

The best way to predict the future  
is to create it



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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**

Third quarter 2016 27 October

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# 1. SpareBank 1 SR-Bank ASA

## 1.1 Financial highlights

### Q3 2016

- Pre-tax profit: NOK 660 million (NOK 489 million)
- Profit after tax: NOK 534 million (NOK 377 million)
- Return on equity after tax: 12.2% (9.3%)
- Earnings per share: NOK 2.09 (NOK 1.47)
- Net interest income: NOK 729 million (NOK 649 million)
- Net commission and other income: NOK 347 million (NOK 353 million)
- Net income on investment securities: NOK 231 million (NOK 12 million)
- Operating expenses: NOK 486 million (NOK 429 million)
- Impairment losses on loans and guarantees: NOK 161 million (NOK 96 million)  
*(Q3 2015 in parentheses)*

### As at 30 September 2016

- Pre-tax profit: NOK 1,633 million (NOK 1,669 million)
- Profit after tax: NOK 1,326 million (NOK 1,304 million)
- Return on equity after tax: 10.2 % (10.9 %)
- Earnings per share: NOK 5.19 (NOK 5.10)
- Net interest income: NOK 2,138 million (NOK 1,915 million)
- Net commission and other income: NOK 1,088 million (NOK 1,160 million)
- Net income from financial investments: NOK 515 million (NOK 317 million)
- Operating expenses: NOK 1,492 million (NOK 1,495 million)
- Impairment losses on loans and guarantees: NOK 616 million (NOK 228 million)
- Total lending growth over past 12 months: 0.1% (7.4%)
- Growth in deposits over past 12 months: -2.0% (9.5%)
- Tier 1 capital ratio: 14.7% (13.1%)
- CET 1 capital ratio: 13.8% (12.2%)  
*(As at 30 September 2015 in parentheses)*

## Income statement

### Financial results

MNOK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Net interest income	729	711	698	678	649	2.138	1.915
Net commission and other income	347	389	352	372	353	1.088	1.160
Net return on investment securities	231	205	79	-13	12	515	317
Total income	1.307	1.305	1.129	1.037	1.014	3.741	3.392
Total operating expenses	486	514	492	368	429	1.492	1.495
Operating profit before losses	821	791	637	669	585	2.249	1.897
Losses on loans and guarantees	161	305	150	192	96	616	228
Operating profit before tax	660	486	487	477	489	1.633	1.669
Tax expense	126	80	101	35	112	307	365
Profit after tax	534	406	386	442	377	1.326	1.304

## Key figures

### Key figures

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Return on equity <sup>1)</sup>	12,2 %	9,4 %	9,0 %	10,6 %	9,3 %	10,2 %	10,9 %
Cost ratio <sup>2)</sup>	37,2 %	39,4 %	43,6 %	35,5 %	42,3 %	39,9 %	44,1 %
Deposit-to-loan ratio	55,4 %	57,2 %	56,1 %	57,6 %	58,6 %	55,4 %	58,6 %
Growth in loans	3,6 %	4,3 %	7,2 %	9,6 %	10,6 %	3,6 %	10,6 %
Growth in loans incl. covered bond companies	0,1 %	1,1 %	2,9 %	5,4 %	7,4 %	0,1 %	7,4 %
Growth in deposits	-2,0 %	-1,3 %	1,2 %	9,8 %	9,5 %	-2,0 %	9,5 %
Average total assets, MNOK	195.489	192.792	194.300	192.315	185.459	193.879	179.823
Total assets, MNOK	193.219	196.763	194.763	192.049	191.500	193.219	191.500
Impairment losses ratio <sup>3)</sup>	0,41	0,78	0,39	0,50	0,25	0,53	0,21
Capital ratio	17,1	16,8	16,8	16,7	15,2	17,1	15,2
Common Equity Tier 1 capital ratio	13,8	13,5	13,4	13,3	12,2	13,8	12,2
Share price	45,60	41,20	40,60	39,30	42,40	45,60	42,40
EPS (group)	2,09	1,59	1,51	1,73	1,47	5,19	5,10




<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

<b>1</b>	<b>Rogaland</b>	
Population	470.000	
Market share	36%	
Year of establishment	1839	
Market strategy	Market leader	
Unemployment rate	4.3%*	
<b>2</b>	<b>Hordaland</b>	
Population	516.000	
Market share	6%	
Year of establishment	2006	
Market strategy	Entry/growth	
Unemployment rate	3.3%*	
<b>3</b>	<b>Agder</b>	
Population	298.000	
Market share	8%	
Year of establishment	2002	
Market strategy	Growth	
Unemployment rate	3.4%*	

Source: Nav, SSB and SpareBank 1 SR-Bank  
 \* Figures as at 30.09.2016



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 183.0 billion and market cap of NOK 11.7 billion as at 30 September 2016. Head office is in Stavanger. The market areas are the counties of Rogaland, Agder and Hordaland. SpareBank 1 SR-Bank ASA has 1 154 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

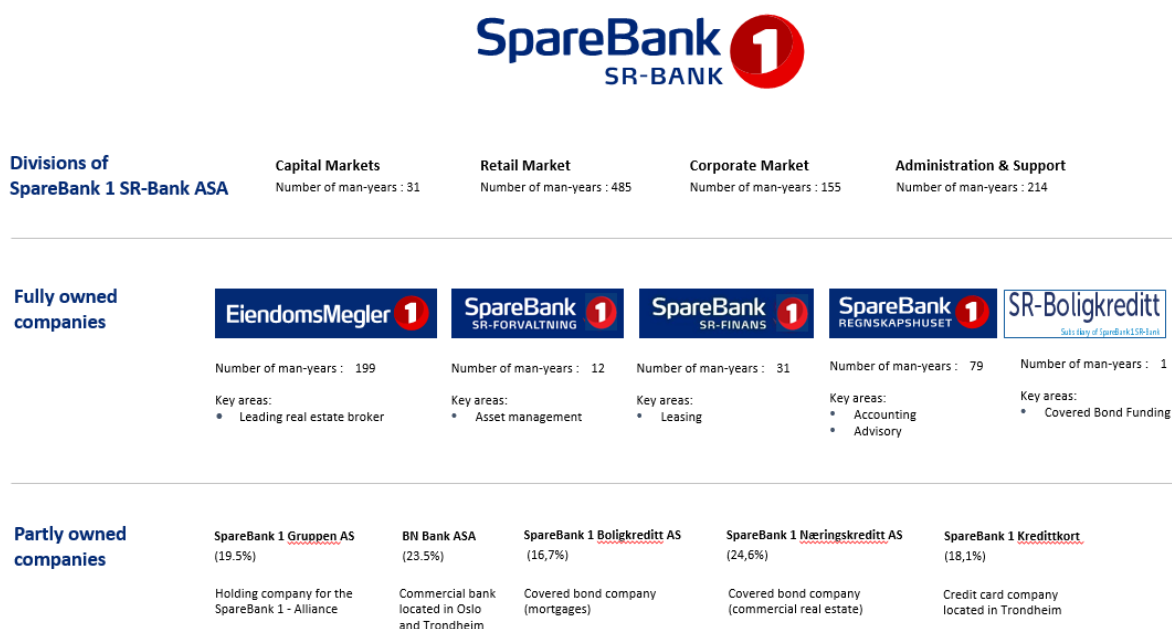


Figure 1.2.2: SpareBank 1 SR-Bank's activities

## Segment operating profit\*

Q3 2016

MNOK	Retail market		Corporate market		Capital market	
	2016	2015	2016	2015	2016	2015
Operating profit before tax 3rd quarter only	321	289	189	208	25	(37)
Operating profit before tax as at 30 September	950	919	500	647	30	(8)
Gross loans to customers excl. SB1 Boligkreditt and SB1 Næringskreditt as at 30 September	92.127	85.591	55.187	56.187	460	720
Deposits from customers as at 30 September	48.157	46.917	37.503	36.833	1.863	4.625

\* not including subsidiaries



## 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 2016. The longer term target is a minimum of 11%.</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.

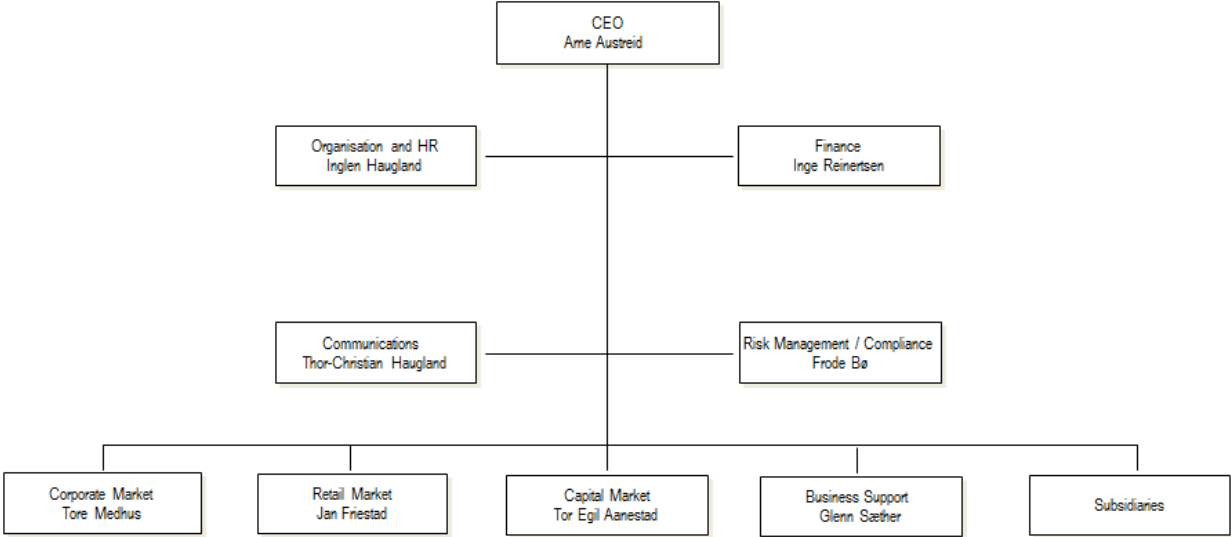


Figure 1.2.5: Organizational structure of SpareBank 1 SR-Bank

*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 - 2<sup>nd</sup> largest mortgage lender in Norway

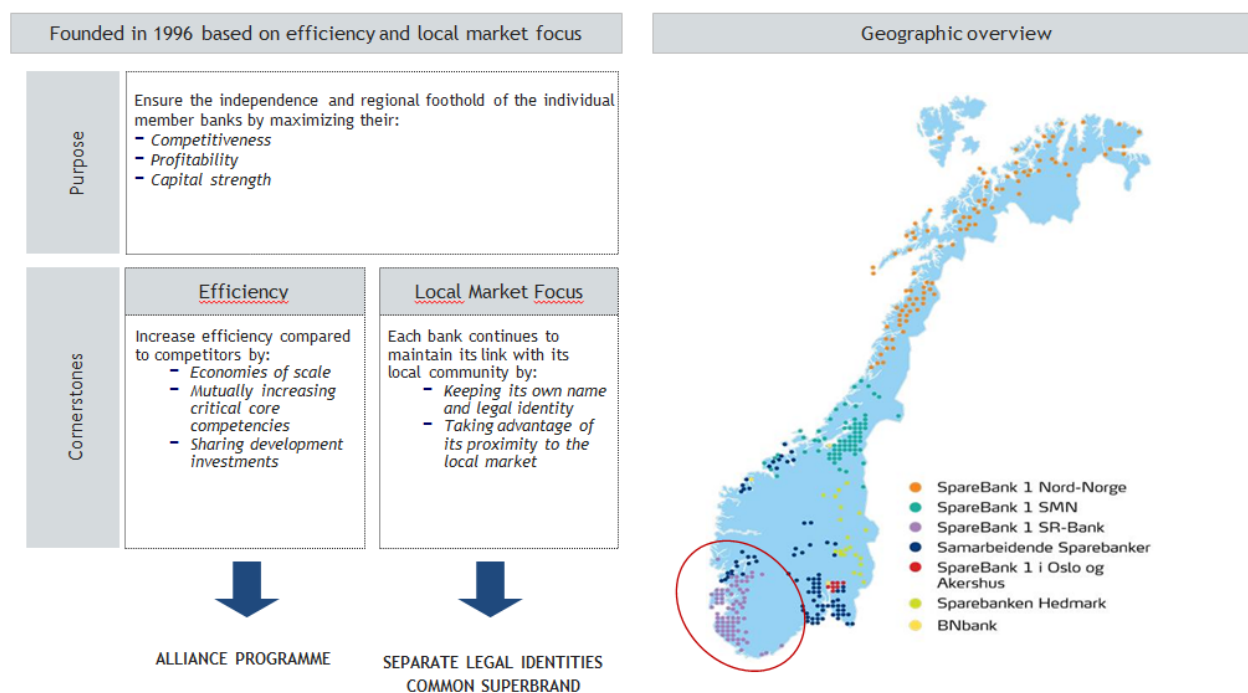


Figure 1.2.6: Geographic overview of the SpareBank 1 Alliance

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

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

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

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

# SpareBank 1 Alliance

## Owners of the alliance

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

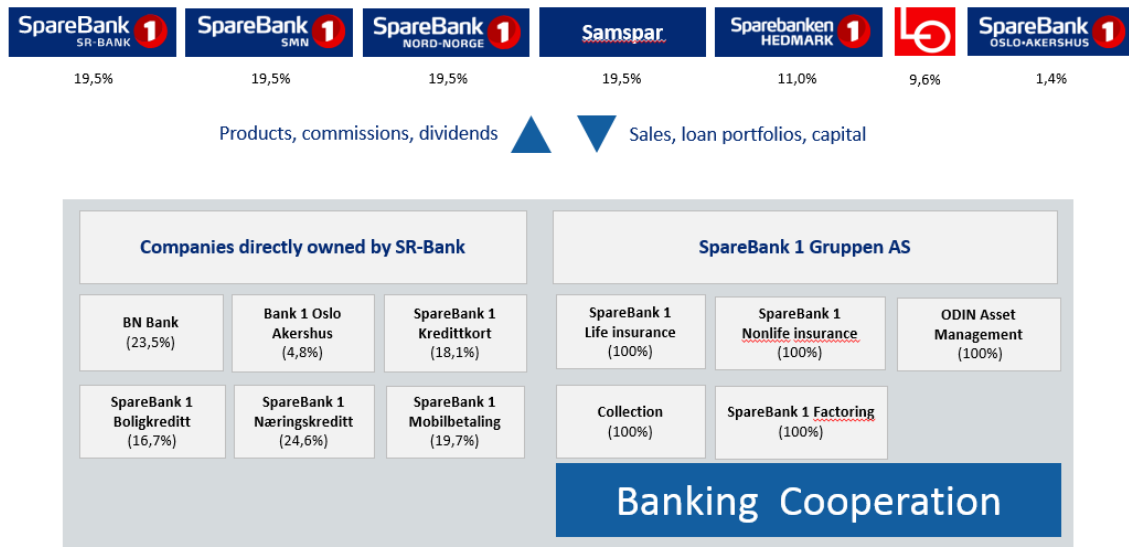


Figure 1.2.7: Structure of SpareBank 1 Alliance as at 30 September 2016

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 September 2015 – September 2016

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 September 2011 to 30 September 2016. A general observation is that liquidity has increased after the conversion and issue of new shares.

