

FOURTH QUARTER 2016

The impossible is solved  
by incredible people



HAND IN HAND WITH THE INCREDIBLE

SpareBank **1**  
SR-BANK

Chief Executive, CEO

Arne Austreid

For further information, please contact

Inge Reinertsen, Chief Financial Officer	inge.reinertsen@sr-bank.no	+47 909 95 033
Stian Helgøy, VP Investor Relations	stian.helgoy@sr-bank.no	+47 906 52 173

#### Address

SpareBank 1 SR-Bank, Postboks 250, 4066 Stavanger  
Visiting address: Bjergsted Terrasse 1, 4001 Stavanger

SpareBank 1 SR-Bank Switchboard: +47 915 02002

#### Information on the Internet

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

#### Financial Calendar

Preliminary annual results for 2016	08 February
Annual general meeting 2016	20 April
Ex-dividend date	21 April
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

### Q4 2016

- Pre-tax profit: NOK 525 million (NOK 477 million)
- Profit after tax: NOK 429 million (NOK 442 million)
- Return on equity after tax: 9.5% (10.6%)
- Earnings per share: NOK 1.68 (NOK 1.73)
- Net interest income: NOK 733 million (NOK 678 million)
- Net commission and other income: NOK 355 million (NOK 372 million)
- Net income on investment securities: NOK 139 million (NOK -13 million)
- Operating expenses: NOK 540 million (NOK 368 million)
- Impairment losses on loans and guarantees: NOK 162 million (NOK 192 million)  
*(Q4 2015 in parentheses)*

### As at 31 December 2016

- Pre-tax profit: NOK 2,158 million (NOK 2,146 million)
- Profit after tax: NOK 1,755 million (NOK 1,746 million)
- Return on equity after tax: 10.0 % (10.8 %)
- Earnings per share: NOK 6.87 (NOK 6.83)
- Net interest income: NOK 2,871 million (NOK 2,593 million)
- Net commission and other income: NOK 1,443 million (NOK 1,532 million)
- Net income from financial investments: NOK 654 million (NOK 304 million)
- Operating expenses: NOK 2,032 million (NOK 1,863 million)
- Impairment losses on loans and guarantees: NOK 778 million (NOK 420 million)
- Total lending growth over past 12 months: -0.9% (5.4%)
- Growth in deposits over past 12 months: -3.9% (9.8%)
- Tier 1 capital ratio: 15.6% (14.2%)
- CET 1 capital ratio: 14.7% (13.3%)
- The Board proposes a dividend of NOK 2,25 per share  
*(As at 31 December 2015 in parentheses)*

## Income statement

### Financial results

MNOK	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Net interest income	733	729	711	698	678	2.871	2.593
Net commission and other income	355	347	389	352	372	1.443	1.532
Net return on investment securities	139	231	205	79	-13	654	304
Total income	1.227	1.307	1.305	1.129	1.037	4.968	4.429
Total operating expenses	540	486	514	492	368	2.032	1.863
Operating profit before losses	687	821	791	637	669	2.936	2.566
Losses on loans and guarantees	162	161	305	150	192	778	420
Operating profit before tax	525	660	486	487	477	2.158	2.146
Tax expense	96	126	80	101	35	403	400
Profit after tax	429	534	406	386	442	1.755	1.746

## Key figures

### Key figures

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Return on equity <sup>1)</sup>	9,5 %	12,2 %	9,4 %	9,0 %	10,6 %	10,0 %	10,8 %
Cost ratio <sup>2)</sup>	44,0 %	37,2 %	39,4 %	43,6 %	35,5 %	40,9 %	42,1 %
Deposit-to-loan ratio	54,5 %	55,4 %	57,2 %	56,1 %	57,6 %	54,5 %	57,6 %
Growth in loans	1,6 %	3,6 %	4,3 %	7,2 %	9,6 %	1,6 %	9,6 %
Growth in loans incl. covered bond companies	-0,9 %	0,1 %	1,1 %	2,9 %	5,4 %	-0,9 %	5,4 %
Growth in deposits	-3,9 %	-2,0 %	-1,3 %	1,2 %	9,8 %	-3,9 %	9,8 %
Average total assets, MNOK	194.963	195.489	192.792	194.300	192.315	194.264	182.768
Total assets, MNOK	193.408	193.219	196.763	194.763	192.049	193.408	192.049
Impairment losses ratio <sup>3)</sup>	0,41	0,41	0,78	0,39	0,50	0,50	0,28
Capital ratio	17,5	17,1	16,8	16,8	16,7	17,5	16,7
Common Equity Tier 1 capital ratio	14,7	13,8	13,5	13,4	13,3	14,7	13,3
Share price	60,75	45,60	41,20	40,60	39,30	60,75	39,30
EPS (group)	1,68	2,09	1,59	1,51	1,73	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

<b>1</b>	<b>Rogaland</b>	
Population	470.000	
Market share	36%	
Year of establishment	1839	
Market strategy	Market leader	
Unemployment rate	4.9%*	
<b>2</b>	<b>Hordaland</b>	
Population	516.000	
Market share	6%	
Year of establishment	2006	
Market strategy	Entry/growth	
Unemployment rate	3.7%*	
<b>3</b>	<b>Agder</b>	
Population	298.000	
Market share	8%	
Year of establishment	2002	
Market strategy	Growth	
Unemployment rate	3.8%*	

Source: Nav, SSB and SpareBank 1 SR-Bank  
\* Figures as at 31.01.2017

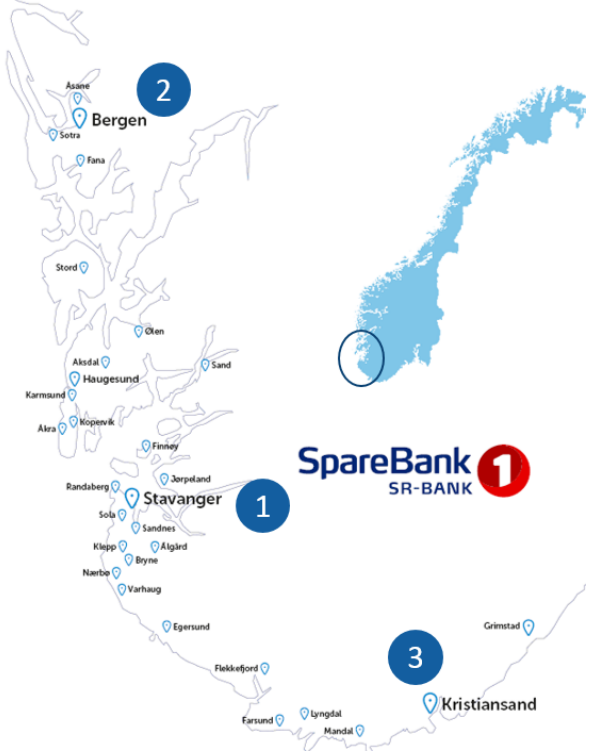


Figure 1.2.1: Operating areas

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 182.3 billion and market cap of NOK 15.5 billion as at 31 December 2016. Head office is in Stavanger. The market areas are the counties of Rogaland, Agder and Hordaland. SpareBank 1 SR-Bank ASA has 1 127 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

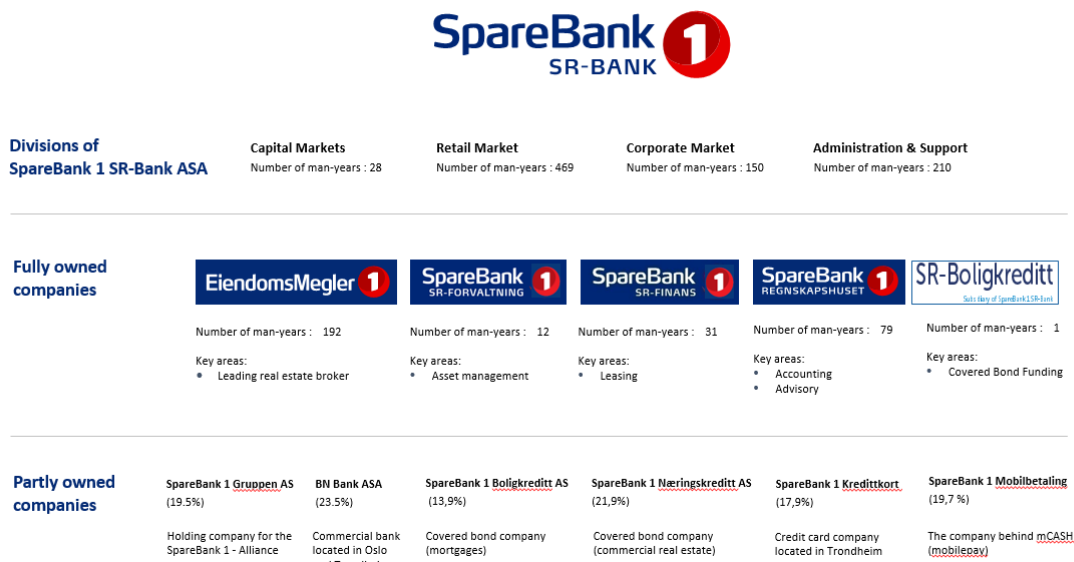


Figure 1.2.2: SpareBank 1 SR-Bank's activities

## Segment operating profit\*

Q4 2016

MNOK	Retail market		Corporate market		Capital market	
	2016	2015	2016	2015	2016	2015
Operating profit before tax 4th quarter only	269	287	251	66	18	10
Operating profit before tax as at 31 December	1.219	1.206	751	714	48	2
Gross loans to customers excl. SB1 Boligkreditt and SB1 Næringskreditt as at 31 December	93.159	89.133	54.922	55.852	379	698
Deposits from customers as at 31 December	47.754	46.910	37.355	38.360	4	3.698

\* 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 2017. 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.

