of which 12.4% is in SpareBank 1 Boligkreditt.



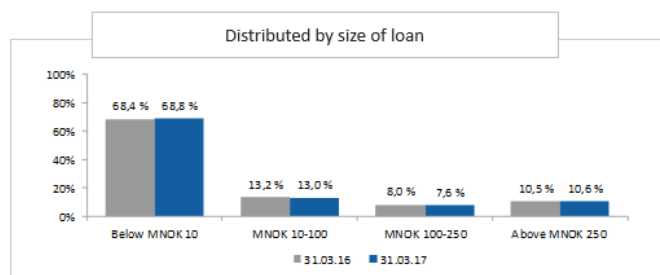
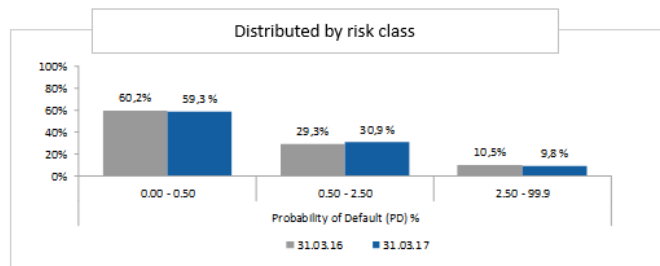
## 2.6 Risk profile

### Risk profile of the loan portfolio

- SpareBank 1 SR-Bank has a solid loan portfolio.
- 1 January 2017, SpareBank 1 SR-Bank and its wholly owned subsidiary, SpareBank 1 SR-Finans carried out a parent/subsidiary merger. Q1 2017 is the first period of public reporting of the merged portfolios.
- 59.3% of the bank's loan exposure has a PD\* below 0.5%.
- Single loan exposures less than NOK 10 million aggregates 68.8% of total loan portfolio.
- Single loan exposures above NOK 250 million is 10.6% of total loan portfolio.

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

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

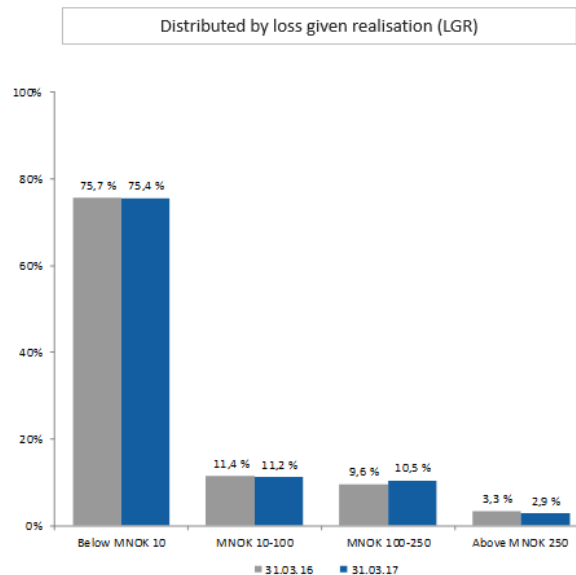


### Low concentration of individual LGRs in the lending portfolio

- There is a clearly defined strategy behind this portfolio composition. The growth and risk profile are managed, for example, through special credit strategy limits for concentration risk.
- The proportion of loans with loss potential below NOK 10 million is now at 75.4% of the loan portfolio.

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

The figures include the loan portfolio in the covered bond companies.

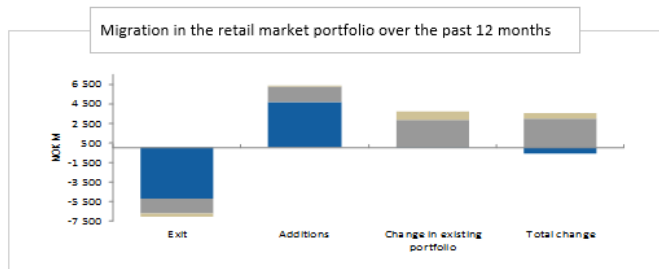
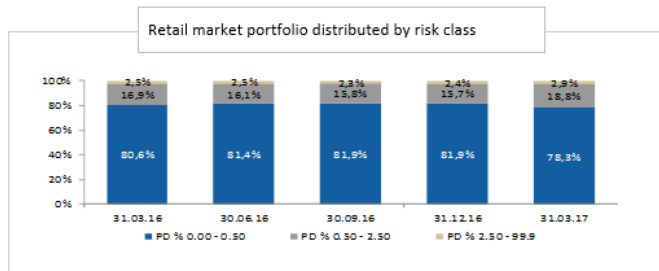


## Risk profile – Lending to the retail market

- The quality of the retail market portfolio is considered to be good and has low potential losses.
- The proportion of loans with a PD\* below 0.5% is 78.3% of the total retail portfolio. It has decreased last quarter due to merged portfolio from SpareBank 1 SR-Finans consists of object and consumer finance, which has a higher risk than the bank's portfolio of lending secured by real estate.
- The low risk profile is achieved through prudent customer selection and requirements for moderate LTV.
- Most of the portfolio is secured against a mortgage on real estate, and lending is overall moderate compared to asset value.

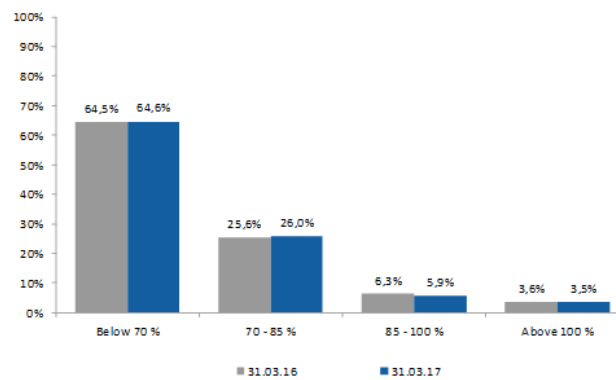
\*Probability of default (PD) through a full cycle of loss.

The figures include the loan portfolio in the covered bond companies (SpareBank 1 Boligkredit AS and SR-Boligkredit AS). SpareBank 1 SR-Finans has been merged into SpareBank 1 SR-Bank from 1 January 2017 and SR-Finance are included in the figures from first quarter of 2017.



## Loan to value ratio on home mortgage loans

- The proportion of loans with a loan-to-value ratio of less than 85% is high.
- 90.6% of the exposure is within 85% of the assessed value of collateral.