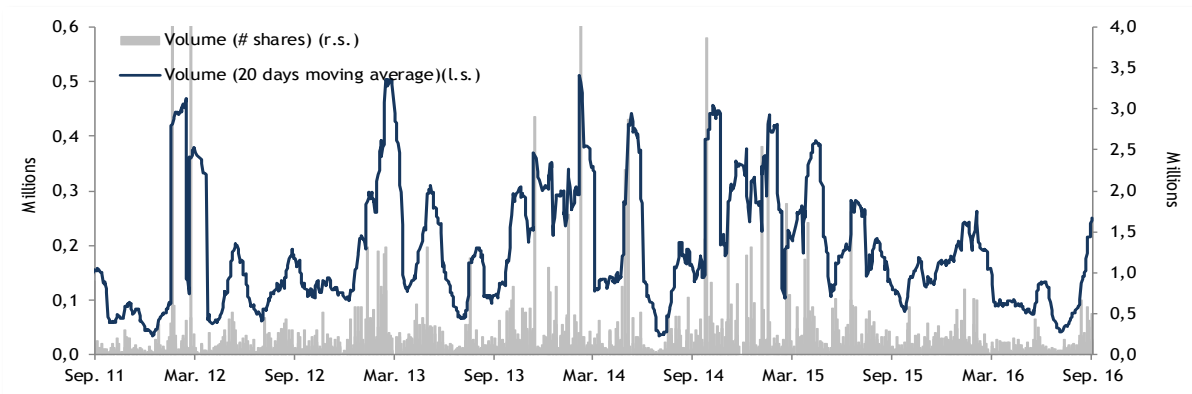


Figure 1.3.2 Development in liquidity; SRBANK September 2011 – September 2016

Figure 1.3.3 shows the share price movements and Price/Book development from September 2015 to September 2016.

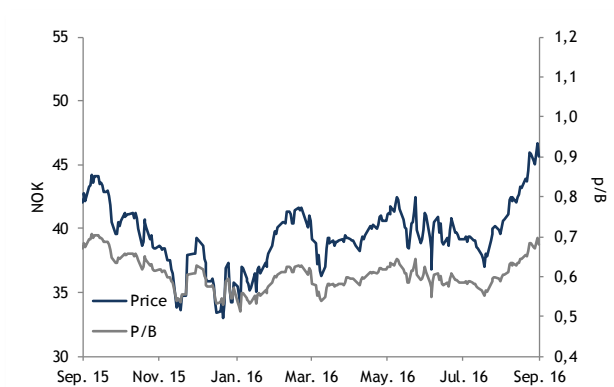


Figure 1.3.3: Share price and development in P/B; September 2015 – September 2016

### Investor relations policy

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

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

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 SpareBank 1 Markets, Nils Kristian Øyen: + 47 24 14 74 00 [nils.oyen@sb1.markets.no](mailto:nils.oyen@sb1.markets.no)  
 Swedbank First Securities, Bengt Kirkøen +47 23 23 82 65 [bk@first.no](mailto:bk@first.no)  
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 Carnegie, Asbjørn Nicholas Mørch: +45 32 88 03 35, [asbmoe@carnegie.dk](mailto:asbmoe@carnegie.dk)

### Shareholder and dividend policy

#### Shareholder policy

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

#### Dividend policy

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

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

### Ownership structure

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
Gjensidige Forsikring ASA		26.808.416	10,5%
Vpf Nordea Norge Verdi		7.832.657	3,1%
State Street Bank and Trust Co, U.S.A.	Nominee	6.892.288	2,7%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Wimoh Invest AS		5.761.169	2,3%
Odin Norge		5.031.793	2,0%
Danske Invest Norske Instit. II		3.486.610	1,4%
Pareto Aksje Norge		3.309.278	1,3%
Clipper AS		2.565.000	1,0%
State Street Bank and Trust Co, U.S.A.	Nominee	2.181.133	0,9%
State Street Bank and Trust Co, U.S.A.	Nominee	2.098.135	0,8%
Danske Invest Norske Aksjer Inst.		1.820.694	0,7%
KAS Bank NV, Nederland	Nominee	1.804.586	0,7%
Westco		1.658.537	0,6%
Pareto AS		1.640.867	0,6%
Vpf Nordea Avkastning		1.630.410	0,6%
Verdipapirfondet Alfred Berg Gamba		1.577.818	0,6%
Vpf Nordea Kapital		1.528.050	0,6%
Forsvarets Personellservice		1.513.556	0,6%
<hr/>			
Top 5		120.179.249	47,0%
Top 10		140.333.099	54,9%
Top 20		157.786.885	61,7%

Table 1.3.2: 20 largest shareholders as at 30 September 2016

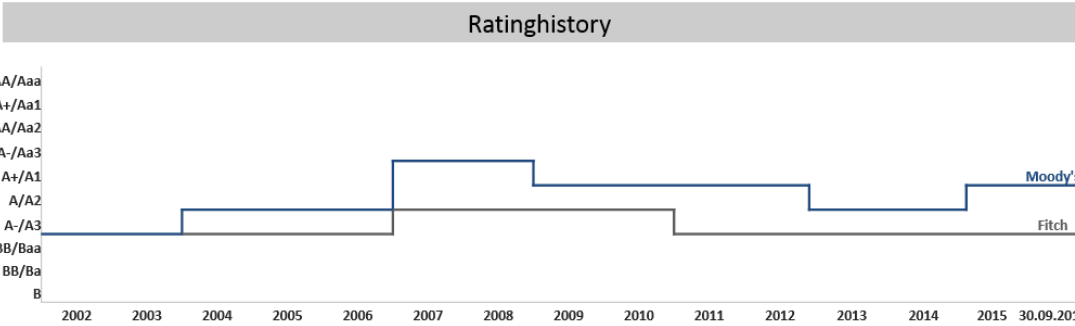


# 1.4 Credit ratings

Current credit rating status as at 30 September 2016 was as follows:

## Rating

Moody's		Fitch	
Long-term debt	A1	Long-term IDR	A-
Outlook	Negative	Outlook	Stable
Updated	7 April 2016	Updated	21 October 2016



## 2. Financial results and balance sheet

### Income statement

#### Financial results

<i>MNOK</i>	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Interest income	1.384	1.379	1.400	1.408	1.431	4.163	4.344
Interest expense	655	668	702	730	782	2.025	2.429
<b>Net interest income</b>	<b>729</b>	<b>711</b>	<b>698</b>	<b>678</b>	<b>649</b>	<b>2.138</b>	<b>1.915</b>
Commission income	365	405	369	388	372	1.139	1.217
Commission expenses	18	17	19	17	21	54	61
Other operating income	0	1	2	1	2	3	4
<b>Net commission and other income</b>	<b>347</b>	<b>389</b>	<b>352</b>	<b>372</b>	<b>353</b>	<b>1.088</b>	<b>1.160</b>
Dividend income	0	97	8	1	1	105	16
Income from investment in associates	90	112	104	110	78	306	312
Net gains/losses on financial instruments	141	-4	-33	-124	-67	104	-11
<b>Net return on investment securities</b>	<b>231</b>	<b>205</b>	<b>79</b>	<b>-13</b>	<b>12</b>	<b>515</b>	<b>317</b>
<b>Total income</b>	<b>1.307</b>	<b>1.305</b>	<b>1.129</b>	<b>1.037</b>	<b>1.014</b>	<b>3.741</b>	<b>3.392</b>
Personnel expenses	282	296	295	114	221	873	831
Administrative expenses	115	114	102	125	114	331	355
Other operating expenses	89	104	95	129	94	288	309
<b>Total operating expenses</b>	<b>486</b>	<b>514</b>	<b>492</b>	<b>368</b>	<b>429</b>	<b>1.492</b>	<b>1.495</b>
<b>Operating profit before losses</b>	<b>821</b>	<b>791</b>	<b>637</b>	<b>669</b>	<b>585</b>	<b>2.249</b>	<b>1.897</b>
Losses on loans and guarantees	161	305	150	192	96	616	228
<b>Operating profit before tax</b>	<b>660</b>	<b>486</b>	<b>487</b>	<b>477</b>	<b>489</b>	<b>1.633</b>	<b>1.669</b>
Tax expense	126	80	101	35	112	307	365
<b>Profit after tax from continuing operations</b>	<b>534</b>	<b>406</b>	<b>386</b>	<b>442</b>	<b>377</b>	<b>1.326</b>	<b>1.304</b>

## Key figures

### Key figures

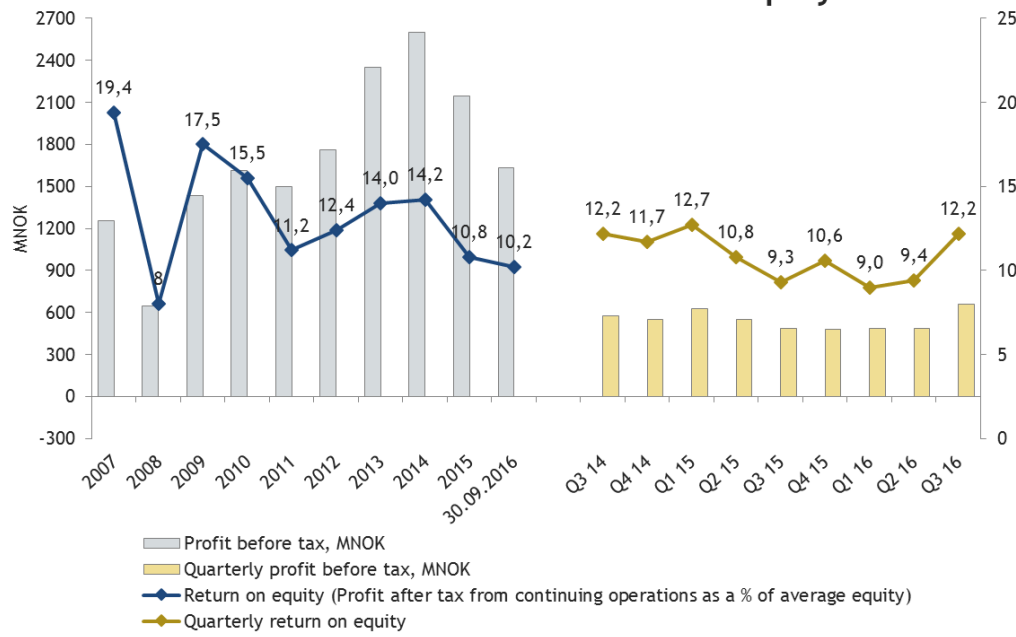
	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Return on equity <sup>1)</sup>	12,2 %	9,4 %	9,0 %	10,6 %	9,3 %	10,2 %	10,9 %
Cost ratio <sup>2)</sup>	37,2 %	39,4 %	43,6 %	35,5 %	42,3 %	39,9 %	44,1 %
Net interest margin	1,48 %	1,48 %	1,44 %	1,40 %	1,39 %	1,47 %	1,42 %
Gross loans to customers	157.352	156.738	155.172	155.190	151.911	157.352	151.911
Gross loans to customers incl. covered bond companies	183.042	183.438	183.939	183.896	182.940	183.042	182.940
Deposits from customers	87.240	89.633	87.023	89.444	88.980	87.240	88.980
Deposit-to-loan ratio	55,4 %	57,2 %	56,1 %	57,6 %	58,6 %	55,4 %	58,6 %
Growth in loans	3,6 %	4,3 %	7,2 %	9,6 %	10,6 %	3,6 %	10,6 %
Growth in loans incl. covered bond companies	0,1 %	1,1 %	2,9 %	5,4 %	7,4 %	0,1 %	7,4 %
Growth in deposits	-2,0 %	-1,3 %	1,2 %	9,8 %	9,5 %	-2,0 %	9,5 %
Average total assets	195.489	192.792	194.300	192.315	185.459	193.879	179.823
Total assets	193.219	196.763	194.763	192.049	191.500	193.219	191.500
Impairment losses ratio <sup>3)</sup>	0,41	0,78	0,39	0,50	0,25	0,53	0,21
Non-performing commitments as a percentage of gross loans	0,73	0,56	0,49	0,55	0,23	0,73	0,23
Other doubtful commitments as a percentage of gross loans	0,64	0,78	0,61	0,35	0,45	0,64	0,45
Capital ratio	17,1	16,8	16,8	16,7	15,2	17,1	15,2
Tier 1 capital ratio	14,7	14,4	14,3	14,2	13,1	14,7	13,1
Common Equity Tier 1 capital ratio	13,8	13,5	13,4	13,3	12,2	13,8	12,2
Tier 1 capital	17.552	17.266	16.955	16.882	16.063	17.552	16.063
Net primary capital	20.386	20.139	19.853	19.933	18.635	20.386	18.635
RWA	119.118	119.705	118.527	119.124	122.380	119.118	122.380
Number of branches	47	49	49	49	50	47	50
Man-years (permanent)	1.154	1.148	1.169	1.161	1.150	1.154	1.150
Share price	45,60	41,20	40,60	39,30	42,40	45,60	42,40
Market capitalisation	11.662	10.537	10.383	10.051	10.844	11.662	10.844
Book equity per share (including dividends) (group)	69,36	67,16	67,68	66,14	64,02	69,36	64,02
Earnings per share (group)	2,09	1,59	1,51	1,73	1,47	5,19	5,10
Dividends per share	n.a.	n.a.	n.a.	1,50	n.a.	n.a.	n.a.
Price / Earnings per share	5,45	6,48	6,72	5,68	7,21	6,59	6,24
Price / Book equity (group)	0,66	0,61	0,60	0,59	0,66	0,66	0,66