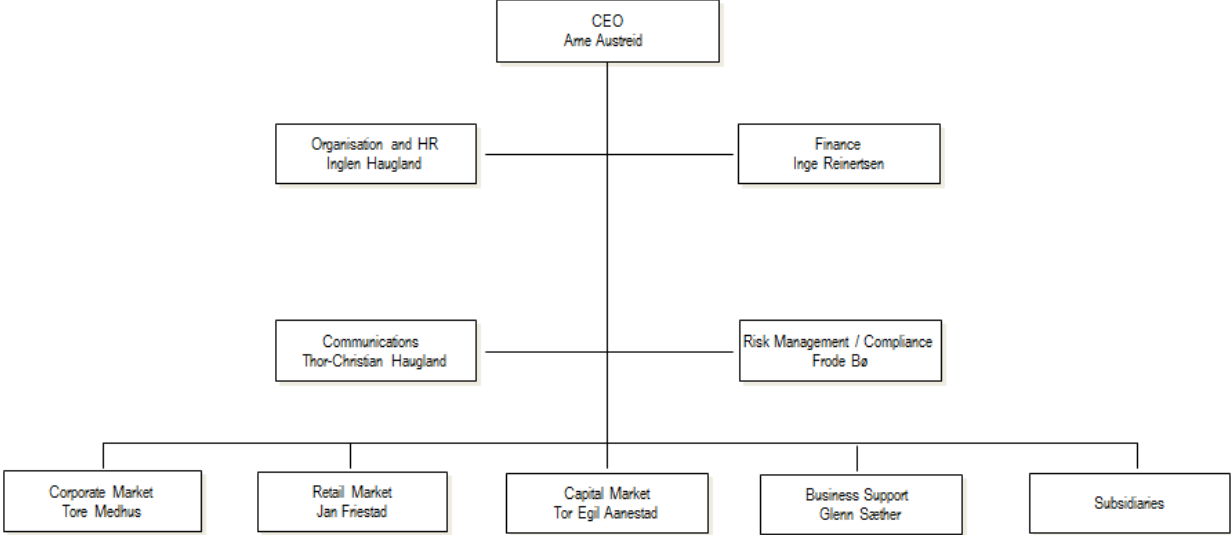


Figure 1.2.5: Organizational structure of SpareBank 1 SR-Bank

*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 – strong benefits in economies of scale

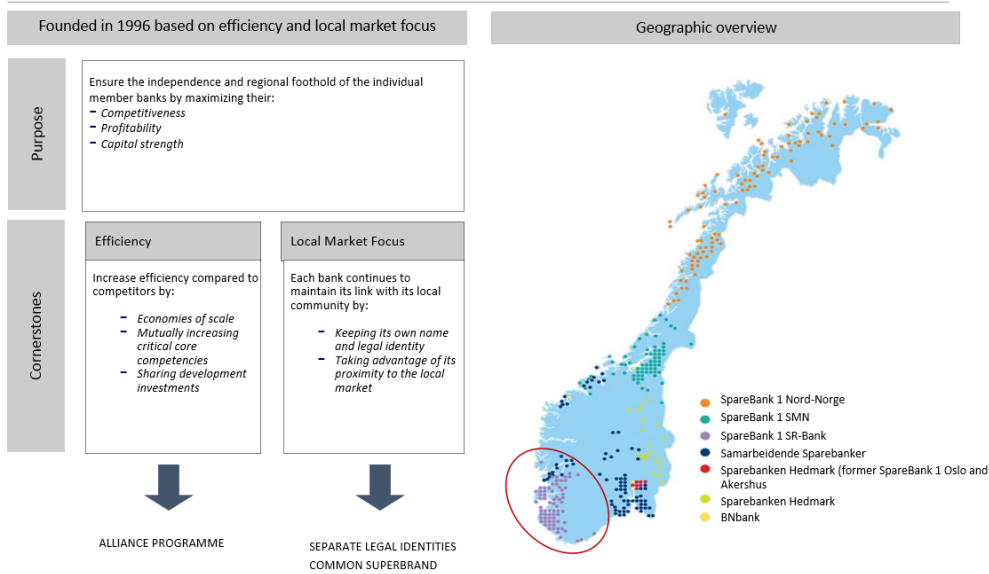


Figure 1.2.6: Geographic overview of the SpareBank 1 Alliance

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 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

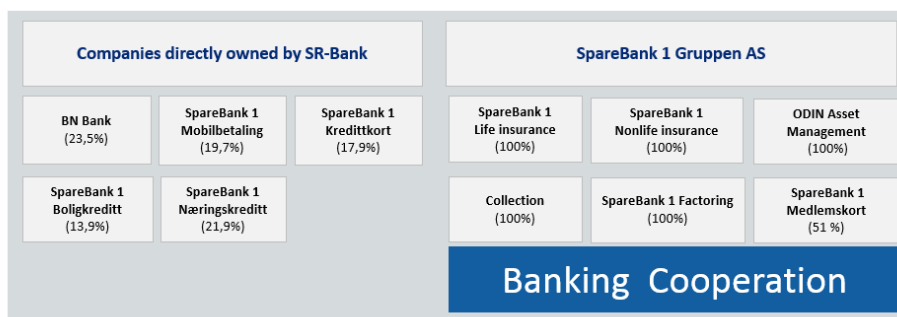
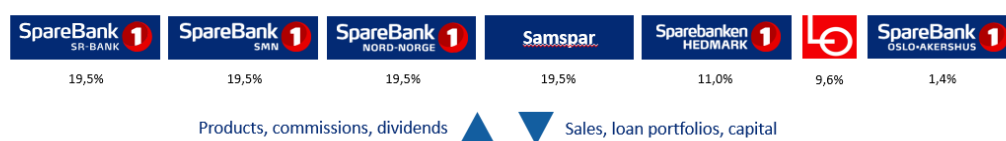


Figure 1.2.7: Structure of SpareBank 1 Alliance as at 31 December 2016

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 December 2015 – December 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 December 2011 to 31 December 2016. A general observation is that liquidity has increased after the conversion and issue of new shares.

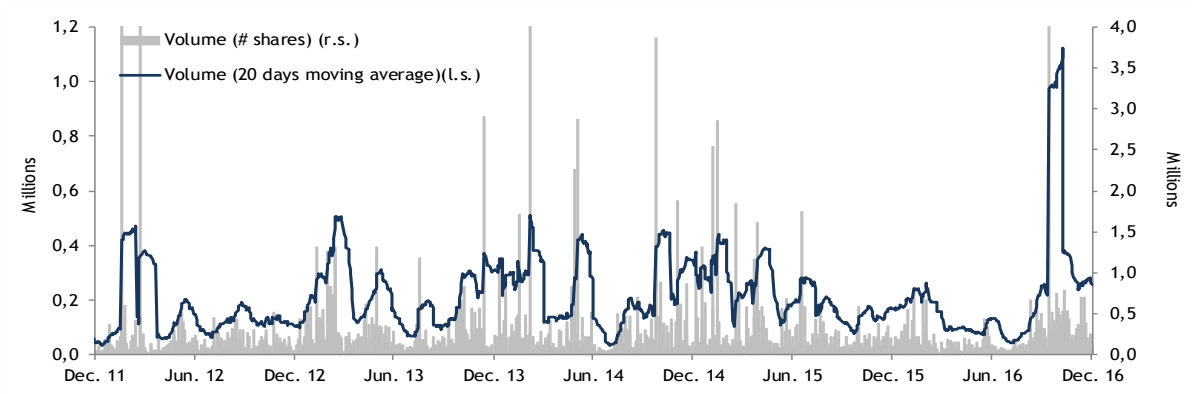


Figure 1.3.2 Development in liquidity; SRBANK December 2011 – December 2016

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

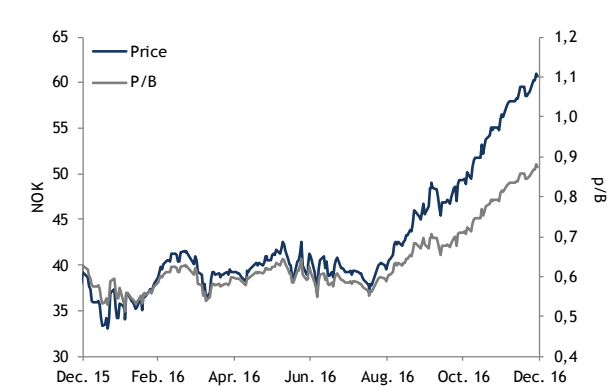


Figure 1.3.3: Share price and development in P/B; December 2015 – December 2016

### 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:

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)  
 Swedbank First Securities, Bengt Kirkøen +47 23 23 82 65 [bk@swedbank.no](mailto:bk@swedbank.no)  
 Nordea Markets, Thomas Svendsen +47 22 48 79 21 [thomas.svendsen@nordea.com](mailto:thomas.svendsen@nordea.com)  
 Pareto Securities, Vegard Toverud: +47 22 87 88 24, [vegard.toverud@pareto.no](mailto:vegard.toverud@pareto.no)  
 DnB Markets, Håkon Astrup: +47 24 16 91 99, [hakon.astrup@dnb.no](mailto:hakon.astrup@dnb.no)  
 Keefe, Bruyette & Woods, Karl Morris: +44 207 663 5296, [kmorris@kbw.com](mailto:kmorris@kbw.com)  
 Enskilda Securities, Christoffer Adams: +47 21 00 85 14, [christoffer.adams@seb.no](mailto:christoffer.adams@seb.no)  
 Norne Securities, Zilvinas Jusaitis: +47 21 95 37 03, [zilvinas.jusaitis@norne.no](mailto:zilvinas.jusaitis@norne.no)  
 Fondsfinans, Geir Kristiansen: +47 23 11 30 11, [gk@fondsfinans.no](mailto:gk@fondsfinans.no)  
 ABG Sundal Collier, Jan Erik Gjerland; +47 46 93 04 10, [jan.gjerland@abgsc.no](mailto:jan.gjerland@abgsc.no)  
 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 December 2016*