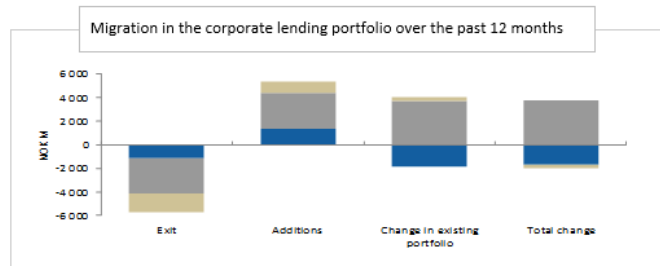
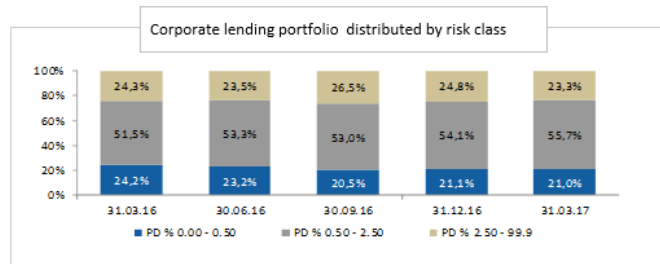
In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.

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

# Lending to the corporate market – risk profile

- *The quality of the corporate market portfolio is good. There is a clearly defined framework that sets limits on what is funded and conditions for particular funding purposes. This ensures a robust portfolio.*
- *Merged corporate lending portfolio from SpareBank 1 SR-Finans from 1 January 2017 primarily consists of leasing, and have approximately the same risk profile as the bank's portfolio.*
- *The share of customers with PD\* below 0.5% is at 21.0 %.*
- *Despite the regional economic downturn, the quality of the corporate market portfolio is maintained over the past 12 months.*

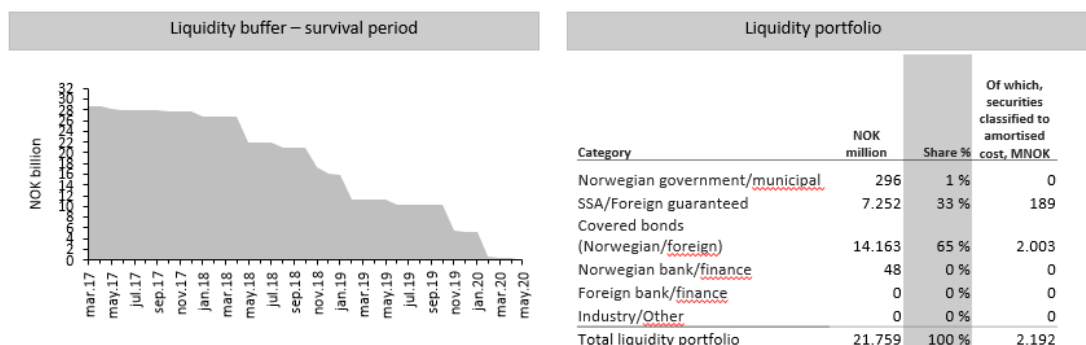
\*Probability of default (PD) through a full cycle of loss.



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

## 2.7 Risk profile in bond and equity portfolios

### Liquidity portfolio



- Liquidity buffer at the end of the quarter: NOK 28.7 billion
- Other liquid assets:
  - Home mortgages prepared for covered bond funding: NOK 17.3 billion
  - Commercial paper and bonds in the trading portfolio: NOK 0.3 billion

Liquidity buffer: cash, highly liquid bonds.

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

### Investments in bonds and certificates

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	21.711	98,4 %
Low risk	A+, A and A-	0	0,0 %
Moderate risk	Not rated	108	0,5 %
High risk	Not rated	144	0,7 %
Very high risk	Not rated	106	0,5 %
<b>Total portfolio</b>		<b>22.070</b>	<b>100,0 %</b>

Of which liquidity purposes:

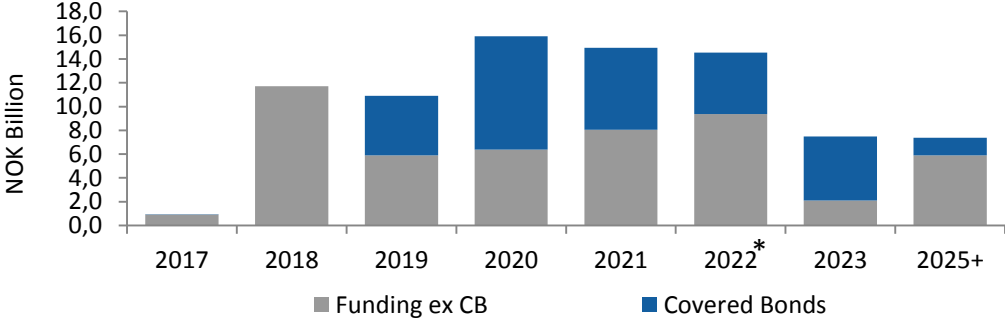
Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	21.711	99,8 %
Low risk	A+, A and A-	0	0,0 %
Moderate risk	Not rated	48	0,2 %
High risk	Not rated	0	0,0 %
Very high risk	Not rated	0	0,0 %
<b>Total liquidity purposes</b>		<b>21.759</b>	<b>100,0 %</b>

Of which SR-Bank Markets:

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	0	0,0 %
Low risk	A+, A and A-	0	0,0 %
Moderate risk	Not rated	60	19,3 %
High risk	Not rated	144	46,5 %
Very high risk	Not rated	106	34,3 %
<b>Total trading portfolio</b>		<b>310</b>	<b>100,0 %</b>

All amounts in MNOK.

# 2.8 Funding



\*Includes 600 million USD issued 5 April 2017.

Figure 2.8.1: Funding - annual

## 2.9 Capital adequacy

Basel II was introduced in Norway from 1 January 2007. Figure 2.9 shows the methods currently used by SpareBank 1 SR-Bank for calculating capital requirements for different types of risks. Using Internal Rating Based (IRB) methods for calculating capital requirements requires a formal approval from the FSAN (Finanstilsynet) on standards regarding organisation, competence, risk-modelling and risk-management systems.