<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

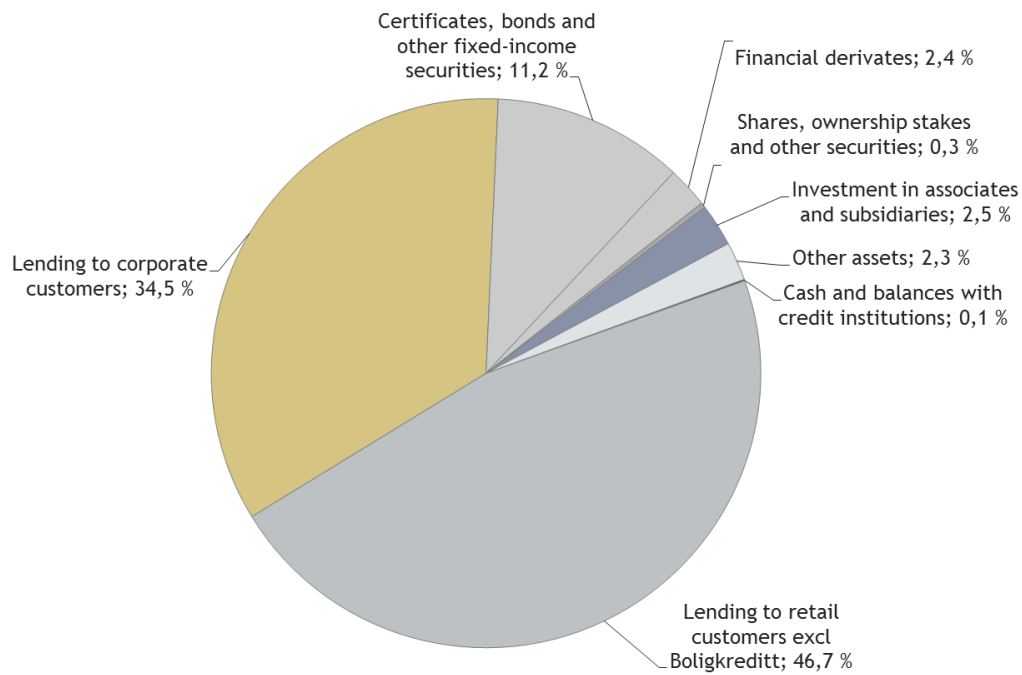
## Profit before tax and return on equity



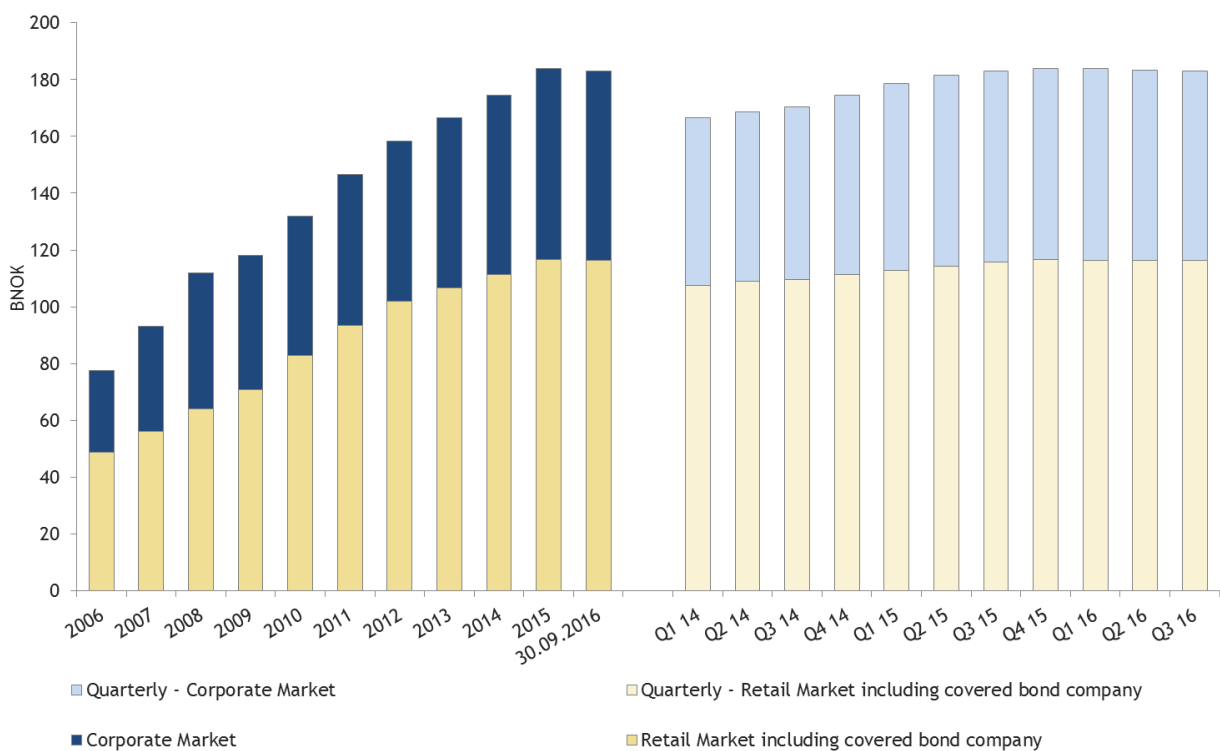
## Balance sheet

<i>MNOK</i>	<b>30.09 2016</b>	<b>30.06 2016</b>	<b>31.03 2016</b>	<b>31.12 2015</b>	<b>30.09 2015</b>
Cash and balances with central banks	172	910	1.497	931	2.923
Balances with credit institutions	1.073	2.188	5.059	2.984	2.843
Net loans to customers	156.153	155.612	154.221	154.357	151.078
Certificates, bonds and other fixed-income sec.	21.737	24.814	20.963	19.533	20.484
Financial derivatives	4.653	5.056	5.403	6.135	7.099
Shares, ownership stakes and other securities	579	535	428	441	516
Business available for sale	23	22	162	168	136
Investment in associates	4.858	4.792	5.017	4.792	4.839
Other assets	3.971	2.834	2.013	2.708	1.582
<b>Total assets</b>	<b>193.219</b>	<b>196.763</b>	<b>194.763</b>	<b>192.049</b>	<b>191.500</b>
Balances with credit institutions	4.729	3.934	4.174	5.296	6.129
Public deposits related to covered bond swap scheme				0	0
Deposits from customers	87.240	89.633	87.023	89.444	88.980
Listed debt securities	74.140	76.830	75.737	71.979	70.444
Financial derivatives	3.554	3.047	3.064	2.786	3.224
Other liabilities	2.570	2.867	4.160	2.171	3.346
Additional Tier 1 and Tier 2 capital instruments	3.256	3.284	3.310	3.459	3.006
<b>Total liabilities</b>	<b>175.489</b>	<b>179.595</b>	<b>177.468</b>	<b>175.135</b>	<b>175.129</b>
Share capital	6.394	6.394	6.394	6.394	6.394
Premium reserve	1.587	1.587	1.587	1.587	1.587
Proposed dividend	0	0	384	384	0
Fund for unrealised gains	163	163	163	163	59
Other equity	8.260	8.232	8.381	8.386	7.027
Profit/loss at period end	1.326	792	386	0	1.304
<b>Total equity</b>	<b>17.730</b>	<b>17.168</b>	<b>17.295</b>	<b>16.914</b>	<b>16.371</b>
<b>Total liabilities and equity</b>	<b>193.219</b>	<b>196.763</b>	<b>194.763</b>	<b>192.049</b>	<b>191.500</b>

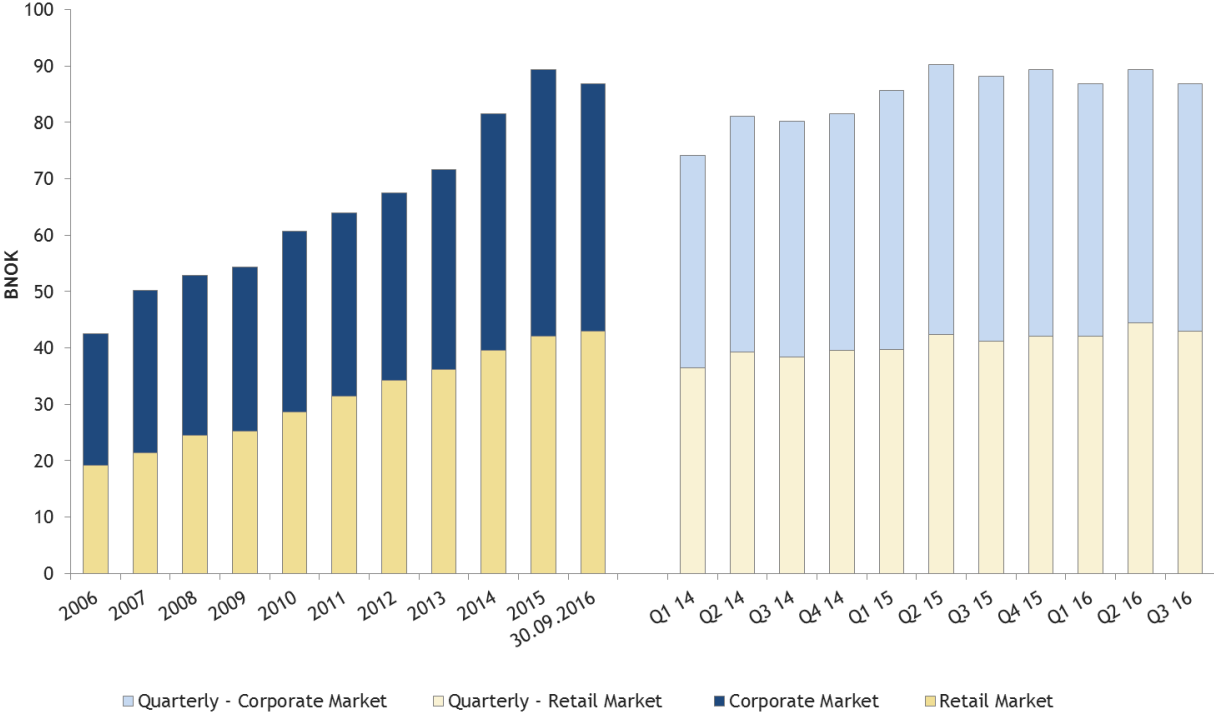
## Total assets as at 30 September 2016:



## Development in lending volume

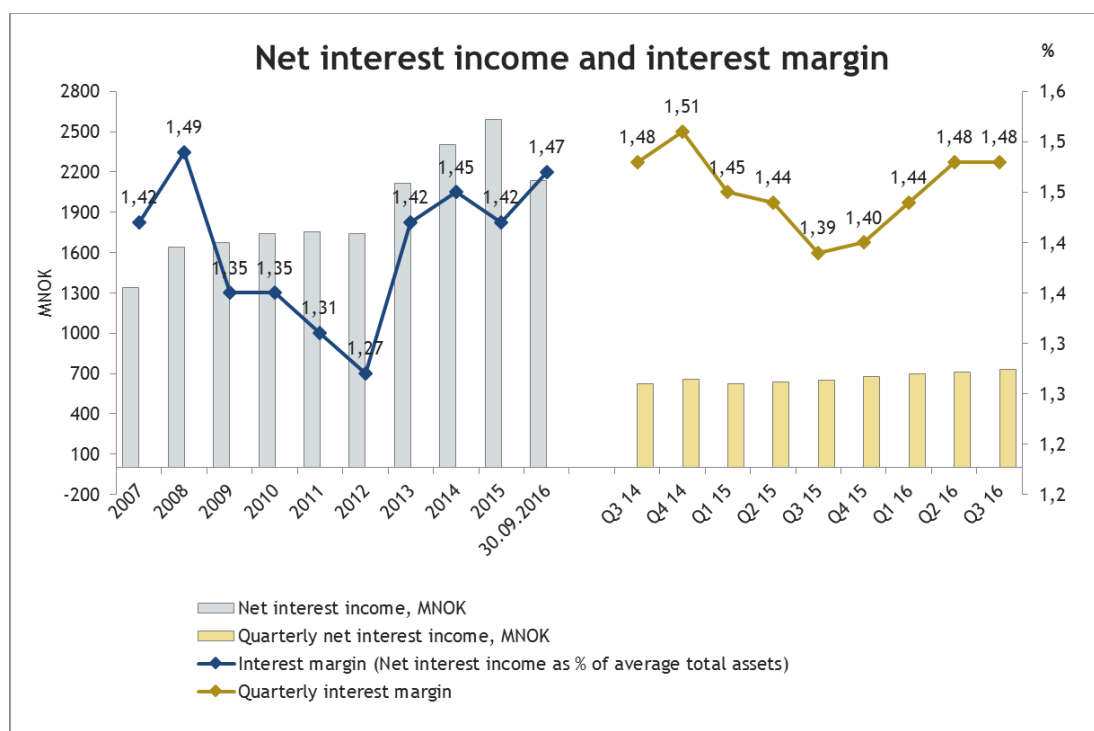


### Development in deposit volume



## 2.1 Net interest income

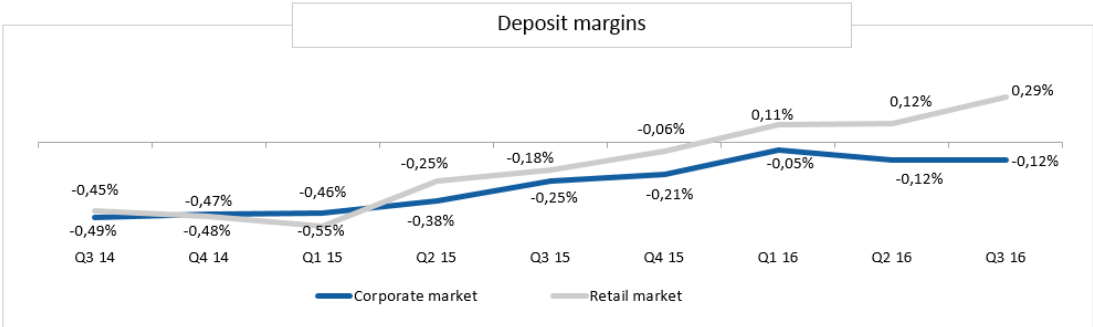
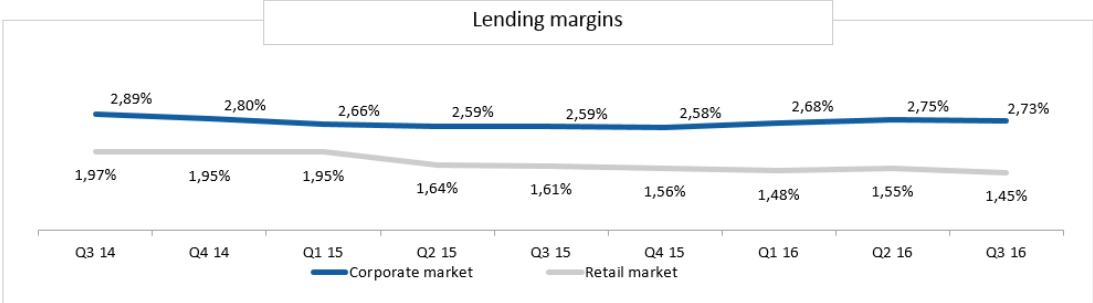
	Q3	Q2	Q1	Q4	Q3	30.09	30.09
MNOK	2016	2016	2016	2015	2015	2016	2015
Interest income	1.384	1.379	1.400	1.408	1.431	4.163	4.344
Interest expense	655	668	702	730	782	2.025	2.429
<b>Net interest income</b>	<b>729</b>	<b>711</b>	<b>698</b>	<b>678</b>	<b>649</b>	<b>2.138</b>	<b>1.915</b>
As % of average total assets	1,48 %	1,48 %	1,44 %	1,40 %	1,39 %	1,47 %	1,42 %