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
Gjensidige Forsikring ASA		12.308.416	4,8%
State Street Bank and Trust Co, U.S.A.	Nominee	7.561.759	3,0%
Vpf Nordea Norge Verdi		7.454.497	2,9%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Wimoh Invest AS		5.761.169	2,3%
Odin Norge		4.384.644	1,7%
Danske Invest Norske Instit. II		3.646.410	1,4%
Pareto Aksje Norge		3.065.035	1,2%
Verdipapirfondet DNB Norge (IV)		2.963.871	1,2%
State Street Bank and Trust Co, U.S.A.	Nominee	2.851.948	1,1%
Clipper AS		2.565.000	1,0%
State Street Bank and Trust Co, U.S.A.	Nominee	2.247.876	0,9%
Verdipapirfondet Alfred Berg Gambak		1.833.914	0,7%
KAS Bank NV, Nederland	Nominee	1.804.586	0,7%
Danske Invest Norske Aksjer Inst.		1.770.594	0,7%
Folketrygdfondet		1.688.000	0,7%
JPMorgan Chase Bank, U.S.A.	Nominee	1.671.233	0,7%
Vpf Nordea Avkastning		1.664.410	0,7%
Westco		1.658.537	0,6%
Top 5		105.970.560	41,4%
Top 10		125.791.689	49,2%
Top 20		145.547.787	56,9%

Table 1.3.1: 20 largest shareholders as at 31 December 2016



*Ownership structure as at 24 January 2017*

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
State Street Bank and Trust Co, U.S.A.	Nominee	7.582.448	3,0%
Vpf Nordea Norge Verdi		7.000.623	2,7%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Wimoh Invest AS		5.761.169	2,3%
Verdipapirfondet DNB Norge (IV)		4.725.767	1,8%
Odin Norge		4.270.982	1,7%
Danske Invest Norske Instit. II		3.646.410	1,4%
Pareto Aksje Norge		3.050.908	1,2%
State Street Bank and Trust Co, U.S.A.	Nominee	2.881.272	1,1%
Folketrygdfondet		2.838.000	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	2.247.307	0,9%
Verdipapirfondet Alfred Berg Gambak		1.833.914	0,7%
KAS Bank NV, Nederland	Nominee	1.804.586	0,7%
Swedbank Generator		1.761.000	0,7%
Danske Invest Norske Aksjer Inst.		1.746.094	0,7%
State Street Bank and Trust Co, U.S.A.	Nominee	1.704.380	0,7%
JPMorgan Chase Bank, U.S.A.	Nominee	1.671.233	0,7%
Top 5		98.990.128	38,7%
Top 10		117.565.467	46,0%
Top 20		138.045.397	54,0%

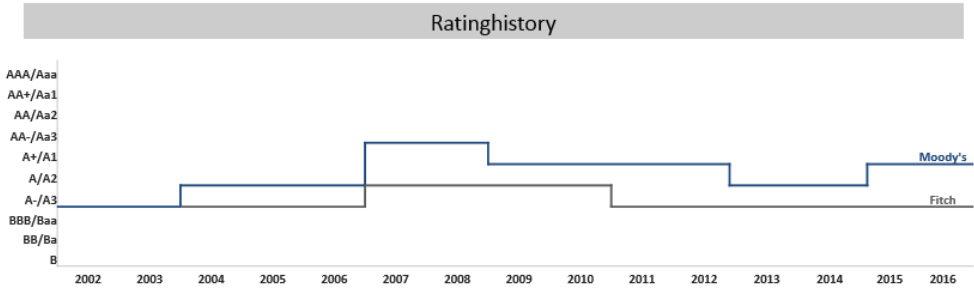
Table 1.3.2: 20 largest shareholders as at 24 January 2017; after Gjensidige Forsikring AS has divested shares.

# 1.4 Credit ratings

Current credit rating status as at 31 December 2016 was as follows:

## Rating

Moody's		Fitch	
Long-term debt	A1	Long-term IDR	A-
Outlook	Negative	Outlook	Stable
Updated	10 October 2016	Updated	28 December 2016



## 2. Financial results and balance sheet

### Income statement

#### Financial results

<i>MNOK</i>	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Interest income	1.400	1.384	1.379	1.400	1.408	5.563	5.752
Interest expense	667	655	668	702	730	2.692	3.159
<b>Net interest income</b>	<b>733</b>	<b>729</b>	<b>711</b>	<b>698</b>	<b>678</b>	<b>2.871</b>	<b>2.593</b>
Commission income	372	365	405	369	388	1.511	1.605
Commission expenses	18	18	17	19	17	72	78
Other operating income	1	0	1	2	1	4	5
<b>Net commission and other income</b>	<b>355</b>	<b>347</b>	<b>389</b>	<b>352</b>	<b>372</b>	<b>1.443</b>	<b>1.532</b>
Dividend income	5	0	97	8	1	110	17
Income from investment in associates	78	90	112	104	110	384	422
Net gains/losses on financial instruments	56	141	-4	-33	-124	160	-135
<b>Net return on investment securities</b>	<b>139</b>	<b>231</b>	<b>205</b>	<b>79</b>	<b>-13</b>	<b>654</b>	<b>304</b>
<b>Total income</b>	<b>1.227</b>	<b>1.307</b>	<b>1.305</b>	<b>1.129</b>	<b>1.037</b>	<b>4.968</b>	<b>4.429</b>
Personnel expenses	293	282	296	295	114	1.166	945
Administrative expenses	133	115	114	102	125	464	480
Other operating expenses	114	89	104	95	129	402	438
<b>Total operating expenses</b>	<b>540</b>	<b>486</b>	<b>514</b>	<b>492</b>	<b>368</b>	<b>2.032</b>	<b>1.863</b>
<b>Operating profit before losses</b>	<b>687</b>	<b>821</b>	<b>791</b>	<b>637</b>	<b>669</b>	<b>2.936</b>	<b>2.566</b>
Losses on loans and guarantees	162	161	305	150	192	778	420
<b>Operating profit before tax</b>	<b>525</b>	<b>660</b>	<b>486</b>	<b>487</b>	<b>477</b>	<b>2.158</b>	<b>2.146</b>
Tax expense	96	126	80	101	35	403	400
<b>Profit after tax from continuing operations</b>	<b>429</b>	<b>534</b>	<b>406</b>	<b>386</b>	<b>442</b>	<b>1.755</b>	<b>1.746</b>