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

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

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

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

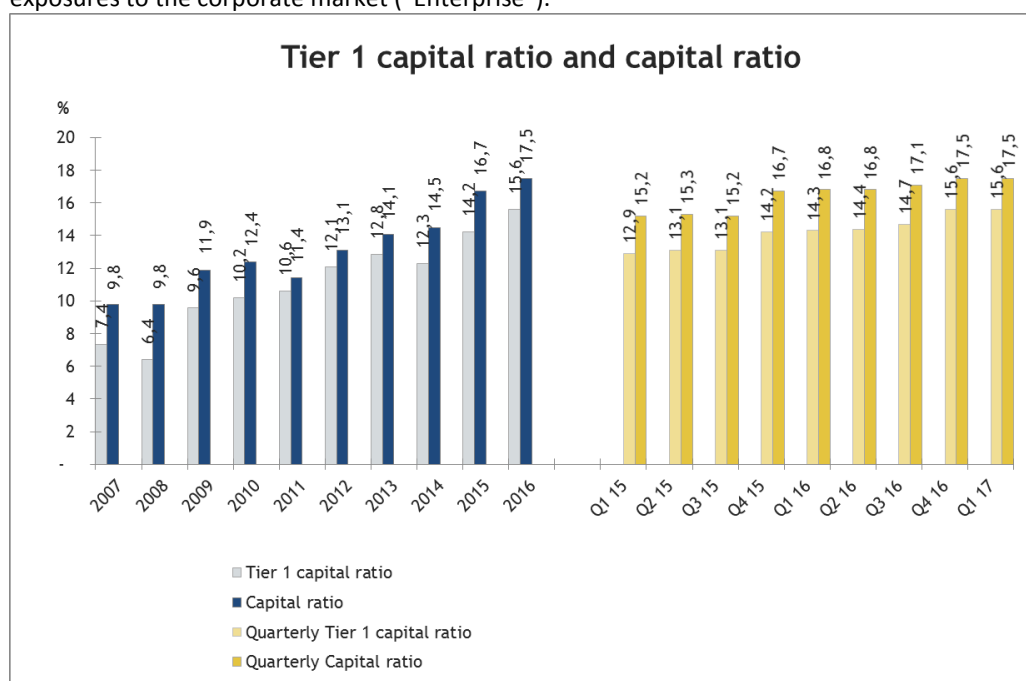


Figure 2.9.2: Development in capital ratios

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

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

There is a countercyclical capital buffer requirement in Norway in the range of 0-2.5% in the form of common equity tier 1 capital. The purpose of the countercyclical capital buffer is to make the banks more solid and robust in relation to lending losses. The capital buffer requirement was 1.5 percentage points as at 31 March 2017. The Ministry of Finance has decided to increase the requirement to 2.0 percentage points from 31 December 2017. The total minimum requirement for common equity tier 1 capital will thus increase to 14.0% at year-end 2017.

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

#### Capital Adequacy

	31 Mar. 2017	31 Dec. 2016	30 Sep. 2016	30 Jun. 2016	31 Mar. 2016
<i>MNOK</i>					
Share capital	6.394	6.394	6.394	6.394	6.394
Premium reserve	1.587	1.587	1.587	1.587	1.587
Allocated to dividend	575	575	0	0	384
Reserve for unrealised gains	52	52	163	163	163
Other equity	9.621	9.680	8.260	8.232	8.381
Profit for the year	403		1.326	792	386
<b>Total book equity</b>	<b>18.632</b>	<b>18.288</b>	<b>17.730</b>	<b>17.168</b>	<b>17.295</b>
<i>Tier 1 capital</i>					
Deferred taxes, goodwill and other intangible assets	-122	-94	-96	-97	-96
Deduction for allocated dividends	-575	-575	0	0	-384
Deduction for expected losses on IRB, net of write-downs	-289	-263	-304	-273	-315
Year-to-date profit not included in common equity Tier 1 capital	-202		-663	-396	-193
Deduction for common equity Tier 1 capital in significant investments in financial institutions	0	-163	-183	-209	-383
The institution's own credit risk related to derivative liabilities	-49	-50	-56	-58	-57
Tier 1 capital instruments	1.087	1.084	1.124	1.131	1.088
<b>Total Tier 1 capital</b>	<b>18.482</b>	<b>18.227</b>	<b>17.552</b>	<b>17.266</b>	<b>16.955</b>
<i>Tier 2 capital</i>					
Term subordinated loan capital	2.305	2.276	2.894	2.933	2.958
Deduction for significant investments in financial institutions	-43	-60	-60	-60	-60
<b>Total Tier 2 capital</b>	<b>2.262</b>	<b>2.216</b>	<b>2.834</b>	<b>2.873</b>	<b>2.898</b>
<b>Net primary capital</b>	<b>20.744</b>	<b>20.443</b>	<b>20.386</b>	<b>20.139</b>	<b>19.853</b>