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

## Lending and deposit margins



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

## 2.2 Net other operating income

MNOK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Net commission and other income	347	389	352	372	353	1.088	1.160
Net return on investment securities	231	205	79	-13	12	515	317
Net other operating income	<b>578</b>	594	431	359	365	<b>1.603</b>	1.477
As % of total income	44 %	46 %	38 %	35 %	36 %	43 %	44 %

### Net commission and other income

MNOK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Payment facilities	75	63	54	56	66	192	180
Savings/placements	45	44	51	48	45	140	142
Insurance products	48	50	50	48	48	148	142
Commission income from real estate broking	87	107	69	82	84	263	301
Guarantee commission	24	31	28	34	28	83	95
Arrangement fees	14	24	30	27	16	68	58
Accounting Services SpareBank 1 Regnskapshuset SR*	16	24	23	10	7	63	25
Other	3	3	6	14	4	12	12
<b>Net commission and other income excl. covered bond companies</b>	<b>312</b>	<b>346</b>	<b>311</b>	<b>319</b>	<b>298</b>	<b>969</b>	<b>955</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	35	43	41	53	55	119	205
<b>Net commission and other income incl. covered bond companies</b>	<b>347</b>	<b>389</b>	<b>352</b>	<b>372</b>	<b>353</b>	<b>1.088</b>	<b>1.160</b>
As % of total income	27 %	30 %	31 %	36 %	35 %	29 %	34 %

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

### Change in net commission and other income

MNOK	Q3 2016	Change	Q3 2015
<b>Net commission and other income</b>	<b>347</b>	<b>-6</b>	<b>353</b>
Payment facilities		9	
Savings/placements		0	
Insurance products		0	
Commission income from real estate broking		3	
Guarantee commission		-4	
Arrangement fees		-2	
Accounting Services SpareBank 1 Regnskapshuset SR*		9	
Other		-1	
Commission income SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt		-20	

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

## Net return on investment securities

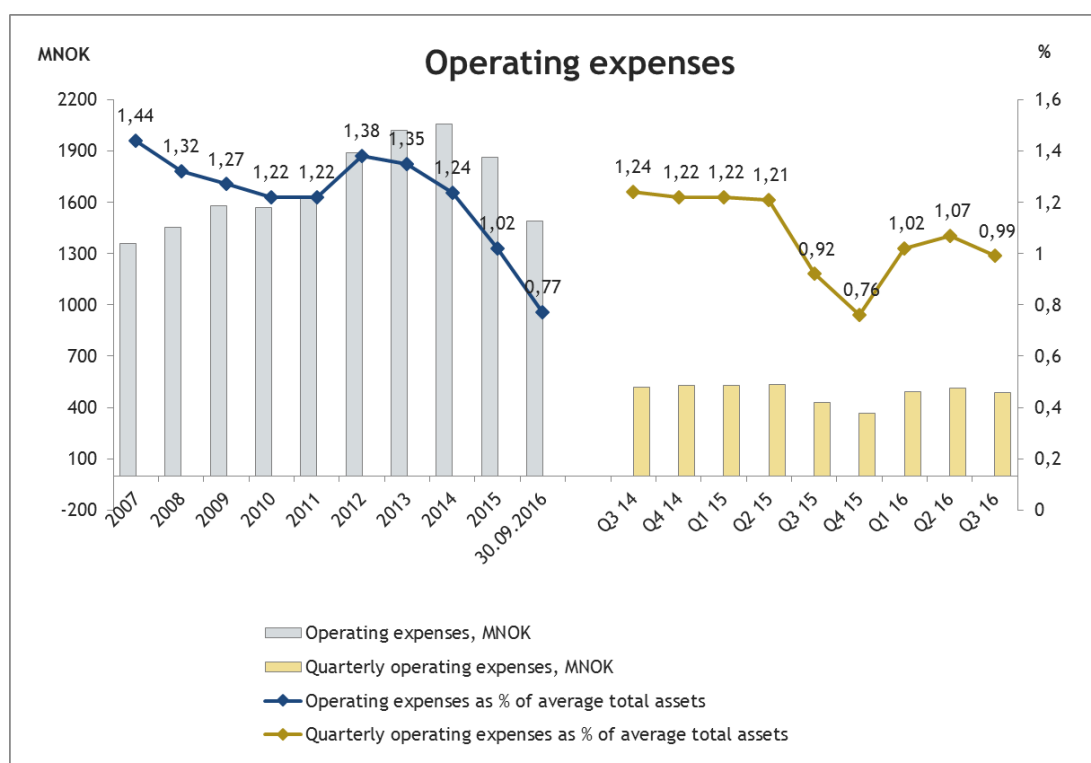
MNOK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Dividend	0	97	8	1	1	105	16
Investment income, associates	90	112	104	110	78	306	312
Securities gains/losses	105	-36	-66	-87	-100	3	-137
- of which capital change in shares and certificates	63	-33	-21	-34	-6	9	-6
- of which capital change in certificates and bonds	-21	-38	-53	-80	-100	-112	-195
- of which derivatives; bonds and certificates	63	35	8	27	6	106	64
Currency/interest gains/losses	36	32	33	-37	33	101	126
- of which currency customer- and own-account trading	40	32	26	25	31	98	79
- of which value change basis swap spread	-11	-1	13	6	13	1	82
- of which counterparty risk derivatives including CVA	1	-1	1	-66	0	1	
- of which other IFRS-effects	6	2	-7	-2	-11	1	-35
<b>Net return on investment securities</b>	<b>231</b>	<b>205</b>	<b>79</b>	<b>-13</b>	<b>12</b>	<b>515</b>	<b>317</b>
As % of total income	18 %	16 %	7 %	-1 %	1 %	14 %	9 %

## Change in net return on investment securities

MNOK	Q3 2016	Change	Q3 2015
<b>Net return on investment securities</b>	<b>231</b>	<b>219</b>	<b>12</b>
Dividend		-1	
Investment income, associates		12	
Securities gains/losses		205	
- of which capital change in shares and certificates		69	
- of which capital change in certificates and bonds		79	
- of which derivatives; bonds and certificates		57	
Currency/interest gains/losses		3	
- of which currency customer- and own-account trading		9	
- of which value change basis swap spread		-24	
- of which counterparty risk derivatives including CVA		1	
- of which other IFRS-effects		17	
<b>Net return on investment securities</b>		<b>219</b>	

## 2.3 Operating expenses

MNOK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Wages	212	221	220	200	208	653	651
Of which restructuring costs	0	0	-1	22	0	-1	7
Pension expenses	25	30	28	-133	-31	83	39
Other personnel expenses	45	45	48	47	44	138	141
<b>Total personnel expenses</b>	<b>282</b>	<b>296</b>	<b>295</b>	<b>114</b>	<b>221</b>	<b>873</b>	<b>831</b>
IT expenses	83	78	73	86	70	234	215
Marketing expenses	17	20	14	19	24	51	71
Other administrative expenses	15	16	15	20	20	46	69
Write-down	20	19	18	23	20	57	62
Expenses real property	9	8	9	12	9	26	29
Other operating expenses	60	77	68	94	65	205	218
<b>Other expenses</b>	<b>204</b>	<b>218</b>	<b>197</b>	<b>254</b>	<b>208</b>	<b>619</b>	<b>664</b>
<b>Total operating expenses</b>	<b>486</b>	<b>514</b>	<b>492</b>	<b>368</b>	<b>429</b>	<b>1.492</b>	<b>1.495</b>



### Change in operating expenses

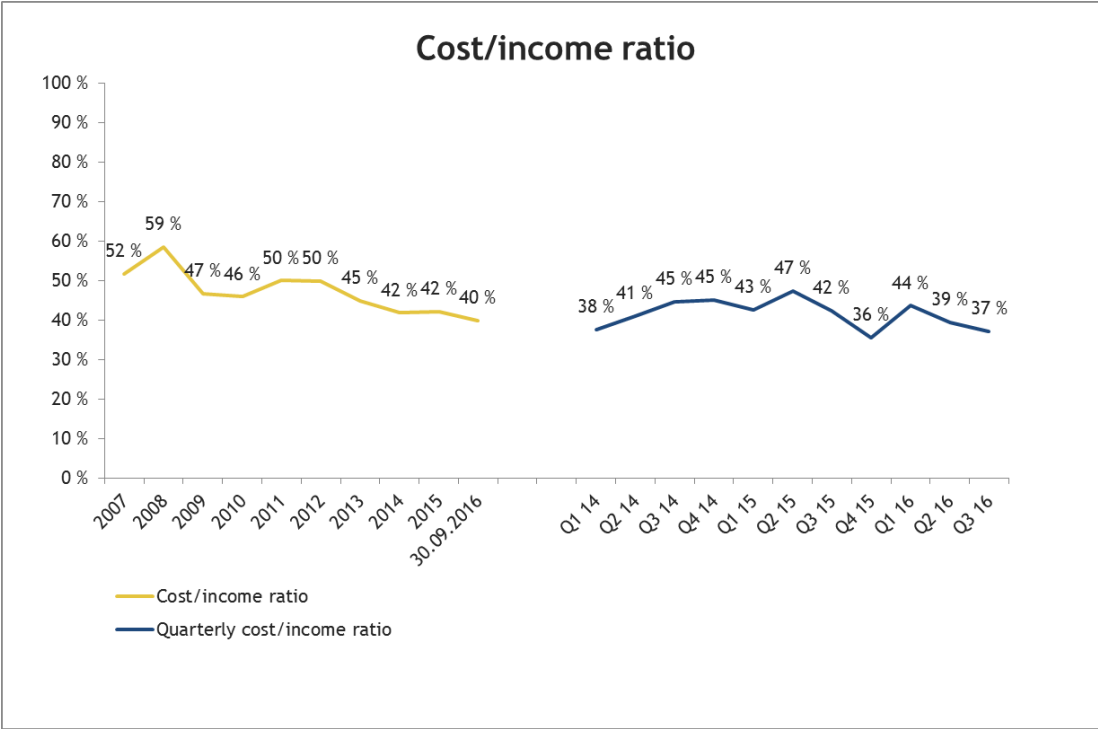
<i>MNOK</i>	Q3 2016	Change	Q3 2015
<b>Total</b>	<b>486</b>	<b>57</b>	<b>429</b>
Personnel expenses		61	
IT expenses		13	
Marketing expenses		-7	
Other administrative expenses		-5	
Write-down		0	
Expenses real property		0	
Other operating expenses		-5	

### Cost/income ratio

<i>MNOK</i>	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Operating expenses	486	514	492	368	429	1.492	1.495
Cost/income ratio		39,4 %	43,6 %	35,5 %	42,3 %		44,1 %
Growth in expenses last 12 months*	13,3 %	-4,1 %	-7,2 %	-30,6 %	-17,5 %	-0,2 %	-2,0 %

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

Development in cost/income ratio



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

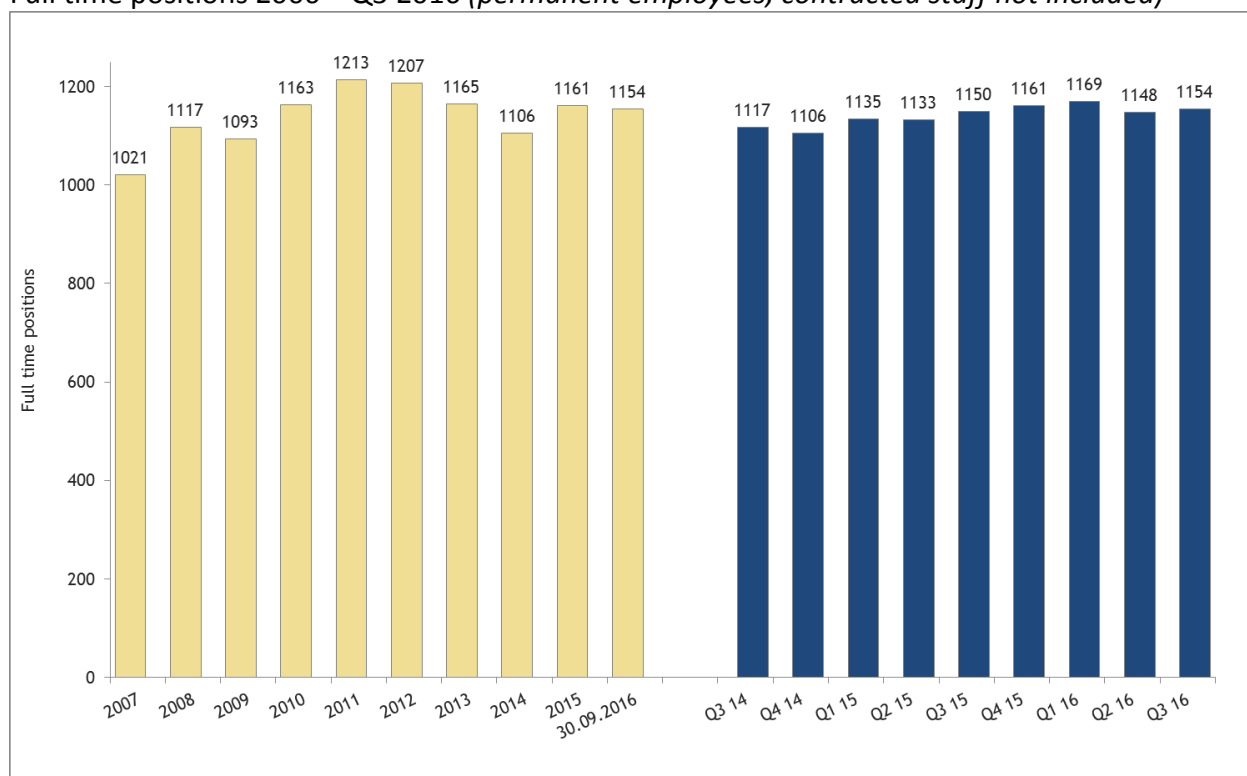
## Number of full time positions (permanent employees, contracted staff not included)