## Key figures

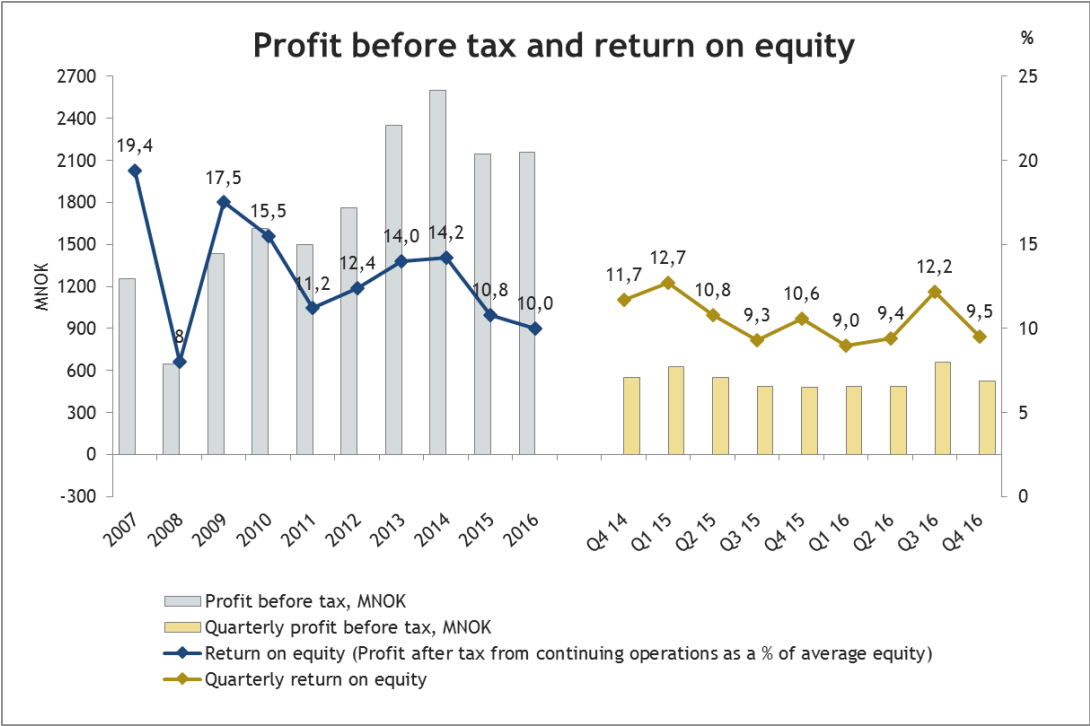
### Key figures

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Return on equity <sup>1)</sup>	9,5 %	12,2 %	9,4 %	9,0 %	10,6 %	10,0 %	10,8 %
Cost ratio <sup>2)</sup>	44,0 %	37,2 %	39,4 %	43,6 %	35,5 %	40,9 %	42,1 %
Net interest margin	1,50 %	1,48 %	1,48 %	1,44 %	1,40 %	1,48 %	1,42 %
Gross loans to customers	157.638	157.352	156.738	155.172	155.190	157.638	155.190
Gross loans to customers incl. covered bond companies	182.332	183.042	183.438	183.939	183.896	182.332	183.896
Deposits from customers	85.914	87.240	89.633	87.023	89.444	85.914	89.444
Deposit-to-loan ratio	54,5 %	55,4 %	57,2 %	56,1 %	57,6 %	54,5 %	57,6 %
Growth in loans	1,6 %	3,6 %	4,3 %	7,2 %	9,6 %	1,6 %	9,6 %
Growth in loans incl. covered bond companies	-0,9 %	0,1 %	1,1 %	2,9 %	5,4 %	-0,9 %	5,4 %
Growth in deposits	-3,9 %	-2,0 %	-1,3 %	1,2 %	9,8 %	-3,9 %	9,8 %
Average total assets	194.963	195.489	192.792	194.300	192.315	194.264	182.768
Total assets	193.408	193.219	196.763	194.763	192.049	193.408	192.049
Impairment losses ratio <sup>3)</sup>	0,41	0,41	0,78	0,39	0,50	0,50	0,28
Impairment losses ratio incl. loans from covered bond companies	0,35	0,35	0,66	0,33	0,42	0,42	0,23
Non-performing commitments as a percentage of gross loans	0,68	0,73	0,56	0,49	0,55	0,68	0,55
Non-performing commitments as a percentage of gross loans incl. loans from covered bond companies	0,59	0,63	0,48	0,41	0,46	0,59	0,46
Other doubtful commitments as a percentage of gross loans	0,72	0,64	0,78	0,61	0,35	0,72	0,35
Other doubtful commitments as a percentage of gross loans incl. loans from covered bond companies	0,62	0,55	0,67	0,51	0,30	0,62	0,30
Capital ratio	17,5	17,1	16,8	16,8	16,7	17,5	16,7
Tier 1 capital ratio	15,6	14,7	14,4	14,3	14,2	15,6	14,2
Common Equity Tier 1 capital ratio	14,7	13,8	13,5	13,4	13,3	14,7	13,3
Tier 1 capital	18.227	17.552	17.266	16.955	16.882	18.227	16.882
Net primary capital	20.443	20.386	20.139	19.853	19.933	20.443	19.933
RWA	116.651	119.118	119.705	118.527	119.124	116.651	119.124
Number of branches	36	47	49	49	49	36	49
Man-years (permanent)	1.127	1.154	1.148	1.169	1.161	1.127	1.161
Share price	60,75	45,60	41,20	40,60	39,30	60,75	39,30
Market capitalisation	15.537	11.662	10.537	10.383	10.051	15.537	10.051
Book equity per share (including dividends) (group)	71,54	69,36	67,16	67,68	66,14	71,54	66,14
Earnings per share (group)	1,68	2,09	1,59	1,51	1,73	6,87	6,83
Dividends per share	2,25	n.a.	n.a.	n.a.	1,50	2,25	1,50
Price / Earnings per share	9,04	5,45	6,48	6,72	5,68	8,84	5,75
Price / Book equity (group)	0,85	0,66	0,61	0,60	0,59	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

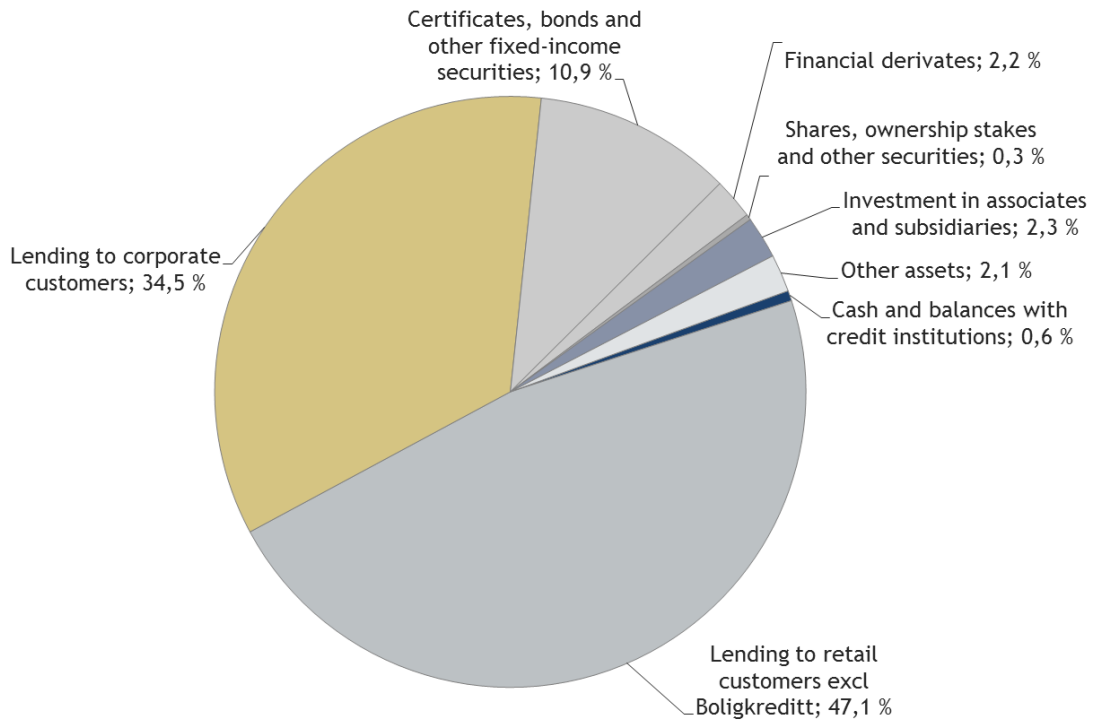
<sup>3)</sup> Net losses expressed as a percentage of average gross lending year to date, annualized