Table 2.9.1: *Specification of consolidated primary capital*

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



## Credit risk Basel II

	31 Mar.	31 Dec.	30 Sep.	30 Jun.	31 Mar.
MNOK	2017	2016	2016	2016	2016
SME	18.780	17.231	16.974	17.276	16.526
Specialised lending	21.027	19.471	19.203	20.153	21.426
Other corporations	8.343	6.785	6.933	6.262	6.566
SME retail	1.266	1.194	1.229	1.256	1.246
Retail mortgage (properties)	26.410	25.899	27.020	26.920	28.585
Other retail	2.059	2.027	787	871	897
Equity investments	0	0	0	0	0
<b>Total credit and counterparty risk IRB</b>	<b>77.885</b>	<b>72.607</b>	<b>72.146</b>	<b>72.738</b>	<b>75.246</b>
States and central banks	47	68	68	68	70
Local and regional authorities, state-owned enterprises	114	333	123	112	167
Institutions	3.212	2.169	2.742	5.175	5.815
Enterprises	8.057	7.446	7.324	6.510	6.770
Mass market	2.886	2.058	1.505	1.630	1.412
Mass market - mortgage on real estate	2.399	2.506	3.227	3.606	3.948
Covered bonds	1.904	1.817	2.059	2.204	1.719
Equity positions	4.907	4.950	4.959	4.566	4.624
Other assets	1.597	1.726	2.269	1.842	2.036
<b>Total credit and counterparty risk standard method</b>	<b>25.123</b>	<b>23.073</b>	<b>24.276</b>	<b>25.713</b>	<b>26.561</b>
Position risk for equity instruments	0	0	0	0	0
Credit value adjustment risk (CVA)	968	701	890	941	872
Operational risk	7.473	7.054	7.079	7.084	7.084
Transitional scheme	6.961	13.216	14.727	13.229	8.764
<b>Risk weighted balance</b>	<b>118.410</b>	<b>116.651</b>	<b>119.118</b>	<b>119.705</b>	<b>118.527</b>
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	5.328	5.249	5.360	5.387	5.334
Buffer requirement					
Capital conservation buffer 2,5 %	2.960	2.916	2.978	2.993	2.963
Systemic risk buffer 3 %	3.552	3.500	3.574	3.591	3.556
Countercyclical capital buffer 1 %	1.776	1.750	1.787	1.796	1.185
Total buffer requirement to common equity Tier 1 capital ratio	8.289	8.166	8.338	8.379	7.704
Available common equity Tier 1 capital ratio after buffer requirement	3.778	3.728	2.729	2.369	2.829
<b>Common Equity Tier 1 capital ratio <sup>1)</sup></b>	<b>14,69 %</b>	<b>14,70 %</b>	<b>13,79 %</b>	<b>13,48 %</b>	<b>13,39 %</b>
Tier 1 capital ratio	15,61 %	15,63 %	14,73 %	14,42 %	14,30 %
Tier 2 capital ratio	17,52 %	17,52 %	17,11 %	16,82 %	16,75 %
Common Equity Tier 1 capital ratio, IRB	15,61 %	16,57 %	15,74 %	15,15 %	14,46 %
Tier 1 capital ratio, IRB	16,59 %	17,62 %	16,81 %	16,22 %	15,45 %
Tier 2 capital ratio, IRB	18,61 %	19,76 %	19,53 %	18,91 %	18,09 %

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

Table 2.9.2: Specification of minimum capital requirement

## 3. Business areas

### 3.1 Business segments - Financial performance

MNOK	SpareBank 1 SR-Bank Group											
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		Other*		Total	
	Q1 17	Q1 16	Q1 17	Q1 16	Q1 17	Q1 16	Q1 17	Q1 16	Q1 17	Q1 16	Q1 17	Q1 16
Net interest income	351	301	354	357	9	14	0	1	25	25	739	698
Net commission and other income	157	151	67	77	13	18	93	68	41	38	371	352
Net return on investment securities	1	2	6	4	33	-13	0	0	49	86	89	79
Operating expenses	154	145	71	65	20	23	88	75	186	184	519	492
Operating profit before losses	355	309	356	373	35	-4	5	-6	-71	-35	680	637
Change in individual write-downs in the period	5	8	162	82	0	0	0	0	0	0	167	90
Change in group write-downs in the period	0	3	1	57	0	0	0	0	0	0	1	60
<b>Operating profit before tax</b>	<b>350</b>	<b>298</b>	<b>193</b>	<b>234</b>	<b>35</b>	<b>-4</b>	<b>5</b>	<b>-6</b>	<b>-71</b>	<b>-35</b>	<b>512</b>	<b>487</b>
Gross loans to customers excl. covered bond companies	96.986	91.391	60.305	60.424	325	734	0	0	2.227	2.623	159.843	155.172
Deposits from customers	47.713	47.099	43.943	37.288	6	2.768	0	0	1.463	-132	93.125	87.023

\* Includes SR-Forvaltning, SR-Investering and SpareBank 1 Regnskapshuset SR

On 1 January 2017, SR-Finans was merged into the parent bank and the accounting figures for 2016 were distributed on the basis of estimates of 38% for the retail market and 62% for the corporate market in order to produce comparable figures.