### Number of employees

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
<i>Full time positions</i>					
SpareBank 1 SR-Bank	833	824	849	870	871
EiendomsMegler 1 SR-Eiendom AS	199	200	196	200	204
SR-Forvaltning AS	12	13	14	14	14
SR-Finans AS	31	32	31	33	33
SpareBank 1 Regnskapshuset SR AS	79	79	79	44	28
<b>Total</b>	<b>1.154</b>	<b>1.148</b>	<b>1.169</b>	<b>1.161</b>	<b>1.150</b>

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

### Full time positions 2006 – Q3 2016 (permanent employees, contracted staff not included)



## 2.4 Losses on loans and loss provisions

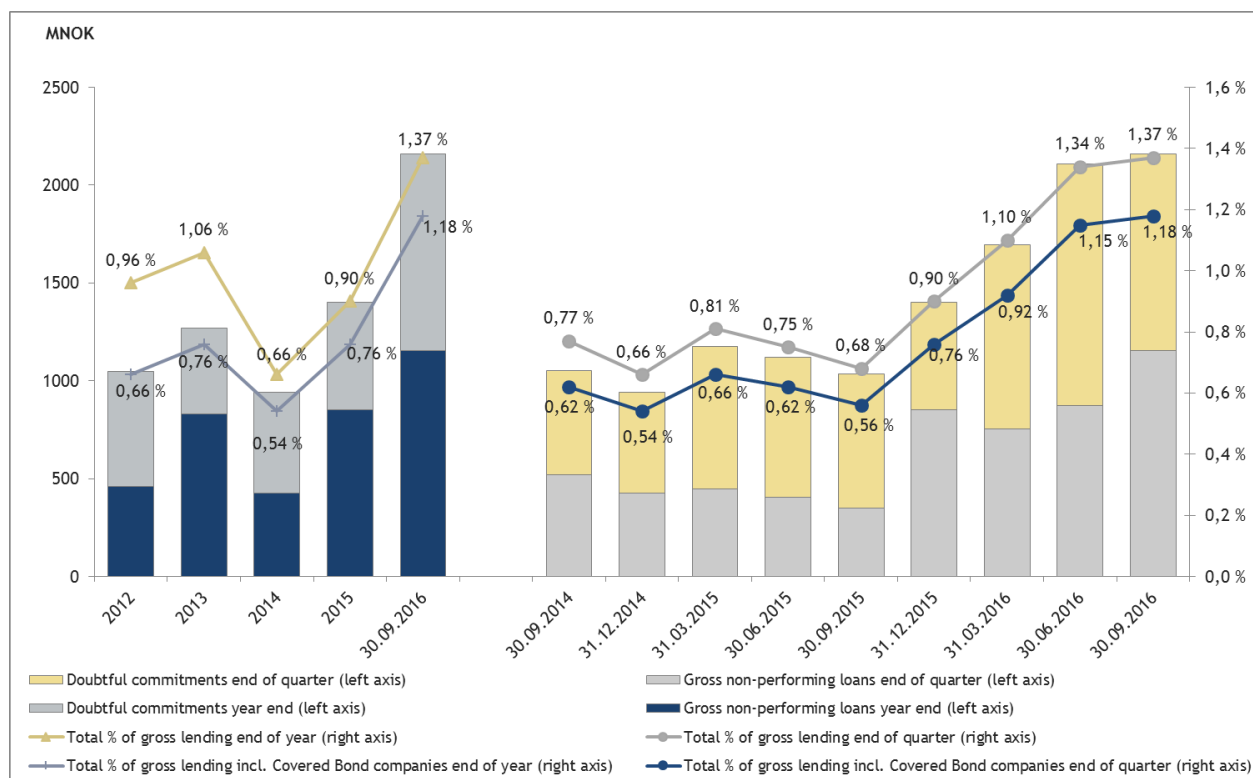
### Losses on loans and guarantees

MNOK	30 Sept. 2016	30 June 2016	31 March 2016	31 Dec. 2015	30 Sept. 2015
Change in individual impairment losses provisions for the period	229	273	59	-4	46
Change in collective impairment loss provisions for the period	138	93	60	140	89
Amortised cost	6	4	1	7	8
Actual loan losses on commitments for which provisions have been made	108	66	24	78	66
Actual loan losses on commitments for which no provision has been made	134	16	9	223	26
Change in assets take-over for the period	10	10	0	1	0
Recoveries on commitments previously written-off	-9	-7	-3	-25	-7
<b>The period's net losses/(reversals) on loans and advances</b>	<b>616</b>	<b>455</b>	<b>150</b>	<b>420</b>	<b>228</b>

### Provisions for impairment losses on loans and guarantees

MNOK	30 Sept. 2016	30 June 2016	31 March 2016	31 Dec. 2015	30 Sept. 2015
Provisions for individual impairment losses at start of period	318	318	318	322	322
Increases in previous provisions for individual impairment losses	26	26	19	65	26
Reversal of provisions from previous periods	-44	-53	-30	-107	-61
New provisions for individual impairment losses	357	367	95	118	152
Amortised cost	-3	-2	-1	-2	-5
Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-108	-66	-24	-78	-66
<b>Provisions for individual impairment losses at the end of period</b>	<b>547</b>	<b>591</b>	<b>377</b>	<b>318</b>	<b>368</b>
<b>Net losses</b>	<b>242</b>	<b>82</b>	<b>33</b>	<b>301</b>	<b>92</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

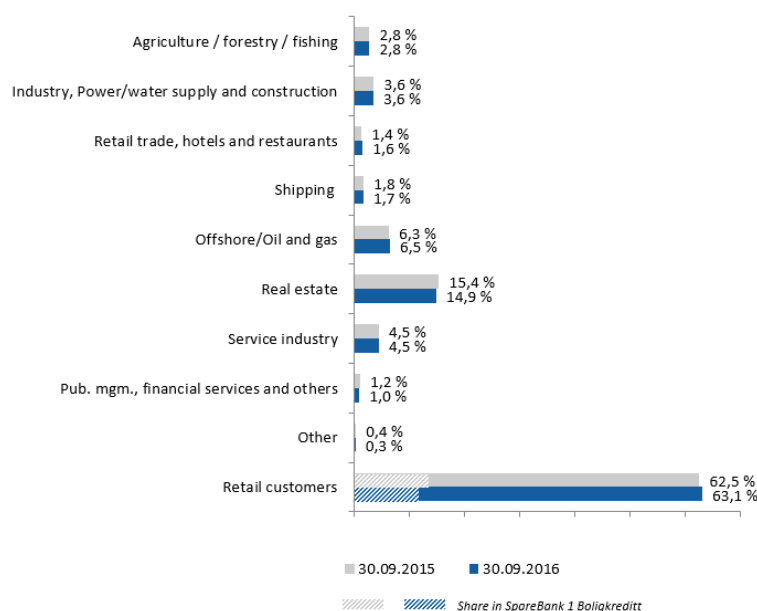
### DISTRIBUTION OF LOANS by industry

MNOK	30 Sept. 2016	30 June 2016	31 March 2016	31 Dec. 2015	30 Sept. 2015
Agriculture/forestry	4.460	4.409	4.431	4.443	4.327
Fishing/Fish farming	729	705	772	903	848
Mining/extraction	6.029	5.739	5.646	5.330	5.061
Industry	3.031	3.240	3.272	3.093	3.117
Power and water supply/building and construction	3.493	3.527	3.300	3.437	3.540
Retail trade, hotel and restaurant business	2.934	2.992	2.810	2.578	2.587
Foreign trade shipping, pipeline transport and other transport activities	9.044	9.326	9.427	9.666	9.806
Real estate business	26.751	27.102	27.761	27.568	27.673
Service industry	8.267	8.254	7.958	8.113	8.256
Public sector and financial services	1.838	1.854	2.276	2.209	2.105
Retail customers	90.267	88.945	86.838	87.229	83.937
Unallocated (excess value fixed interest loans and amort. lending fees)	219	345	375	323	346
Accrued interests corporate sector and retail customers	290	300	306	296	309
Gross loans	157.352	156.738	155.172	155.190	151.911
SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	25.690	26.700	28.767	28.706	31.029
Gross loans incl SpareBank 1 Boligkreditt and Næringskreditt	183.042	183.438	183.939	183.896	182.940

## Loan portfolio as at 30.09.2016

- Gross loans as at 30 September 2016 amount to NOK 183.0 billion compared with NOK 182.9 billion at the same time the year before.
- 12-month growth in loans of 0.1%.
- Loans to retail customers (incl. covered bond company) account for 63.1% of total loans, of which 13.8% is in SpareBank 1 Boligkreditt.

Loans before individual write-downs, nominal amounts.  
Sector allocation in accordance with the standard categories from Statistics Norway.



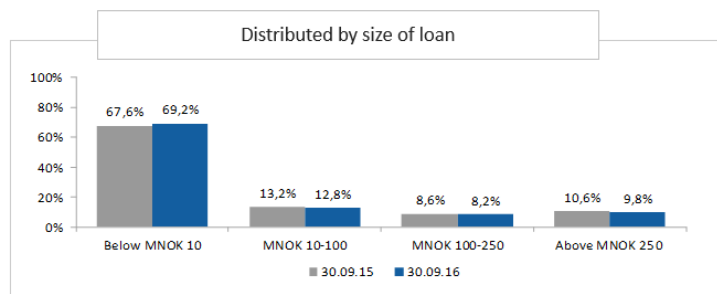
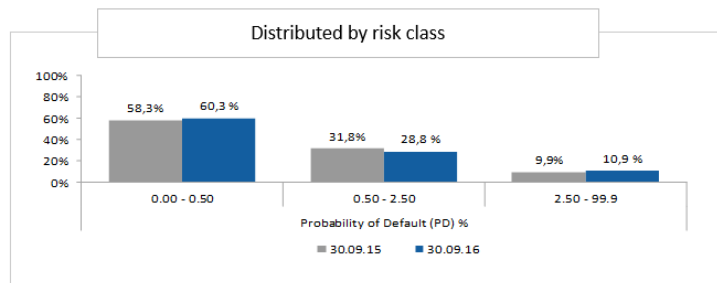
## 2.6 Risk profile

### Risk profile of the loan portfolio

- SpareBank 1 SR-Bank has a solid loan portfolio with positive development in risk profile.
- 60.3% of the bank's loan exposure has a PD\* below 0.5%.
- Single loan exposures less than NOK 10 million aggregates 69.2% of total loan portfolio.
- Single loan exposures above NOK 250 million is slightly increasing and aggregates 9.8% 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).

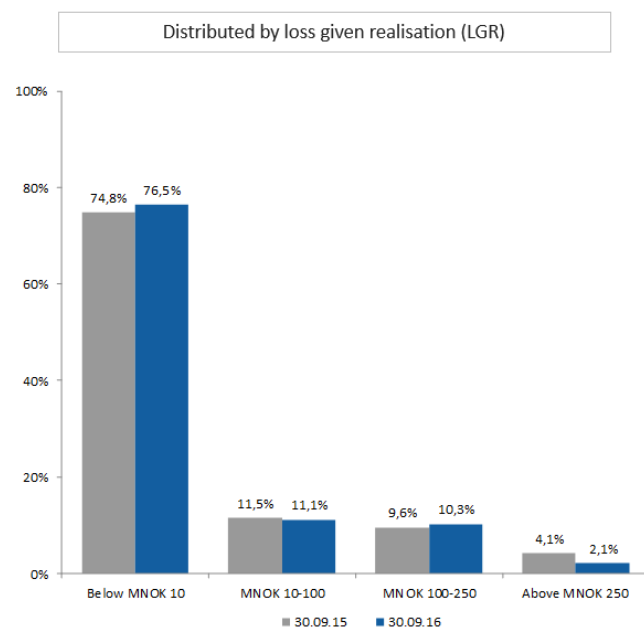


### Low concentration of individual LGRs in the lending portfolio

- At the end of Q3 2016, SpareBank 1 SR-Bank had a total of 44 commitments with a loss potential exceeding NOK 100 million.
- These commitments represent 12.4% of the loan exposure, which is a reduction from 13.7% in Q3 2015.
- The proportion of loans with loss potential below NOK 10 million has increased since Q3 2015 and is now 76.5%.
- There is a clearly defined strategy behind this portfolio composition. The growth and risk profile are managed, for example, through special credit strategy limits for concentration risk.

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

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

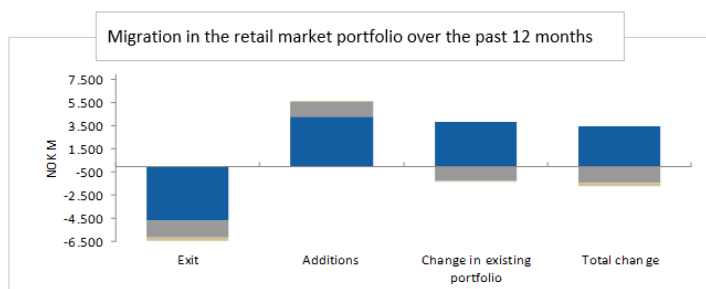
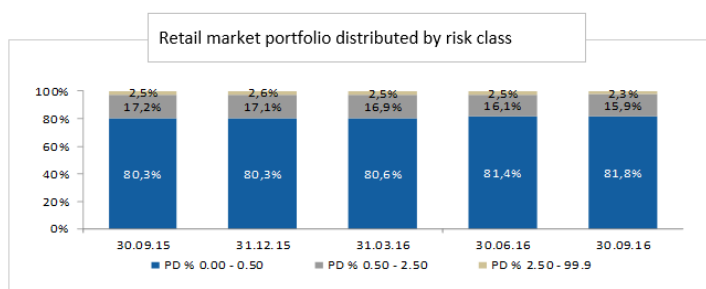


## Risk profile – Lending to the retail market

- 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% has increased to 81.8% of the total retail portfolio.
- The low risk profile is achieved through prudent customer selection and requirements for moderate LTV.
- Most of the portfolio is secured against a mortgage on real estate, and lending is overall moderate compared to asset value.

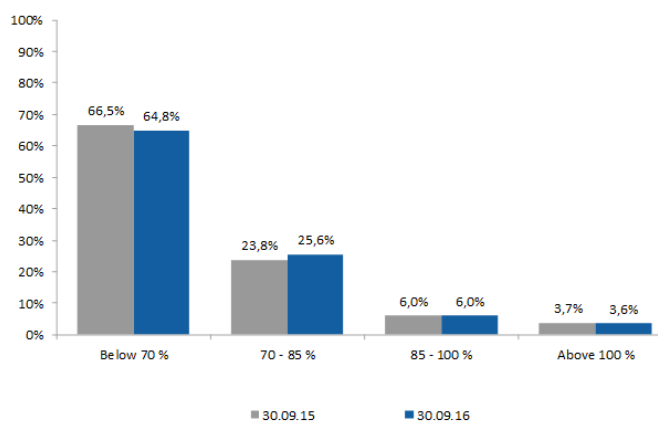
\*Probability of default (PD) through a full cycle of loss.