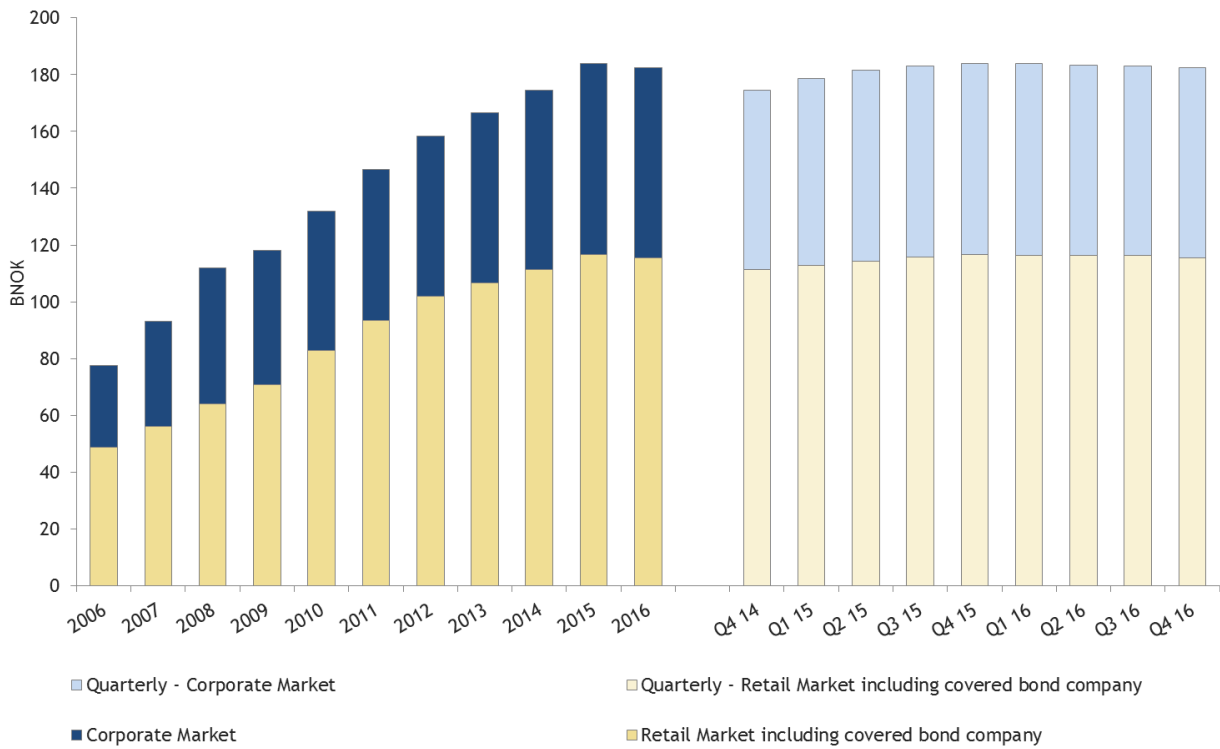
## Balance sheet

<i>MNOK</i>	31.12 2016	30.09 2016	30.06 2016	31.03 2016	31.12 2015
Cash and balances with central banks	1.079	172	910	1.497	931
Balances with credit institutions	4.334	1.073	2.188	5.059	2.984
Net loans to customers	156.372	156.153	155.612	154.221	154.357
Certificates, bonds and other fixed-income sec.	21.024	21.737	24.814	20.963	19.533
Financial derivatives	4.315	4.653	5.056	5.403	6.135
Shares, ownership stakes and other securities	596	579	535	428	441
Business available for sale	22	23	22	162	168
Investment in associates	4.460	4.858	4.792	5.017	4.792
Other assets	1.206	3.971	2.834	2.013	2.708
<b>Total assets</b>	<b>193.408</b>	<b>193.219</b>	<b>196.763</b>	<b>194.763</b>	<b>192.049</b>
Balances with credit institutions	2.674	4.729	3.934	4.174	4.343
Deposits from customers	85.914	87.240	89.633	87.023	89.444
Listed debt securities	79.183	74.140	76.830	75.737	71.979
Financial derivatives	2.515	3.554	3.047	3.064	3.739
Other liabilities	2.188	2.570	2.867	4.160	2.171
Additional Tier 1 and Tier 2 capital instruments	2.646	3.256	3.284	3.310	3.459
<b>Total liabilities</b>	<b>175.120</b>	<b>175.489</b>	<b>179.595</b>	<b>177.468</b>	<b>175.135</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	0	0	384	384
Fund for unrealised gains	52	163	163	163	163
Other equity	9.680	8.260	8.232	8.381	8.386
Profit/loss at period end	0	1.326	792	386	0
<b>Total equity</b>	<b>18.288</b>	<b>17.730</b>	<b>17.168</b>	<b>17.295</b>	<b>16.914</b>
<b>Total liabilities and equity</b>	<b>193.408</b>	<b>193.219</b>	<b>196.763</b>	<b>194.763</b>	<b>192.049</b>

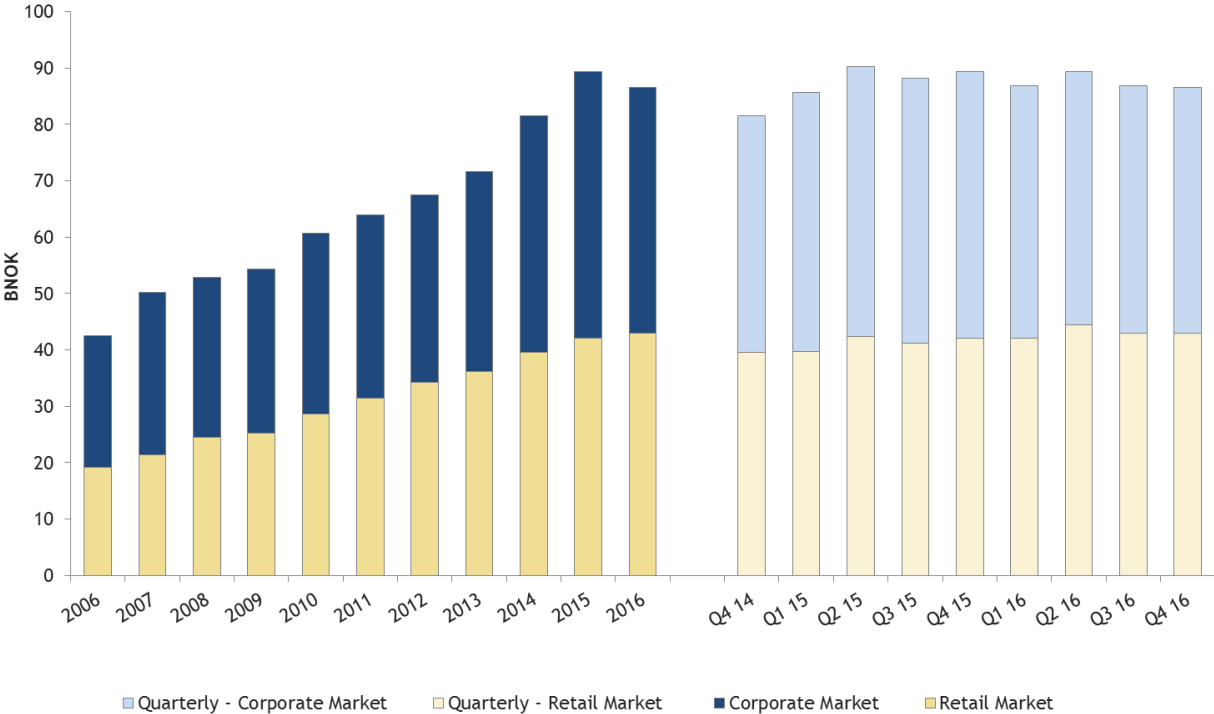
Total assets as at 31 December 2016:



Development in lending volume



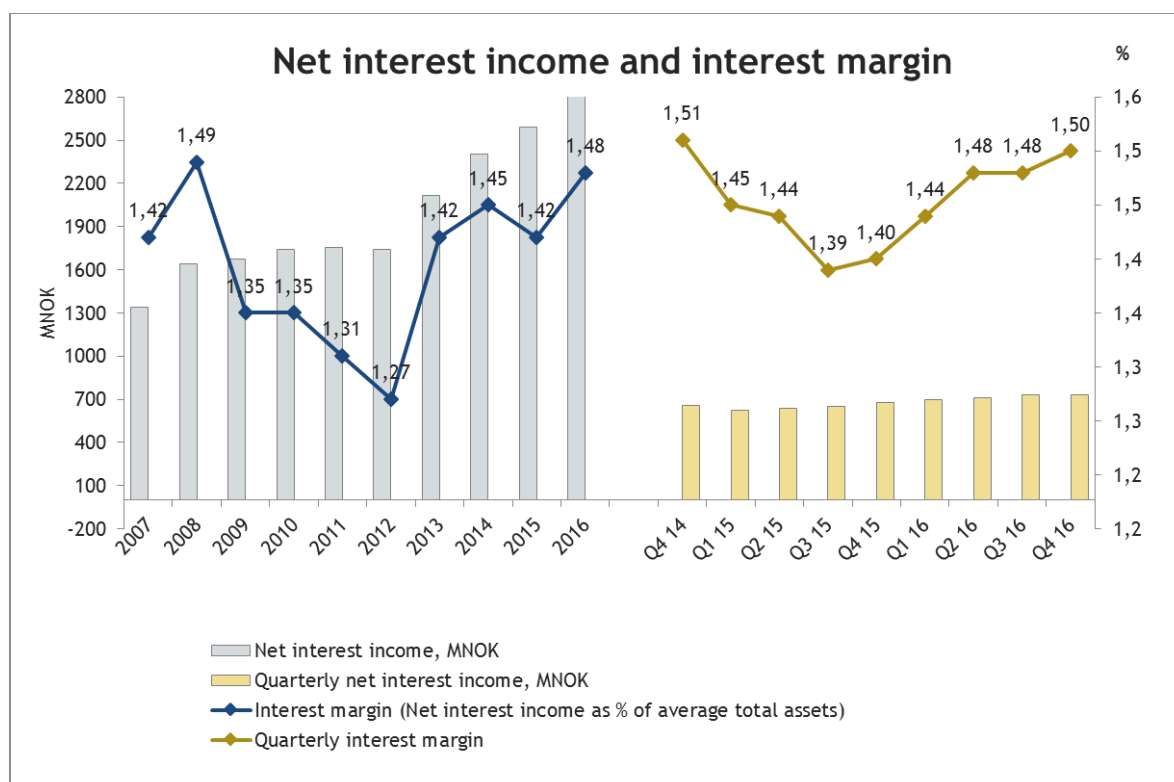
### Development in deposit volume





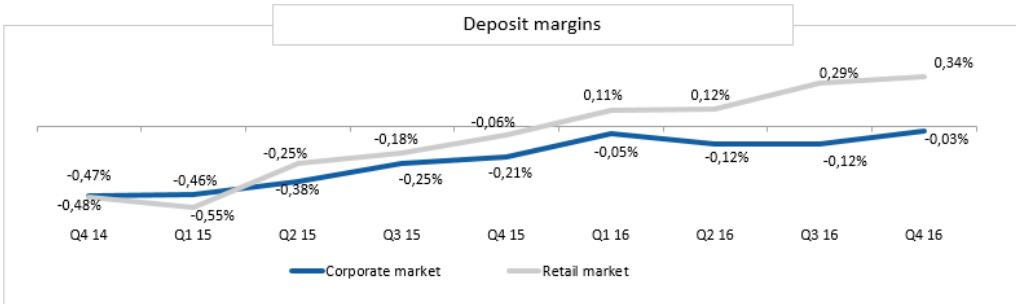
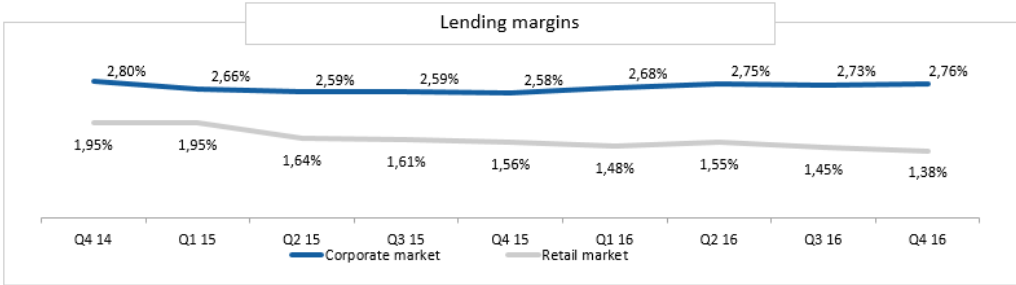
## 2.1 Net interest income