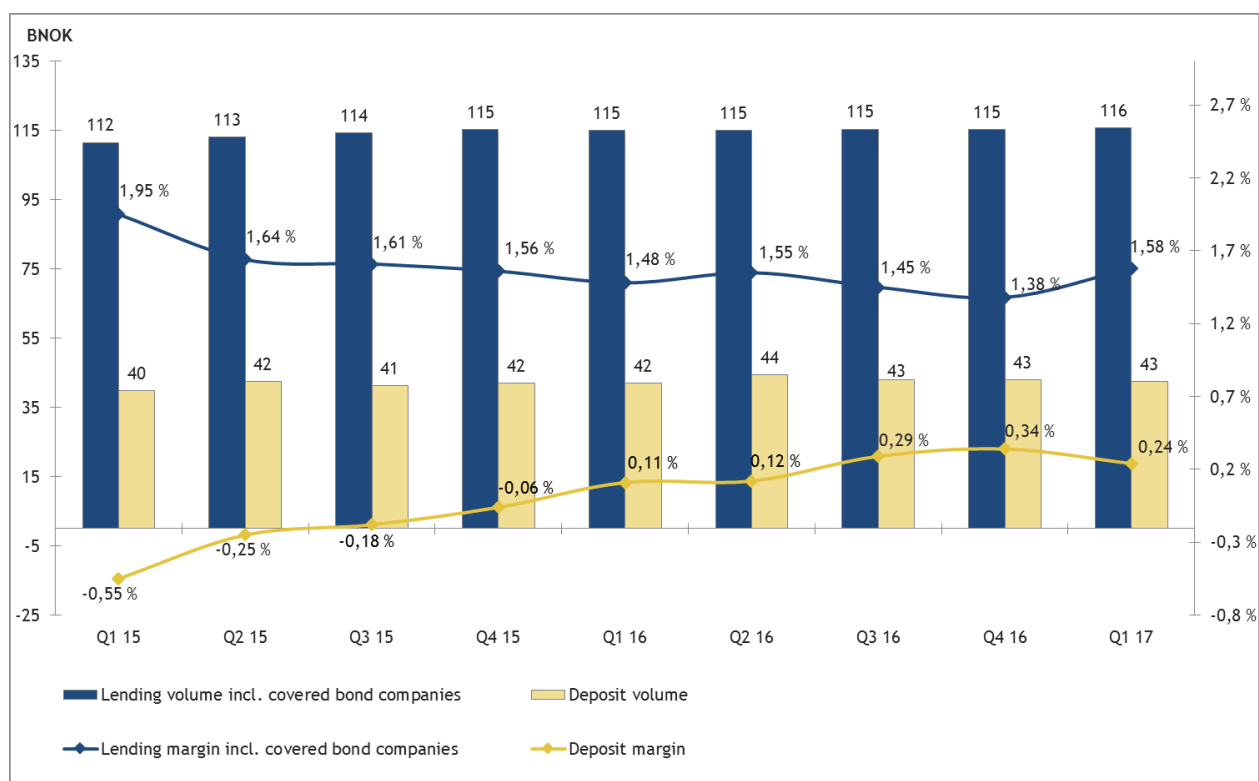
## 3.2 Retail Market<sup>2</sup>

### Financial performance in the retail market segment

MNOK	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12 2016	31.12 2015
Net interest income	351	303	307	296	277	1.183	1.080
Net other income	158	150	169	165	155	639	721
Total income	509	453	476	461	432	1.822	1.801
Total operating expenses	154	175	147	108	141	571	587
Operating profit before losses	355	278	329	353	291	1.251	1.214
Change in individual write-downs in the period	5	8	7	5	7	27	3
Change in group write-downs in the period	0	1	1	0	3	5	5
Operating profit before tax	350	269	321	348	281	1.219	1.206

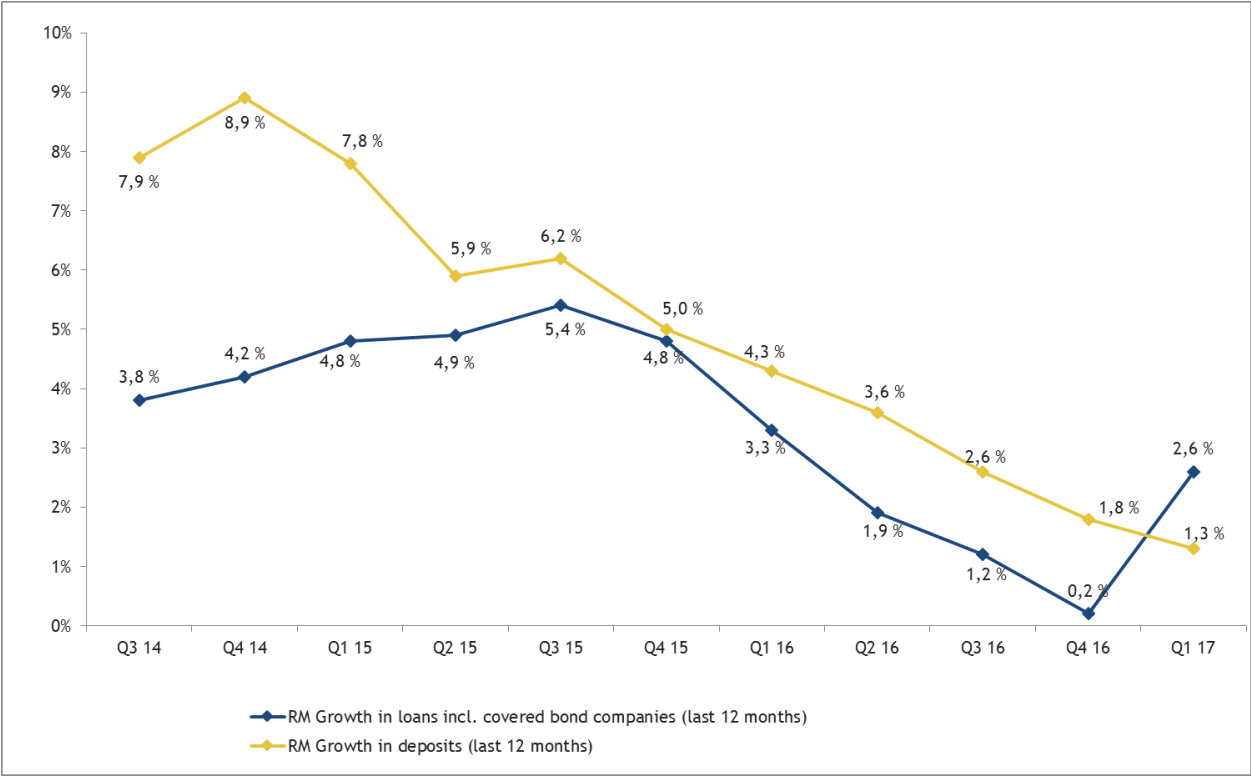
SpareBank 1 SR-Finans AS was merged into SpareBank 1 SR-Bank from 1 January 2017. This results in break in the historic figures and the figures are therefore not entirely comparable.

### Development in average volume and interest margin



<sup>2</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 premium). Differences between the group's actual funding costs and the interest applied on intercompany receivables are eliminated at the group level.

*Growth in loans and deposits*



**SpareBank 1 SR-Finans was merged into SpareBank 1 SR-Bank from 1 January 2017 and the lending volume from SR-Finans is included in the figures from first quarter 2017. This results in break in the historic figures. 12 month lending growth was, for the first quarter of 2017, 0.8% for retail market excluding the effect of the merger.**