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



## Loan to value ratio on home mortgage loans

- The proportion of loans with a loan-to-value ratio of less than 85% is high.
- 90.4% of the exposure is within 85% of the assessed value of collateral.
- Market value on real estate is slightly declining in SpareBank 1 SR-Bank's market area. This has led to a small decrease in the proportion of loans within 70% LTV.



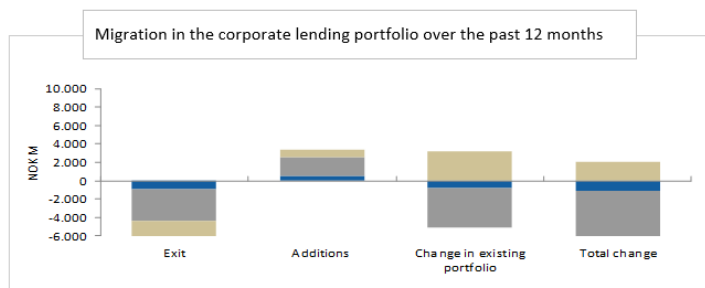
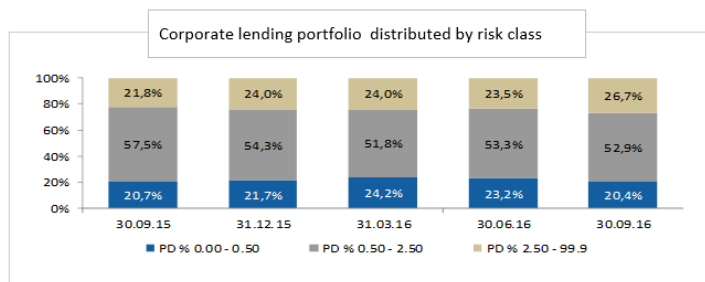
In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.

The figures include the loan portfolio in the covered bond companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt 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.*
- *The share of customers with PD\* below 0.5% is at 20.4 %.*
- *As a consequence of the regional economic downturn, some existing customers have migrated negatively, and the proportion of exposure with PD\* above 2,5 % has increased over the past 12 months.*

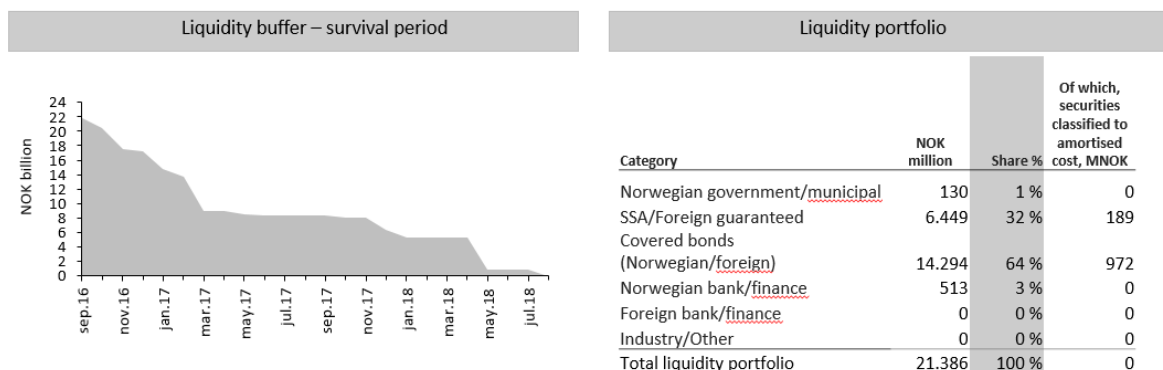
\*Probability of default (PD) through a full cycle of loss.



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 21.8 billion
- Other liquid assets:
  - Home mortgages prepared for covered bond funding: NOK 19.8 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 og AA-	20.873	96,2 %
Low risk	A+, A og A-	0	0,0 %
Moderate risk	BBB+, BBB og BBB-	622	2,9 %
High risk	BB+, BB og BB-	109	0,5 %
Very high risk	B+ and lower	99	0,5 %
<b>Total portfolio</b>		<b>21.704</b>	<b>100,0 %</b>

Of which liquidity purposes:

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA og AA-	20.873	97,6 %
Low risk	A+, A og A-	0	0,0 %
Moderate risk	BBB+, BBB og BBB-	513	2,4 %
High risk	BB+, BB og BB-	0	0,0 %
Very high risk	B+ and lower	0	0,0 %
<b>Total liquidity purposes</b>		<b>21.386</b>	<b>100,0 %</b>

Of which SR-Bank Markets:

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA og AA-	0	0,0 %
Low risk	A+, A og A-	0	0,0 %
Moderate risk	BBB+, BBB og BBB-	109	34,3 %
High risk	BB+, BB og BB-	109	34,4 %
Very high risk	B+ and lower	99	31,2 %
<b>Total trading portfolio</b>		<b>318</b>	<b>100,0 %</b>

All amounts in MNOK.

# 2.8 Funding

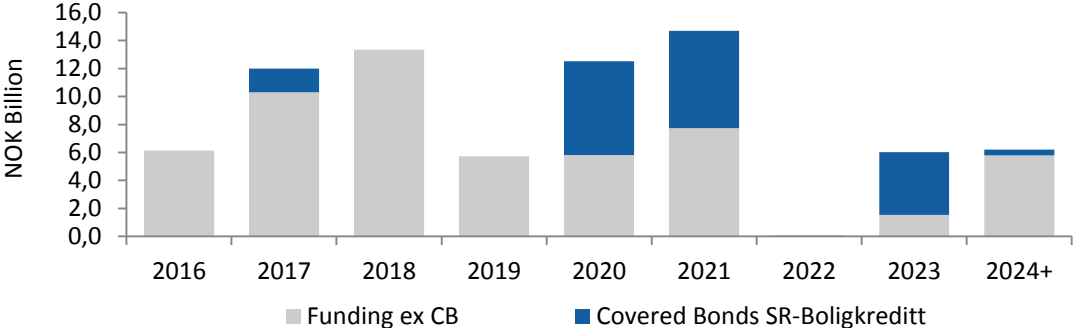
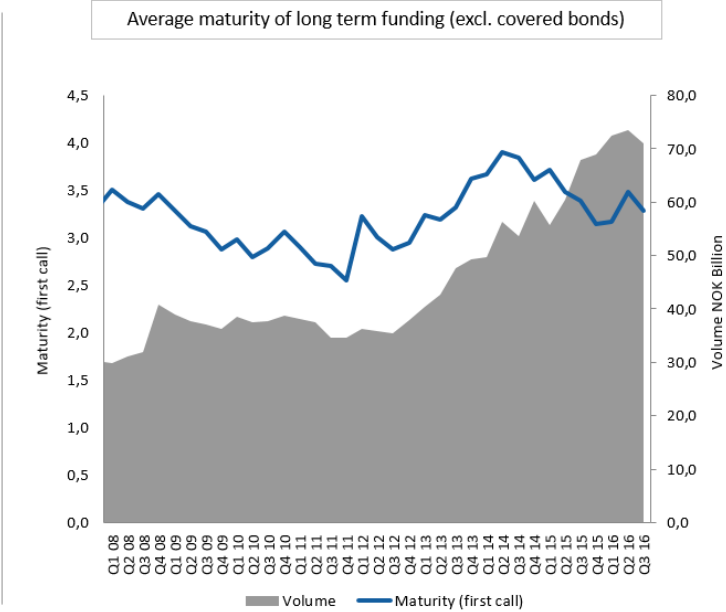


Figure 2.8.1: Funding - annual

## Funding structure

- LCR of 123% at the end of September 2016. Average LCR during Q3 2016 was 130%.



Average remaining maturity of the outstanding senior bonds and OMF is 3.3 years.

## 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 received in first quarter 2015 from the FSAN approval to use IRB Advanced method also for its exposures to the corporate market ("Enterprise").

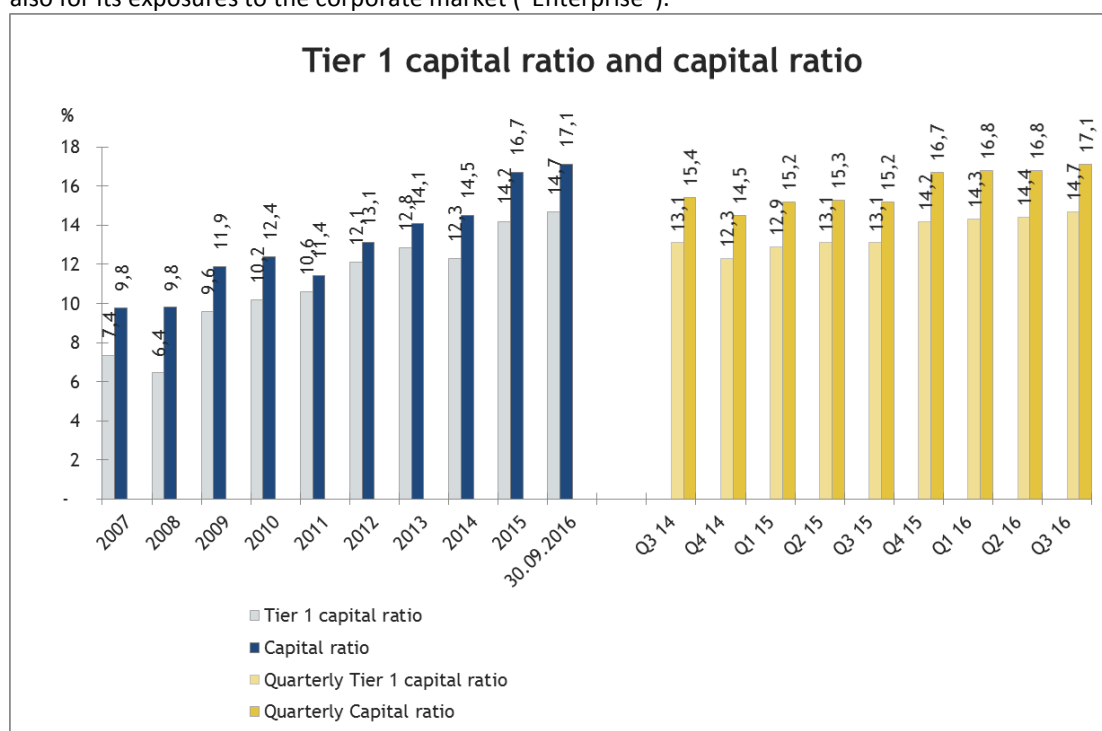


Figure 2.9.2: Development in capital ratios

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

Capital Adequacy					
	30 Sep.	30 Jun.	31 Mar.	31 Dec.	30 Sep.
MNOK	2016	2016	2016	2015	2015
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	0	0	384	384	0
Reserve for unrealised gains	163	163	163	163	59
Other equity	8.260	8.232	8.381	8.386	7.027
Profit for the year	1.326	792	386		1.304
<b>Total book equity</b>	<b>17.730</b>	<b>17.168</b>	<b>17.295</b>	<b>16.914</b>	<b>16.371</b>
<b>Tier 1 capital</b>					
Deferred taxes, goodwill and other intangible assets	-96	-97	-96	-67	-66
Deduction for allocated dividends	0	0	-384	-384	0
Deduction for expected losses on IRB, net of write-downs	-304	-273	-315	-421	-395
Year-to-date profit not included in common equity Tier 1 capital	-663	-396	-193		-652
Deduction for common equity Tier 1 capital in significant investments in financial institutions	-183	-209	-383	-191	-251
The institution's own credit risk related to derivative liabilities	-56	-58	-57	-57	-59
Tier 1 capital instruments	1.124	1.131	1.088	1.088	1.115
<b>Total Tier 1 capital</b>	<b>17.552</b>	<b>17.266</b>	<b>16.955</b>	<b>16.882</b>	<b>16.063</b>
<b>Tier 2 capital</b>					
Tier 2 capital - Tier 1 capital instruments in excess of 15%	0	0	0	0	0
Term subordinated loan capital	2.894	2.933	2.958	3.111	2.632
Deduction for significant investments in financial institutions	-60	-60	-60	-60	-60
<b>Total Tier 2 capital</b>	<b>2.834</b>	<b>2.873</b>	<b>2.898</b>	<b>3.051</b>	<b>2.572</b>
<b>Net primary capital</b>	<b>20.386</b>	<b>20.139</b>	<b>19.853</b>	<b>19.933</b>	<b>18.635</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

MNOK	30 Sep.	30 Jun.	31 Mar.	31 Dec.	30 Sep.
	2016	2016	2016	2015	2015
SME	16.974	17.276	16.526	14.822	16.213
Specialised lending	19.203	20.153	21.426	22.148	23.072
Other corporations	6.933	6.262	6.566	6.830	7.191
SME retail	1.229	1.256	1.246	1.236	1.140
Retail mortgage (properties)	27.020	26.920	28.585	27.170	25.291
Other retail	787	871	897	950	986
Equity investments	0	0	0	0	0
<b>Total credit and counterparty risk IRB</b>	<b>72.146</b>	<b>72.738</b>	<b>75.246</b>	<b>73.156</b>	<b>73.893</b>
States and central banks	68	68	70	70	395
Local and regional authorities, state-owned enterprises	123	112	167	191	65
Institutions	2.742	5.175	5.815	5.985	6.450
Enterprises	7.324	6.510	6.770	6.886	6.909
Mass market	1.505	1.630	1.412	1.386	1.388
Mass market - mortgage on real estate	3.227	3.606	3.948	4.114	7.712
Covered bonds	2.059	2.204	1.719	1.205	1.380
Equity positions	4.959	4.566	4.624	4.661	4.385
Other assets	2.269	1.842	2.036	1.840	1.943
<b>Total credit and counterparty risk standard method</b>	<b>24.276</b>	<b>25.713</b>	<b>26.561</b>	<b>26.338</b>	<b>30.627</b>
Position risk for equity instruments	0	0	0	0	0
Credit value adjustment risk (CVA)	890	941	872	1.050	1.001
Operational risk	7.079	7.084	7.084	6.794	6.811
Transitional scheme	14.727	13.229	8.764	11.786	10048
<b>Risk weighted balance</b>	<b>119.118</b>	<b>119.705</b>	<b>118.527</b>	<b>119.124</b>	<b>122.380</b>
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	5.360	5.387	5.334	5.361	5.507
Buffer requirement					
Capital conservation buffer 2,5 %	2.978	2.993	2.963	2.978	3.060
Systemic risk buffer 3 %	3.574	3.591	3.556	3.574	3.671
Countercyclical capital buffer 1 %	1.787	1.796	1.185	1.191	1.224
Total buffer requirement to common equity Tier 1 capital ratio	8.338	8.379	7.704	7.743	7.955
Available common equity Tier 1 capital ratio after buffer requirement	2.729	2.369	2.829	2.690	1.486
<b>Common Equity Tier 1 capital ratio <sup>1)</sup></b>	<b>13,79 %</b>	<b>13,48 %</b>	<b>13,39 %</b>	<b>13,26 %</b>	<b>12,21 %</b>
Tier 1 capital ratio	14,73 %	14,42 %	14,30 %	14,17 %	13,13 %
Tier 2 capital ratio	17,11 %	16,82 %	16,75 %	16,73 %	15,23 %
Common Equity Tier 1 capital ratio, IRB	15,74 %	15,15 %	14,46 %	14,71 %	13,31 %
Tier 1 capital ratio, IRB	16,81 %	16,22 %	15,45 %	15,73 %	14,30 %
Tier 2 capital ratio, IRB	19,53 %	18,91 %	18,09 %	18,57 %	16,59 %