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
<b>MNOK</b>							
Interest income	1.400	1.384	1.379	1.400	1.408	5.563	5.752
Interest expense	667	655	668	702	730	2.692	3.159
<b>Net interest income</b>	<b>733</b>	<b>729</b>	<b>711</b>	<b>698</b>	<b>678</b>	<b>2.871</b>	<b>2.593</b>
As % of average total assets	1,50 %	1,48 %	1,48 %	1,44 %	1,40 %	1,48 %	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

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
MNOK	2016	2016	2016	2016	2015	2016	2015
Net commission and other income	355	347	389	352	372	1.443	1.532
Net return on investment securities	139	231	205	79	-13	654	304
Net other operating income	<b>494</b>	<b>578</b>	<b>594</b>	<b>431</b>	<b>359</b>	<b>2.097</b>	<b>1.836</b>
As % of total income	40 %	44 %	46 %	38 %	35 %	42 %	41 %

### Net commission and other income

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
MNOK	2016	2016	2016	2016	2015	2016	2015
Payment facilities	60	75	63	54	56	252	236
Savings/placements	45	45	44	51	48	185	190
Insurance products	50	48	50	50	48	198	190
Commission income from real estate broking	85	87	107	69	82	348	383
Guarantee commission	31	24	31	28	34	114	129
Arrangement fees	33	14	24	30	27	101	85
Accounting Services SpareBank 1 Regnskapshuset SR*	18	16	24	23	10	81	35
Other	3	3	3	6	14	15	26
<b>Net commission and other income excl. covered bond companies</b>	<b>325</b>	<b>312</b>	<b>346</b>	<b>311</b>	<b>319</b>	<b>1.294</b>	<b>1.274</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	30	35	43	41	53	149	258
<b>Net commission and other income incl. covered bond companies</b>	<b>355</b>	<b>347</b>	<b>389</b>	<b>352</b>	<b>372</b>	<b>1.443</b>	<b>1.532</b>
As % of total income	29 %	27 %	30 %	31 %	36 %	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

	Q4	Change	Q4
MNOK	2016		2015
<b>Net commission and other income</b>	<b>355</b>	<b>-17</b>	<b>372</b>
Payment facilities		4	
Savings/placements		-3	
Insurance products		2	
Commission income from real estate broking		3	
Guarantee commission		-3	
Arrangement fees		6	
Accounting Services SpareBank 1 Regnskapshuset SR*		8	
Other		-11	
Commission income SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt		-23	

\*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	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Dividend	5	0	97	8	1	110	17
Investment income, associates	78	90	112	104	110	384	422
Securities gains/losses	50	105	-36	-66	-87	53	-224
- of which capital change in shares and certificates	42	63	-33	-21	-34	51	-40
- of which capital change in certificates and bonds	-44	-21	-38	-53	-80	-156	-275
- of which derivatives; bonds and certificates	52	63	35	8	27	158	91
Currency/interest gains/losses	6	36	32	33	-37	107	89
- of which currency customer- and own-account trading	39	40	32	26	25	137	104
- of which value change basis swap spread	-16	-11	-1	13	6	-15	88
- of which counterparty risk derivatives including CVA	1	1	-1	1	-66	2	-66
- of which other IFRS-effects	-18	6	2	-7	-2	-17	-37
<b>Net return on investment securities</b>	<b>139</b>	<b>231</b>	<b>205</b>	<b>79</b>	<b>-13</b>	<b>654</b>	<b>304</b>
As % of total income	11 %	18 %	16 %	7 %	-1 %	13 %	7 %

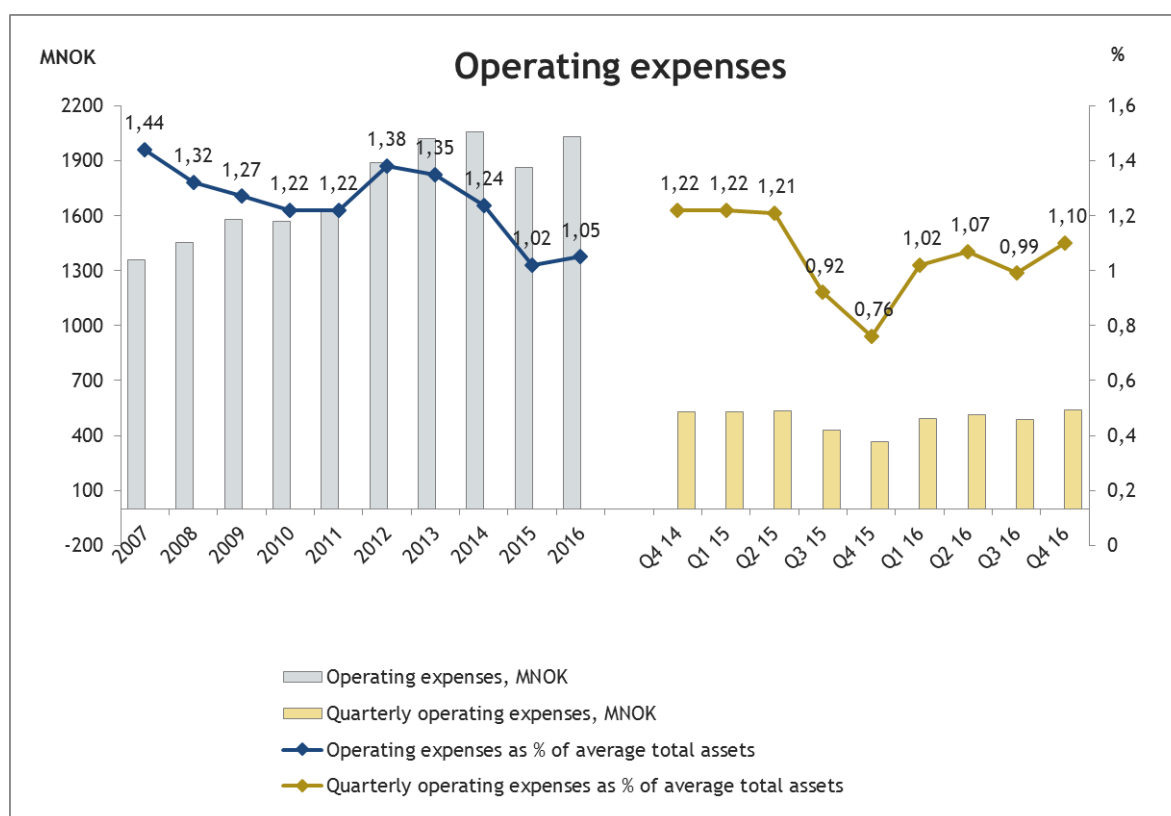
## Change in net return on investment securities

MNOK	Q4 2016	Change	Q4 2015
<b>Net return on investment securities</b>	<b>139</b>	<b>152</b>	<b>-13</b>
Dividend		4	
Investment income, associates		-32	
Securities gains/losses		137	
- of which capital change in shares and certificates		76	
- of which capital change in certificates and bonds		36	
- of which derivatives; bonds and certificates		25	
Currency/interest gains/losses		43	
- of which currency customer- and own-account trading		14	
- of which value change basis swap spread		-22	
- of which counterparty risk derivatives including CVA		67	
- of which other IFRS-effects		-16	
<b>Net return on investment securities</b>		<b>152</b>	

## 2.3 Operating expenses

### OPERATING EXPENSES

MNOK	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Wages	221	212	221	220	200	874	851
Of which restructuring costs	2	0	0	-1	22	1	28
Pension expenses	21	25	30	28	-133	104	-94
Other personnel expenses	51	45	45	48	47	188	188
<b>Total personnel expenses</b>	<b>293</b>	<b>282</b>	<b>296</b>	<b>295</b>	<b>114</b>	<b>1.166</b>	<b>945</b>
IT expenses	87	83	78	73	86	321	301
Marketing expenses	23	17	20	14	19	74	90
Other administrative expenses	23	15	16	15	20	69	89
Write-down	24	20	19	18	23	81	85
Expenses real property	9	9	8	9	12	35	41
Other operating expenses	81	60	77	68	94	286	312
<b>Other expenses</b>	<b>247</b>	<b>204</b>	<b>218</b>	<b>197</b>	<b>254</b>	<b>866</b>	<b>918</b>
<b>Total operating expenses</b>	<b>540</b>	<b>486</b>	<b>514</b>	<b>492</b>	<b>368</b>	<b>2.032</b>	<b>1.863</b>