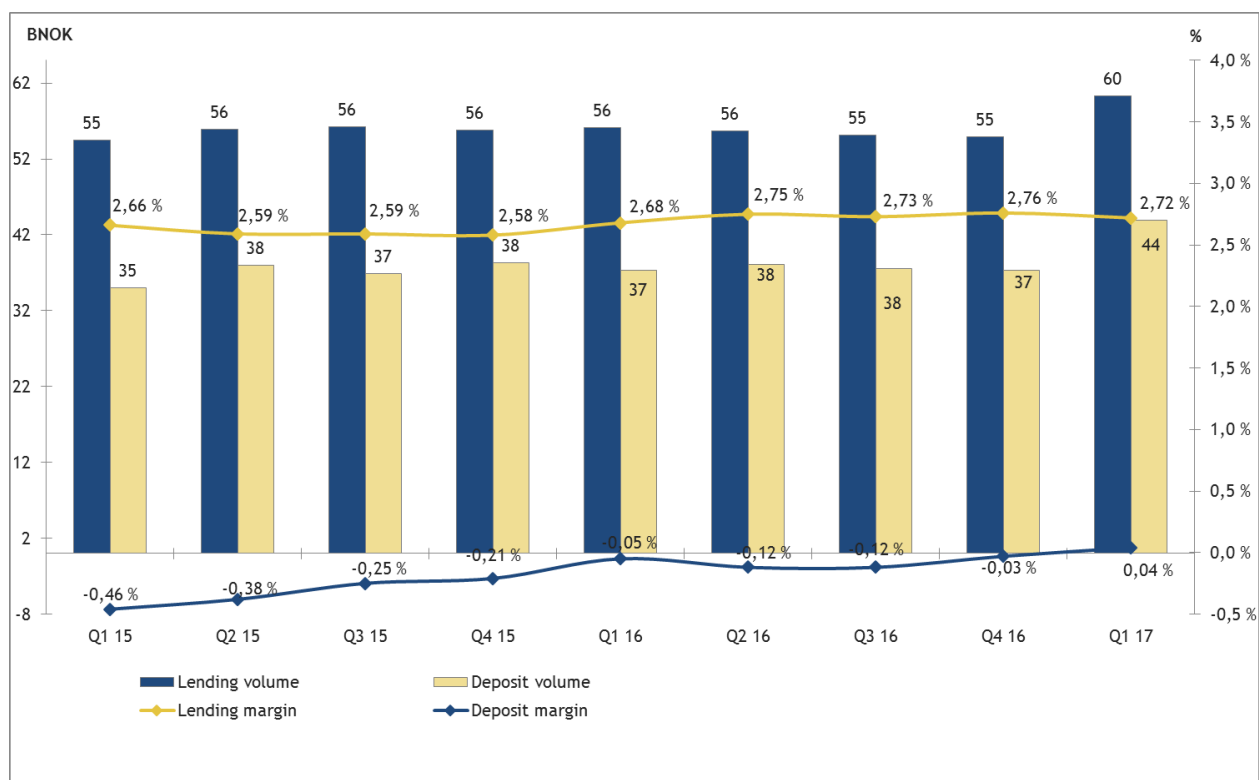
### 3.3 Corporate Market

#### Financial performance in the corporate market segment

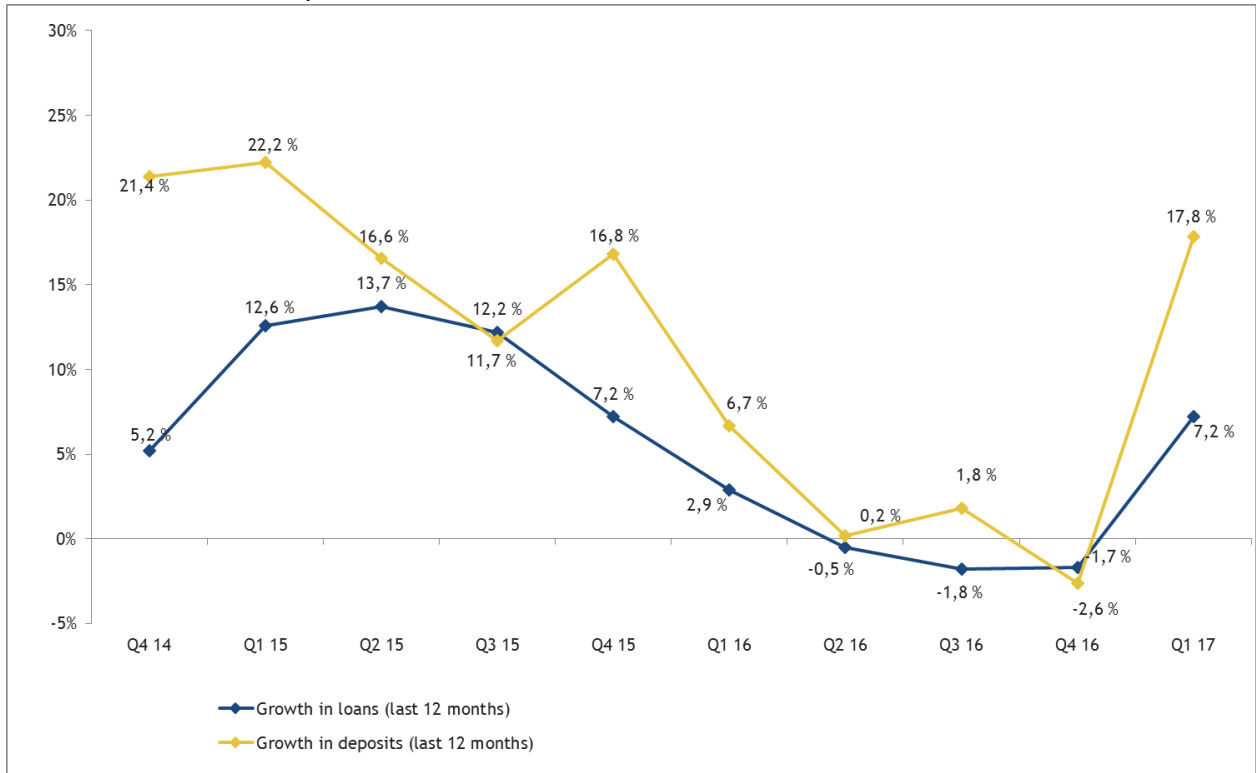
MNOK	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12 2016	31.12 2015
Net interest income	354	341	325	324	318	1.308	1.07
Net other income	73	93	69	86	83	331	25
Total income	427	434	394	410	401	1.639	1.32
Total operating expenses	71	72	59	47	56	234	24
Operating profit before losses	356	362	335	363	345	1.405	1.08
Change in individual write-downs in the period	162	97	104	227	82	510	24
Change in group write-downs in the period	1	14	42	31	57	144	13
Operating profit before tax	193	251	189	105	206	751	71

SpareBank 1 SR-Finans AS was merged into SpareBank 1 SR-Bank from 1 January 2017. This results in break in the historic figures and the figures are therefore not entirely comparable.