<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

	SpareBank 1 SR-Bank Group													
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		SR-Finans		Other*		Total	
	Q3 16	Q3 15	Q3 16	Q3 15	Q3 16	Q3 15	Q3 16	Q3 15	Q3 16	Q3 15	Q3 16	Q3 15	Q3 16	Q3 15
<b>MNOK</b>														
Net interest income	307	267	325	288	12	15	1	1	56	63	28	15	729	649
Net commission and other income	166	173	62	70	9	3	87	84	-3	-5	26	28	347	353
Net return on investment securities	3	7	7	-5	23	-36	0	0	0	0	198	46	231	12
Operating expenses	147	151	59	60	19	19	84	88	13	10	164	101	486	429
Operating profit before losses	329	296	335	293	25	-37	4	-3	40	48	88	-12	821	585
Change in individual write-downs in the period	7	5	104	37	0	0	0	0	5	4	0	0	116	-46
Change in group write-downs in the period	1	2	42	48	0	0	0	0	2	0	0	0	45	50
<b>Operating profit before tax</b>	<b>321</b>	<b>289</b>	<b>189</b>	<b>208</b>	<b>25</b>	<b>-37</b>	<b>4</b>	<b>-3</b>	<b>33</b>	<b>44</b>	<b>88</b>	<b>-12</b>	<b>660</b>	<b>489</b>
Gross loans to customers excl. covered bond companies	92.127	85.591	55.187	56.187	460	720	0	0	6.862	6.981	2.717	2.432	157.352	151.911
Deposits from customers	48.157	46.917	37.503	36.833	1.863	4.625	0	0	0	0	-283	605	87.240	88.980

	SpareBank 1 SR-Bank Group pr 30.09															
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		SR-Finans		Other*		Total			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		
<b>MNOK</b>																
Net interest income	880	800	967	771	36	52	2	3	179	189	74	100	2.138	1.915		
Net commission and other income	481	541	220	232	33	20	262	301	-11	-16	103	82	1.088	1.160		
Net return on investment securities	8	12	18	12	21	-15	0	0	0	0	468	308	515	317		
Operating expenses	396	420	162	169	60	65	248	277	41	39	585	525	1.492	1.495		
Operating profit before losses	973	933	1.043	846	30	-8	16	27	127	134	60	-35	2.249	1.897		
Change in individual write-downs in the period	19	10	413	114	0	0	0	0	45	15	1	0	478	139		
Change in group write-downs in the period	4	4	130	85	0	0	0	0	4	0	0	0	138	89		
<b>Operating profit before tax</b>	<b>950</b>	<b>919</b>	<b>500</b>	<b>647</b>	<b>30</b>	<b>-8</b>	<b>16</b>	<b>27</b>	<b>78</b>	<b>119</b>	<b>59</b>	<b>-35</b>	<b>1.633</b>	<b>1.669</b>		
Gross loans to customers excl. covered bond companies	92.127	85.591	55.187	56.187	460	720	0	0	6.862	6.981	2.717	2.432	157.352	151.911		
Deposits from customers	48.157	46.917	37.503	36.833	1.863	4.625	0	0	0	0	-283	605	87.240	88.980		

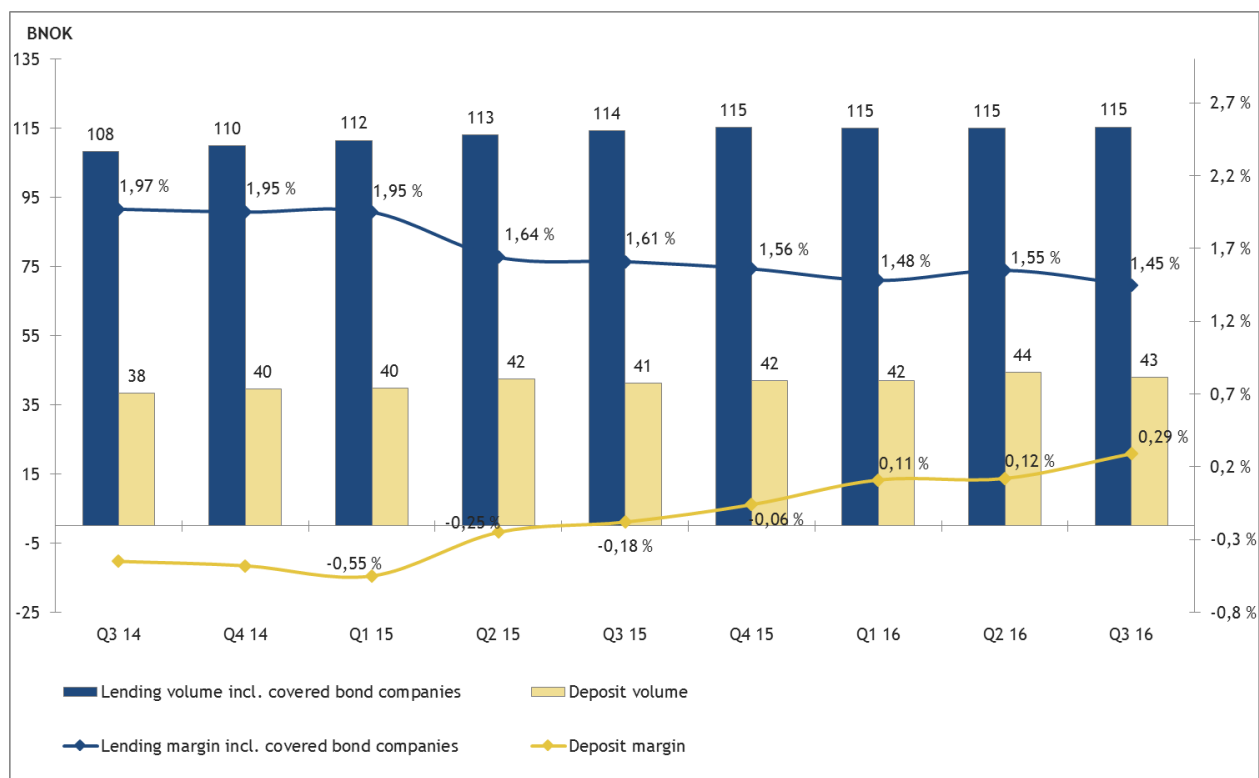
\* Includes SR-Forvaltning, SR-Investering and SR-Regnskapshuset

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

### Financial performance in the retail market segment

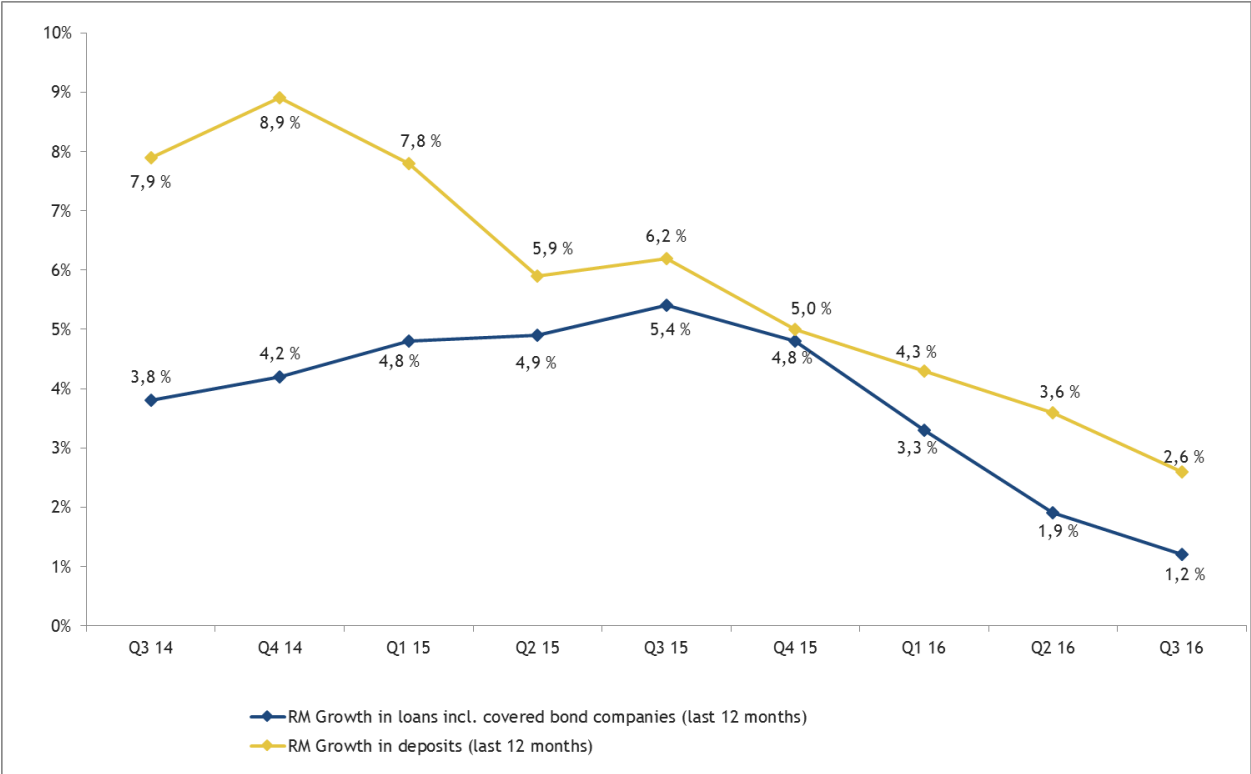
MNOK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Net interest income	307	296	277	281	267	880	800
Net other income	169	165	155	167	180	489	553
Total income	476	461	432	448	447	1.369	1.353
Total operating expenses	147	108	141	167	151	396	420
Operating profit before losses	329	353	291	281	296	973	933
Change in individual write-downs in the period	7	5	7	-7	5	19	10
Change in group write-downs in the period	1	0	3	1	2	4	4
Operating profit before tax	321	348	281	287	289	950	919

### 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

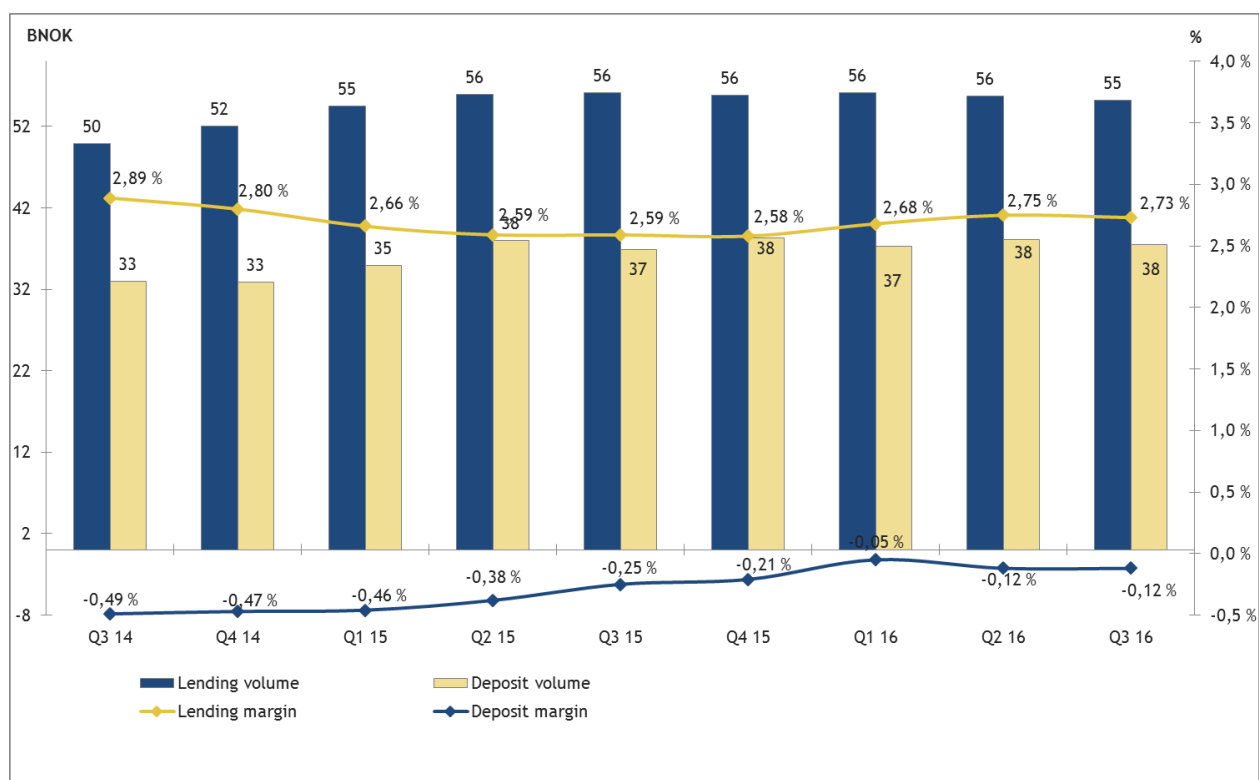


### 3.3 Corporate Market

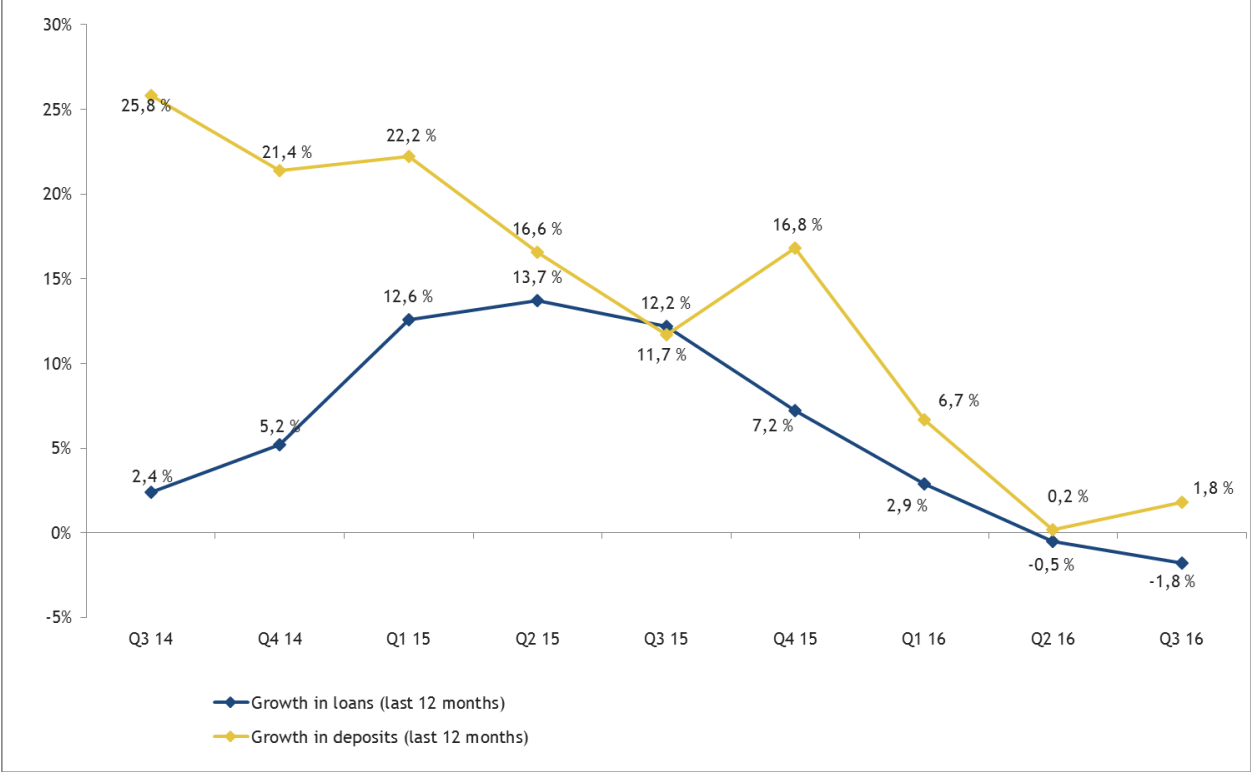
#### Financial performance in the corporate market segment