### Change in operating expenses

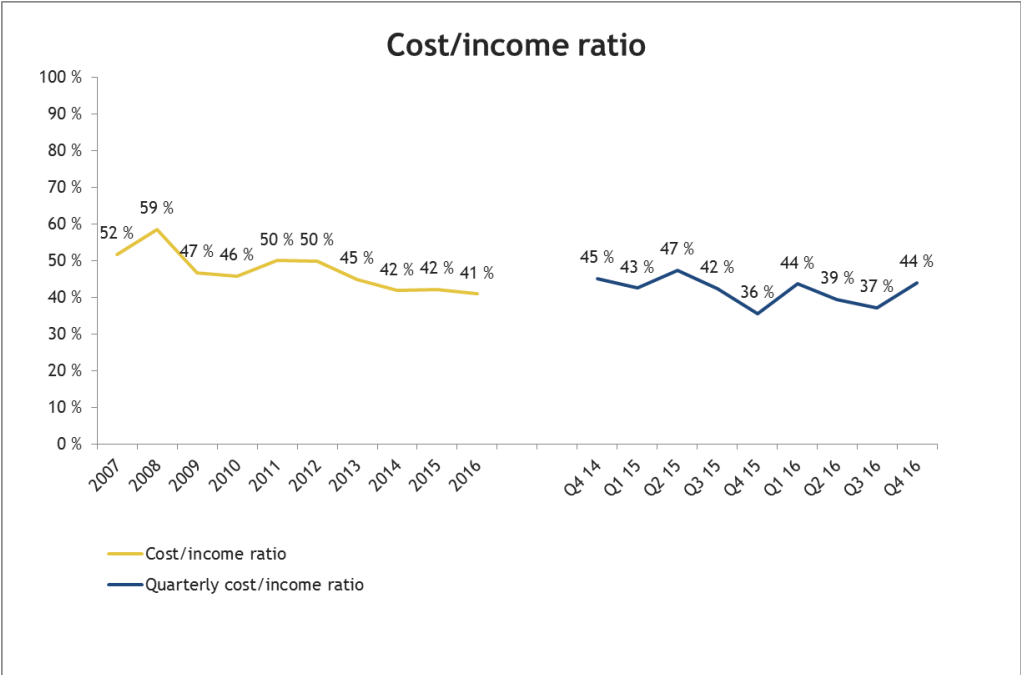
<i>MNOK</i>	Q4 2016	Change	Q4 2015
<b>Total</b>	<b>540</b>	<b>172</b>	<b>368</b>
Personnel expenses		179	
IT expenses		1	
Marketing expenses		4	
Other administrative expenses		3	
Write-down		1	
Expenses real property		-3	
Other operating expenses		-13	

### Cost/income ratio

<i>MNOK</i>	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Operating expenses	540	486	514	492	368	2.032	1.863
Cost/income ratio	44,0 %	37,2 %	39,4 %	43,6 %	35,5 %	40,9 %	42,1 %
Growth in expenses last 12 months*	46,7 %	13,3 %	-4,1 %	-7,2 %	-30,6 %	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

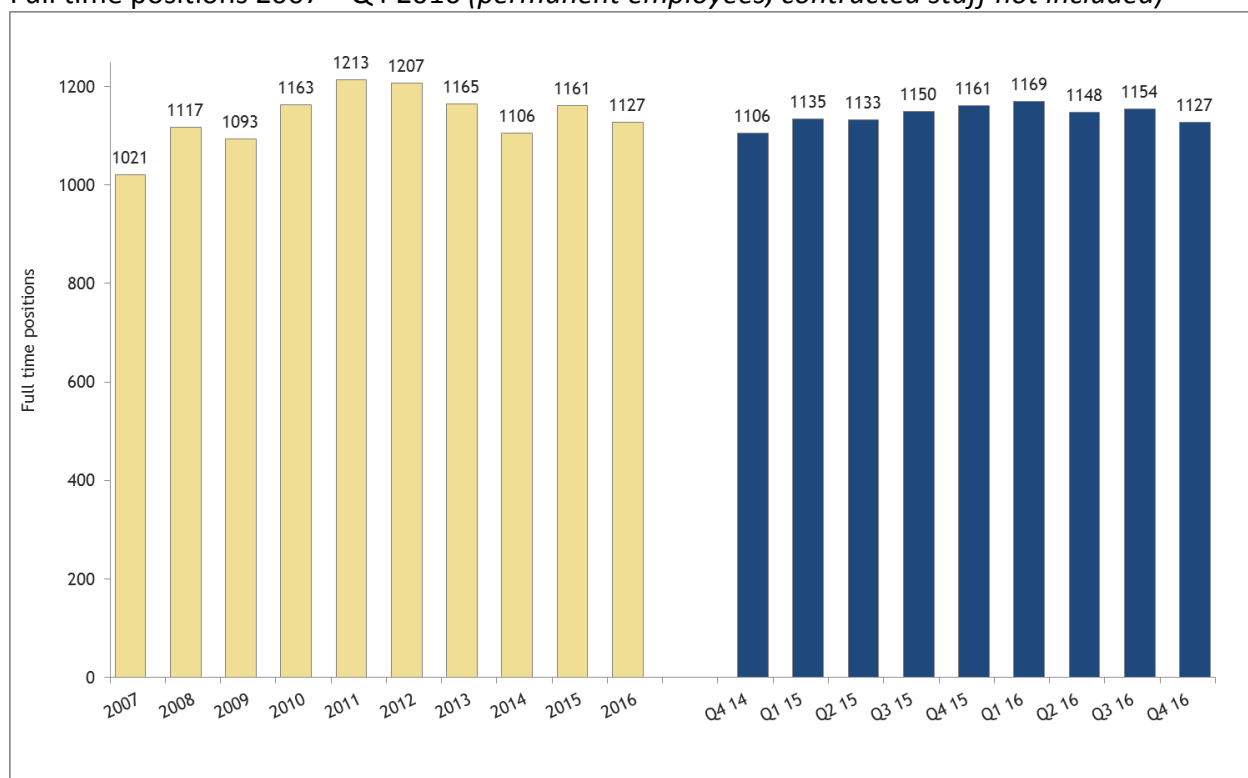


Number of full time positions (permanent employees, contracted staff not included)

**Number of employees**

	Q4	Q3	Q2	Q1	Q4
<i>Full time positions</i>	2016	2016	2016	2016	2015
SpareBank 1 SR-Bank	813	833	824	849	870
EiendomsMegler 1 SR-Eiendom AS	192	199	200	196	200
SR-Forvaltning AS	12	12	13	14	14
SR-Finans AS	31	31	32	31	33
SpareBank 1 Regnskapshuset SR AS	79	79	79	79	44
<b>Total</b>	<b>1.127</b>	<b>1.154</b>	<b>1.148</b>	<b>1.169</b>	<b>1.161</b>

Full time positions 2007 – Q4 2016 (*permanent employees, contracted staff not included*)





## 2.4 Losses on loans and loss provisions

### Losses on loans and guarantees

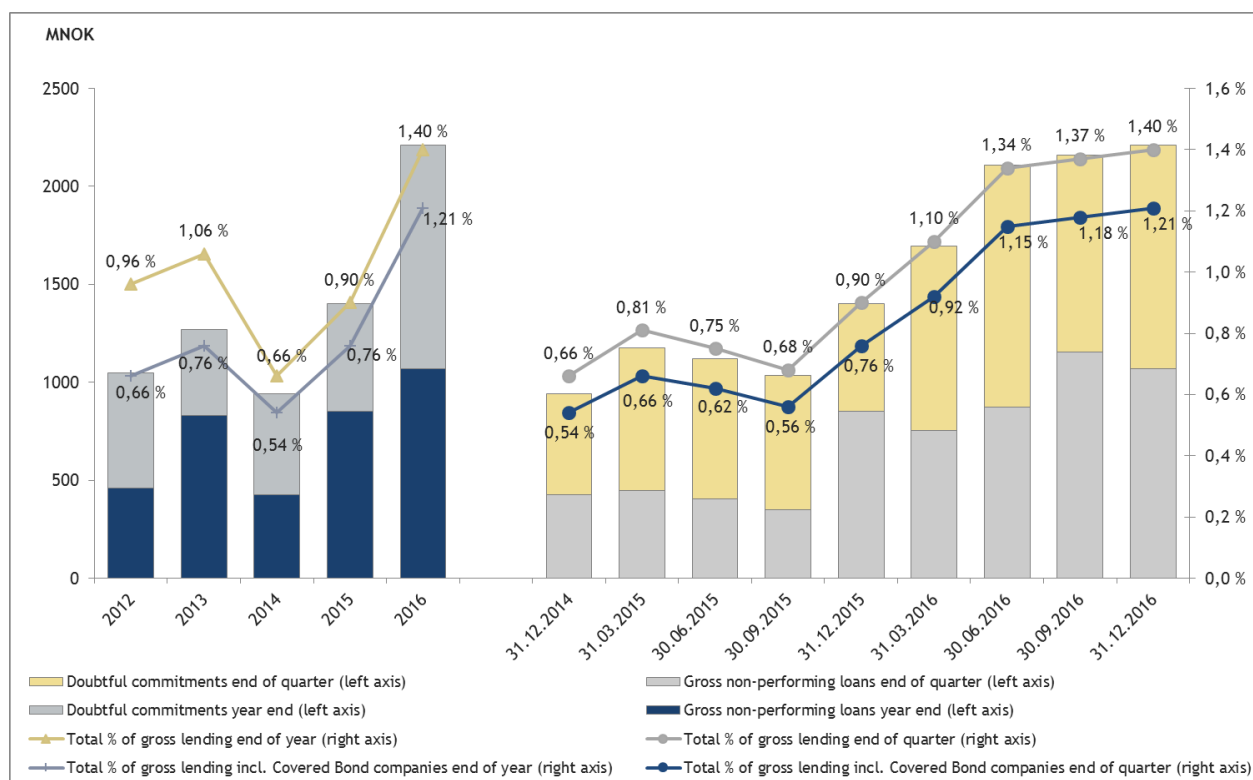
#### Losses on loans and guarantees

MNOK	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 March 2016	31 Dec. 2015
Change in individual individual impairment losses provisions for the period	277	229	273	59	-4
Change in collective impairment loss provisions for the period	158	138	93	60	140
Amortised cost	6	6	4	1	7
Actual loan losses on commitments for which provisions have been made	142	108	66	24	78
Actual loan losses on commitments for which no provision has been	208	134	16	9	223
Change in assets take-over for the period	0	10	10	0	1
Recoveries on commitments previously written-off	-13	-9	-7	-3	-25
<b>The period's net losses/(reversals) on loans and advances</b>	<b>778</b>	<b>616</b>	<b>455</b>	<b>150</b>	<b>420</b>