#### Development in average volume and interest margin



## Growth in loans and deposits



*SpareBank 1 SR-Finans was merged into SpareBank 1 SR-Bank from 1 January 2017 and the lending volume from SR-Finans is included in the figures from first quarter 2017. This results in break in the historic figures. 12 month lending growth was, for the first quarter of 2017, -1.2% for corporate market excluding the effect of the merger.*

*Increased deposit growth in the corporate market per first quarter 2017 is due to larger deposits from public sector.*

### 3.4 Capital Market

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

#### Financial performance in the capital market segment

<i>MNOK</i>	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12 2016	31.12 2015
Net interest income	9	10	12	10	14	46	72
Net other operating income	46	29	32	16	6	83	10
Total income	55	39	44	26	20	129	82
Total operating expenses	20	21	19	17	24	81	80
Operating profit before losses	35	18	25	9	-4	48	2
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	35	18	25	9	-4	48	2

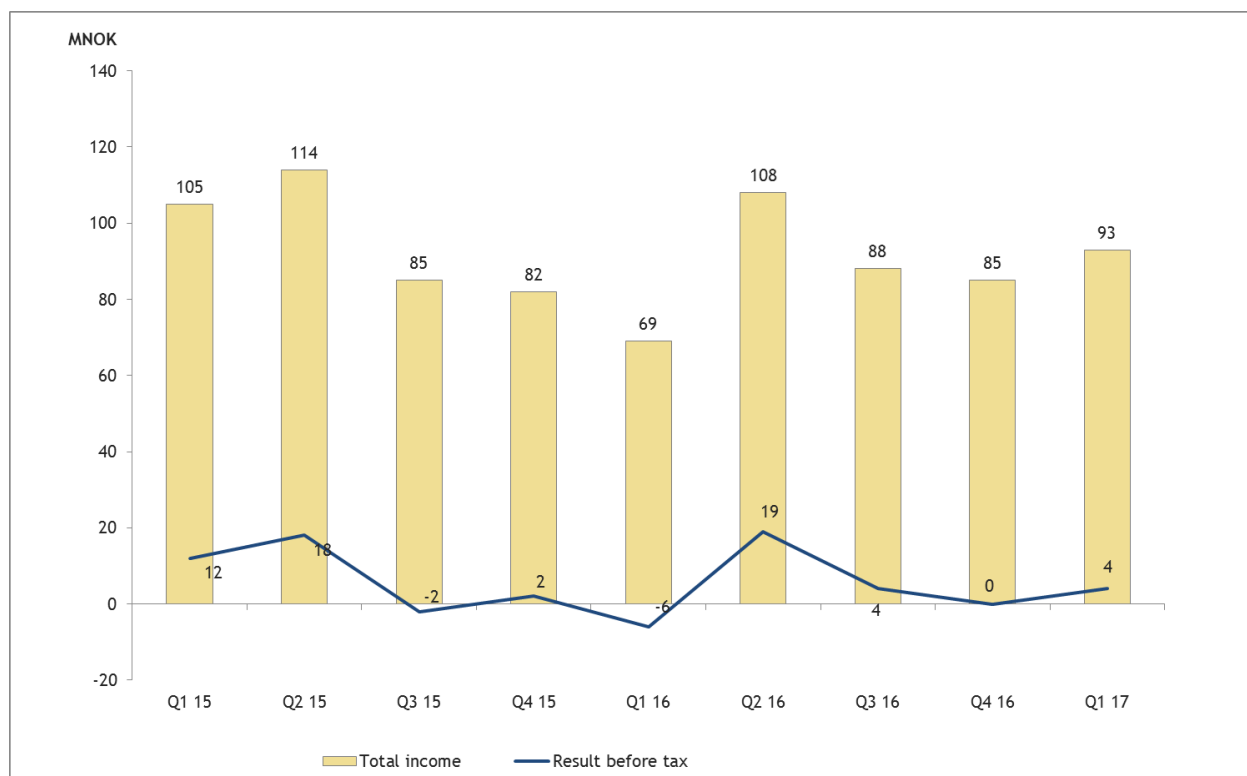
## 3.5 Subsidiaries

### *EiendomsMegler 1 SR-Eiendom AS*

EiendomsMegler 1 SR-Eiendom AS, which is fully owned by SpareBank 1 SR-Bank, is our region's market leader and the largest company in the nationwide EiendomsMegler 1 chain. This chain is the largest chain of real estate agents in Norway. As at 31 March 2017, the company sold 1611 properties from its 30 real estate offices in Rogaland, Agder and Hordaland. The activities cover commercial real estate, holiday homes, housing rental and new-builds and used homes.

### Financial performance

MNOK	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12 2016	31.12 2015
Interest income	0	0	1	0	1	2	3
Other income	93	85	87	108	68	348	383
Total income	93	85	88	108	69	350	386
Total operating expenses	89	85	84	89	75	334	356
Operating profit before losses	4	0	4	19	-6	16	30
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	4	0	4	19	-6	16	30