MNOK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Net interest income	325	324	318	301	288	967	771
Net other income	69	86	83	12	65	238	244
Total income	394	410	401	313	353	1.205	1.015
Total operating expenses	59	47	56	74	60	162	169
Operating profit before losses	335	363	345	239	293	1.043	846
Change in individual write-downs in the period	104	227	82	128	37	413	114
Change in group write-downs in the period	42	31	57	45	48	130	85
Operating profit before tax	189	105	206	66	208	500	647

#### Development in average volume and interest margin



Growth in loans and deposits



### 3.4 Capital Market

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

#### Financial performance in the capital market segment

<i>MNOK</i>	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Net interest income	12	10	14	20	15	36	52
Net other operating income	32	16	6	5	-33	54	5
Total income	44	26	20	25	-18	90	57
Total operating expenses	19	17	24	15	19	60	65
Operating profit before losses	25	9	-4	10	-37	30	-8
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	25	9	-4	10	-37	30	-8

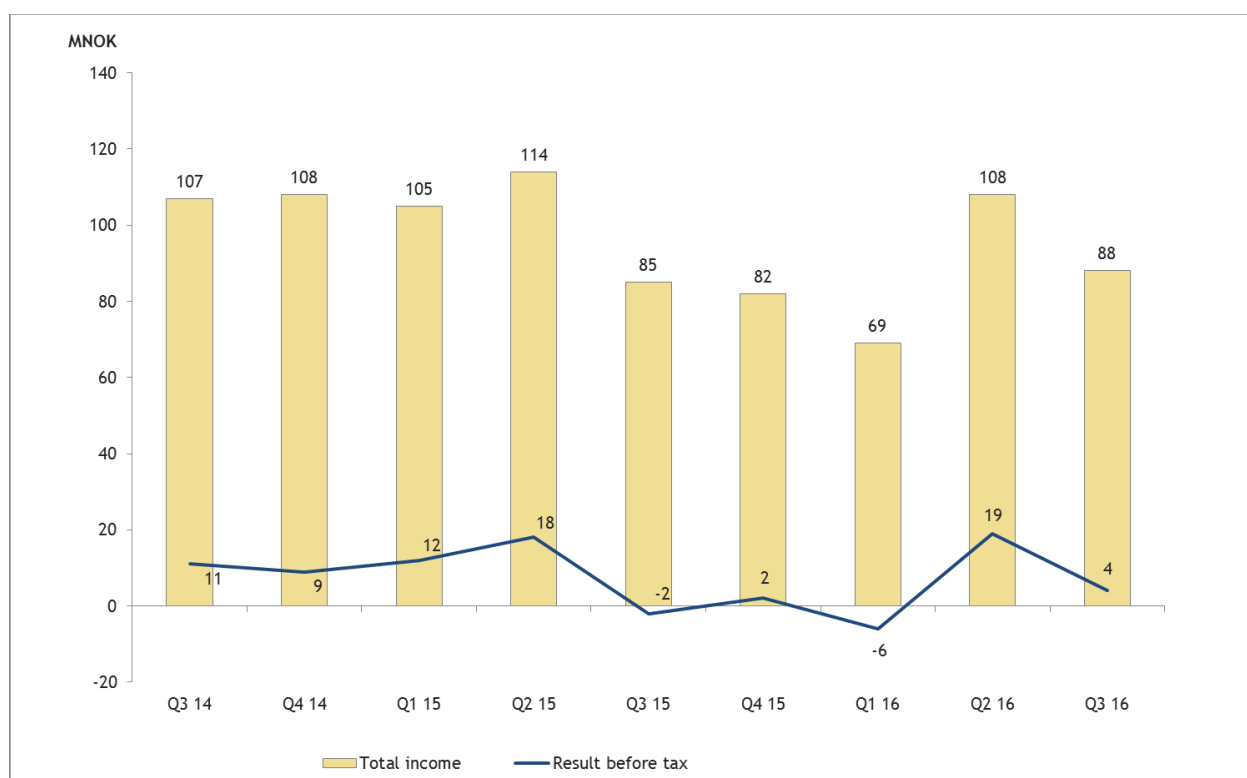
## 3.5 Subsidiaries

### *EiendomsMegler 1 SR-Eiendom AS*

EiendomsMegler 1 SR-Eiendom AS, which is fully owned by SpareBank 1 SR-Bank, is our region's market leader and the largest company in the nationwide EiendomsMegler 1 chain. This chain is the largest chain of real estate agents in Norway. As at 30 September 2016, the company sold 4617 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	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Interest income	1	0	1	0	1	2	3
Other income	87	108	68	82	84	263	301
Total income	88	108	69	82	85	264	304
Total operating expenses	84	89	75	80	87	248	277
Operating profit before losses	4	19	-6	2	-2	16	27
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	19	-6	2	-2	16	27



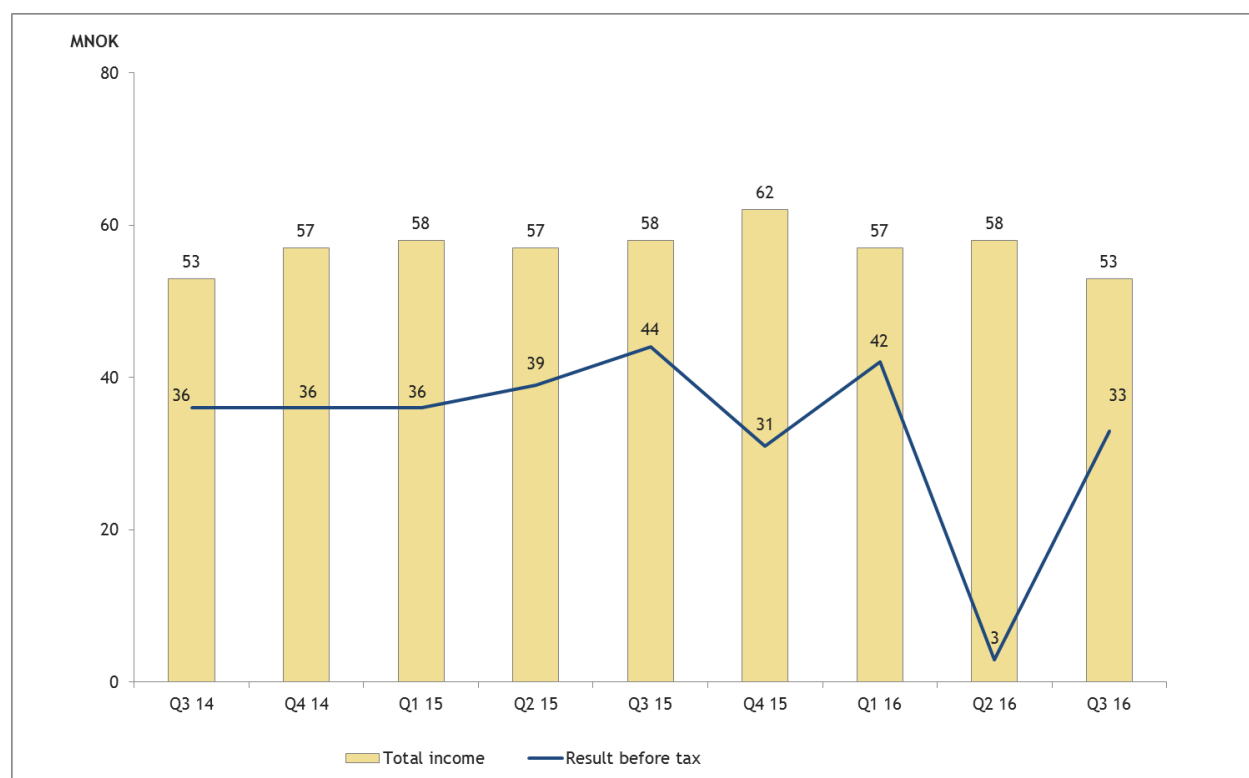


## SpareBank 1 SR-Finans AS

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

### Financial performance

MNOK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Interest income	56	61	62	65	63	179	189
Other income	-3	-3	-5	-3	-5	-11	-16
Total income	53	58	57	62	58	168	173
Total operating expenses	13	14	14	6	10	41	39
Operating profit before losses	40	44	43	56	48	127	134
Change in individual write-downs in the period	5	40	0	20	4	45	15
Change in group write-downs in the period	2	1	1	5	0	4	0
Operating profit before tax	33	3	42	31	44	78	119

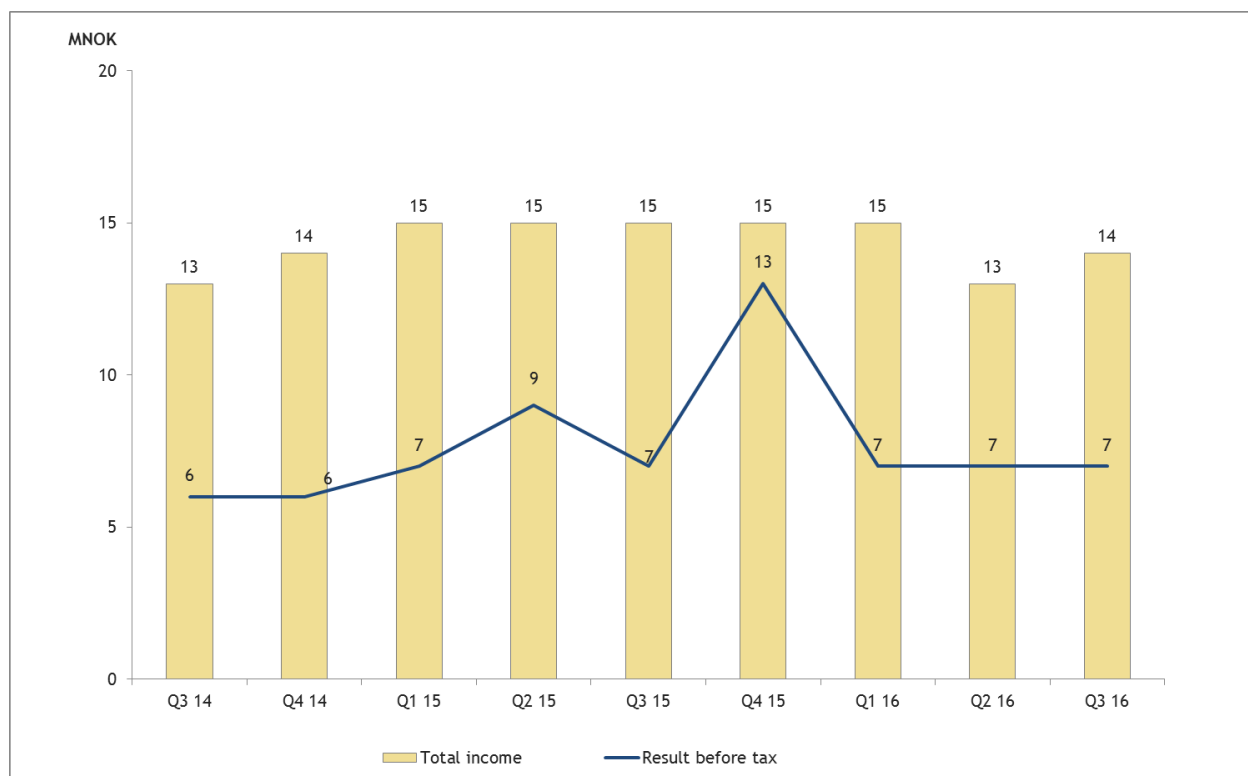


## SR-Forvaltning AS

SR-Forvaltning AS is a securities firm with a licence to provide asset management services. The company's objective is to be a local alternative with a high level of expertise in financial management. The company manages portfolios for SpareBank 1 SR-Bank and SpareBank 1 SR-Bank's pension fund, in addition to portfolios for about 2,500 external customers. The external customer base is made up of pension funds, public and private enterprises and affluent private individuals. Total assets amount to approximately NOK 9 billion as at 30.09.2016. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

MNOK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Interest income	0	0	0	1	0	0	0
Other income	14	13	15	14	15	42	45
Total income	14	13	15	15	15	42	45
Total operating expenses	7	6	8	2	8	21	22
Operating profit before losses	7	7	7	13	7	21	23
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	7	7	7	13	7	21	23



## 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	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	30.09 2016	30.09 2015
Interest income	0	1	0	1	0	1	0
Other income	0	-1	-1	-13	0	-2	-11
Total income	0	0	-1	-12	0	-1	-11
Total operating expenses	0	0	0	1	0	0	0
Operating profit before losses	0	0	-1	-13	0	-1	-11
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	-1	-13	0	-1	-11