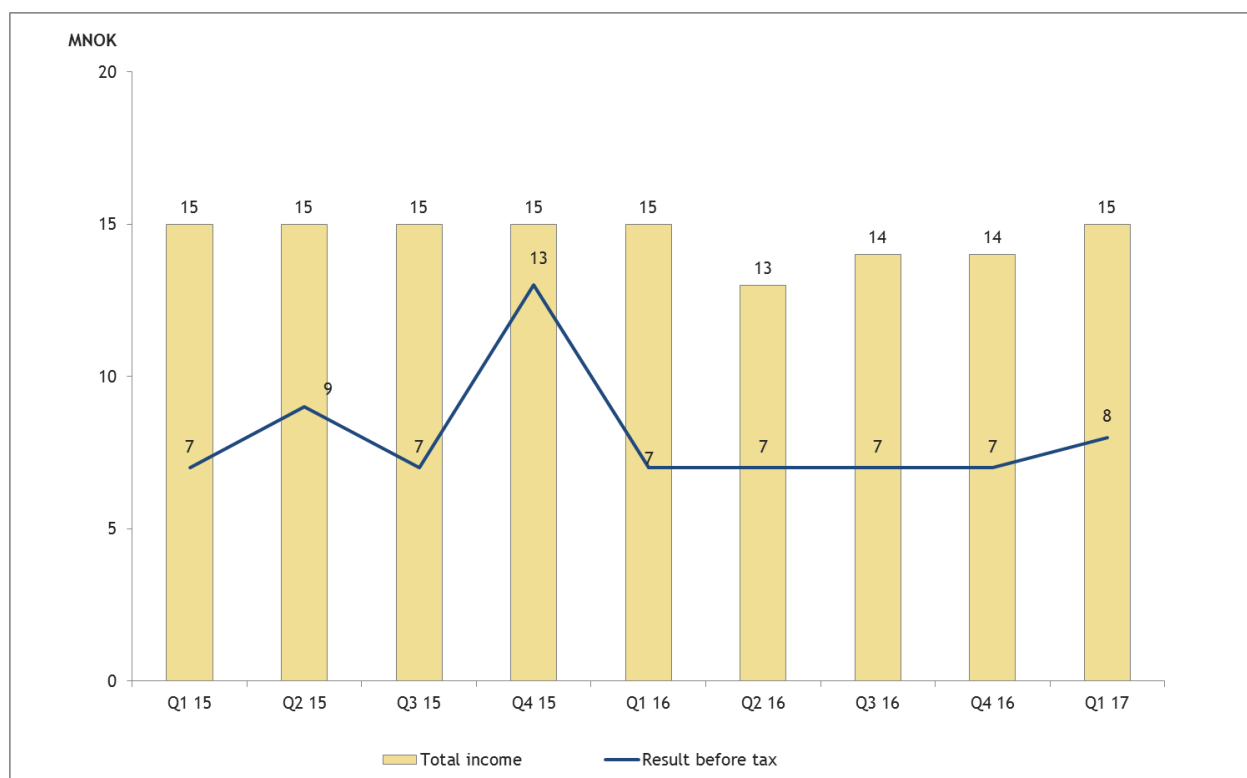


## SR-Forvaltning AS

SR-Forvaltning AS is a securities firm with a licence to provide asset management services. The company's objective is to be a local alternative with a high level of expertise in financial management. The company manages portfolios for SpareBank 1 SR-Bank and SpareBank 1 SR-Bank's pension fund, in addition to portfolios for about 2,500 external customers. The external customer base is made up of pension funds, public and private enterprises and affluent private individuals. Total assets amount to approximately NOK 10 billion as at 31 March 2017. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

MNOK	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12 2016	31.12 2015
Interest income	0	1	0	0	0	1	1
Other income	15	13	14	13	15	55	59
Total income	15	14	14	13	15	56	60
Total operating expenses	7	7	7	6	8	28	24
Operating profit before losses	8	7	7	7	7	28	36
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	8	7	7	7	7	28	36

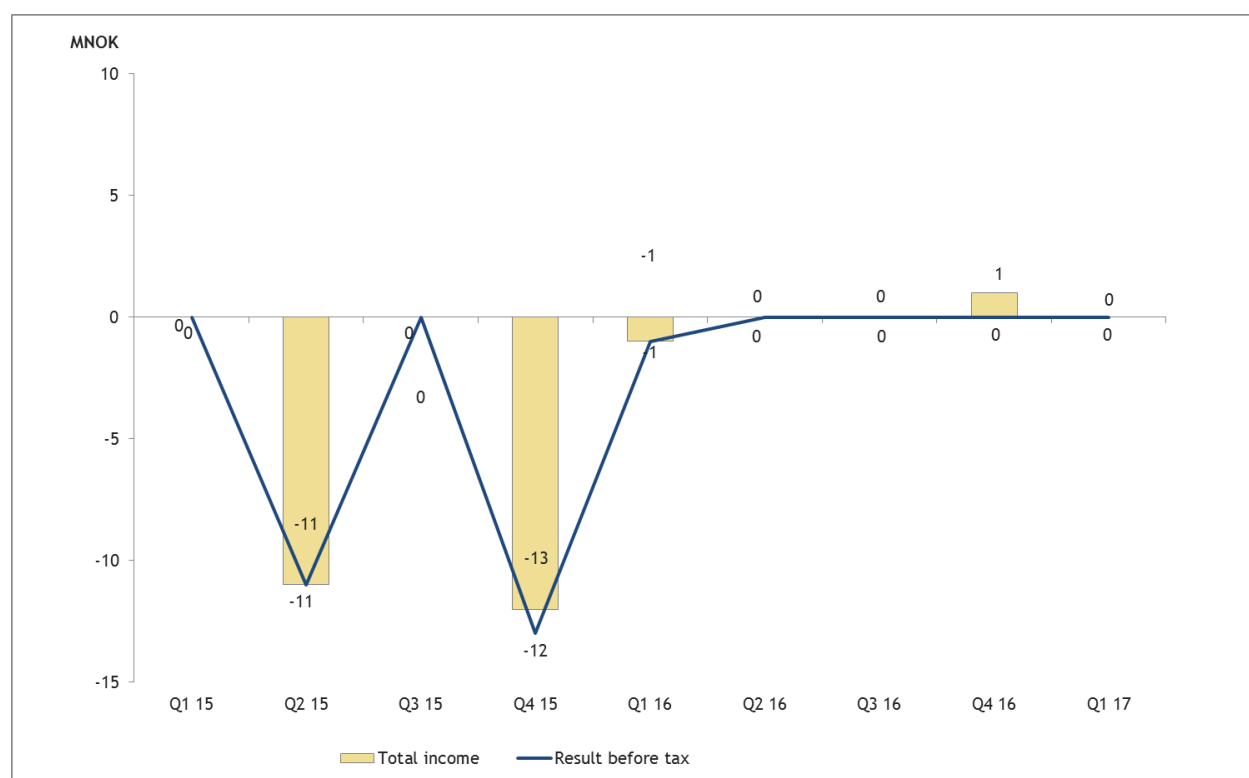


## SR-Investering AS

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

### Financial performance

MNOK	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	31.12 2016	31.12 2015
Interest income	0	0	0	1	0	1	1
Other income	0	1	0	-1	-1	-1	-24
Total income	0	1	0	0	-1	0	-23
Total operating expenses	0	1	0	0	0	1	1
Operating profit before losses	0	0	0	0	-1	-1	-24
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	0	0	0	0	-1	-1	-24



## SpareBank 1 Regnskapshuset SR AS

The company was established in the first quarter of 2015 and has through the acquisitions that have been made gained a solid foothold in Southern and Western Norway with branches in Straume, Haugesund, Stavanger, Sandnes and Ålgård. The accounting firm venture will enable the group to satisfy customers' total needs better by being able to offer customers in the region accounting services and advice.

### Financial performance

<i>MNOK</i>	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	30.12 2016	30.12 2015
Interest income	0	0	0	0	0	0	0
Other income	28	19	16	24	23	82	36
Total income	28	19	16	24	23	82	36
Personal expenses	20	15	12	15	16	58	24
Other expenses	6	6	5	5	6	22	11
Total operating expenses	26	21	17	20	22	80	35
Operating profit before losses	2	-2	-1	4	1	2	1
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	2	-2	-1	4	1	2	1