### Provisions for impairment losses on loans and guarantees

MNOK	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 March 2016	31 Dec. 2015
Provisions for individual impairment losses at start of period	318	318	318	318	322
Increases in previous provisions for individual impairment losses	33	26	26	19	65
Reversal of provisions from previous periods	-51	-44	-53	-30	-107
New provisions for individual impairment losses	443	357	367	95	118
Amortised cost	-7	-3	-2	-1	-2
Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-141	-108	-66	-24	-78
<b>Provisions for individual impairment losses at the end of period</b>	<b>595</b>	<b>547</b>	<b>591</b>	<b>377</b>	<b>318</b>
<b>Net losses</b>	<b>350</b>	<b>242</b>	<b>82</b>	<b>33</b>	<b>301</b>

### Non-performing loans and doubtful commitments



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

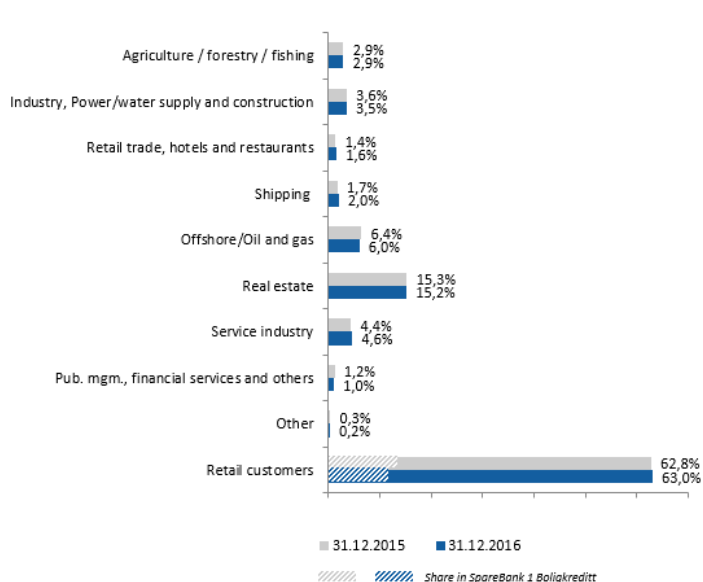
## 2.5 Loans

MNOK	31 Dec. 2016	30 Sept. 2016	30 June 2016	31 March 2016	31 Dec. 2015
Agriculture/forestry	4.549	4.460	4.409	4.431	4.443
Fishing/Fish farming	755	729	705	772	903
Mining/extraction	4.780	6.029	5.739	5.646	5.330
Industry	2.914	3.031	3.240	3.272	3.093
Power and water supply/building and construction	3.533	3.493	3.527	3.300	3.437
Retail trade, hotel and restaurant business	2.885	2.934	2.992	2.810	2.578
Foreign trade shipping, pipeline transport and other transport activities	9.766	9.044	9.326	9.427	9.666
Real estate business	27.269	26.751	27.102	27.761	27.568
Service industry	8.441	8.267	8.254	7.958	8.113
Public sector and financial services	1.898	1.838	1.854	2.276	2.209
Retail customers	91.171	90.267	88.945	86.838	87.229
Unallocated (excess value fixed interest loans and amort. lending fees)	118	219	345	375	323
Accrued interests corporate sector and retail customers	301	290	300	306	296
Net cooperate accounts currency	-741				
Gross loans	157.638	157.352	156.738	155.172	155.190
SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	24.694	25.690	26.700	28.767	28.706
<b>Gross loans incl SpareBank 1 Boligkreditt and Næringskreditt</b>	<b>182.332</b>	<b>183.042</b>	<b>183.438</b>	<b>183.939</b>	<b>183.896</b>

## Loan portfolio as at 31.12.2016

- Gross loans (incl. covered bond companies) as at 31 December 2016 amount to NOK 182.3 billion compared with NOK 183.9 billion at the same time the year before.
- 12-month growth in loans of -0.9%.
- Loans to retail customers (incl. covered bond company) account for 63.0% of total loans, of which 13,2% is in SpareBank 1 Boligkreditt.

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



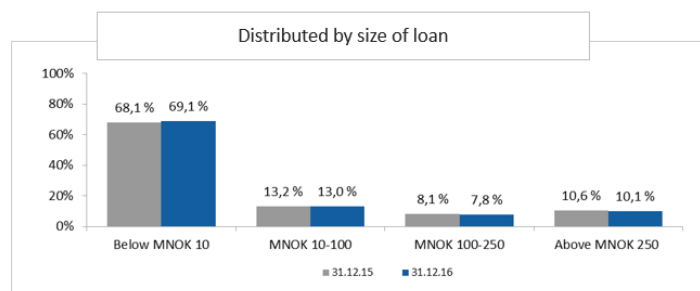
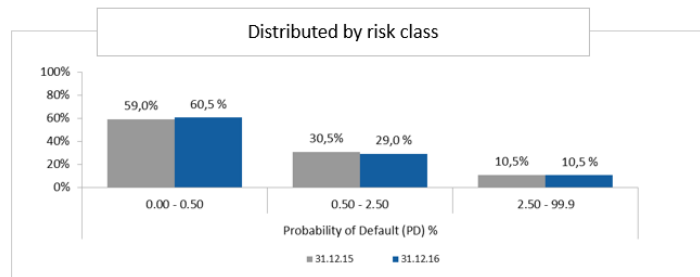
## 2.6 Risk profile

### Risk profile of the loan portfolio

- SpareBank 1 SR-Bank has a solid loan portfolio with positive development in risk profile.
- 60.5% of the bank's loan exposure has a PD\* below 0.5%.
- Single loan exposures less than NOK 10 million aggregates 69.1% of total loan portfolio.
- Single loan exposures above NOK 250 million is slightly decreasing and aggregates 10.1% 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).

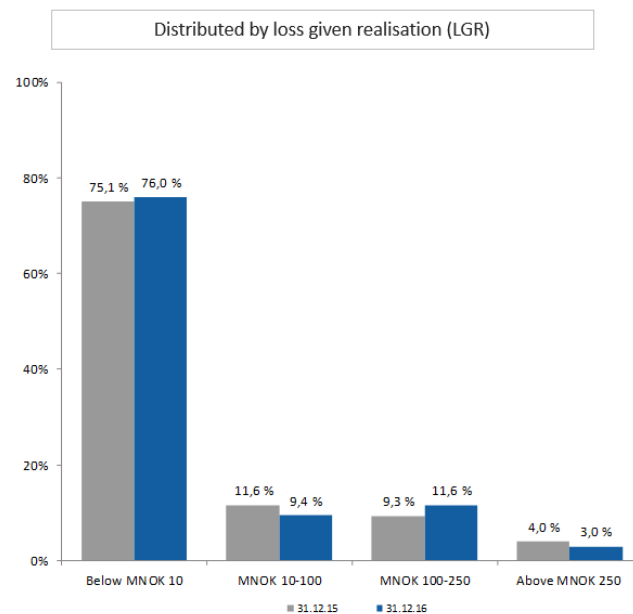


### Low concentration of individual LGRs in the lending portfolio

- 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 has increased since Q4 2016 and is now 76.0%.

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.

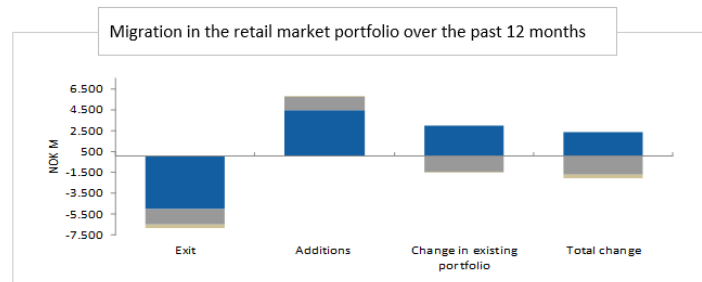
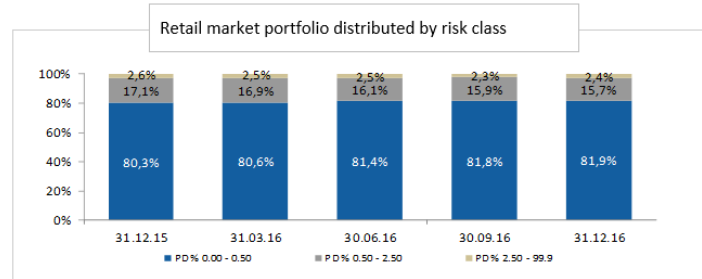


## Risk profile – Lending to the retail market

- 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 81.9% 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).

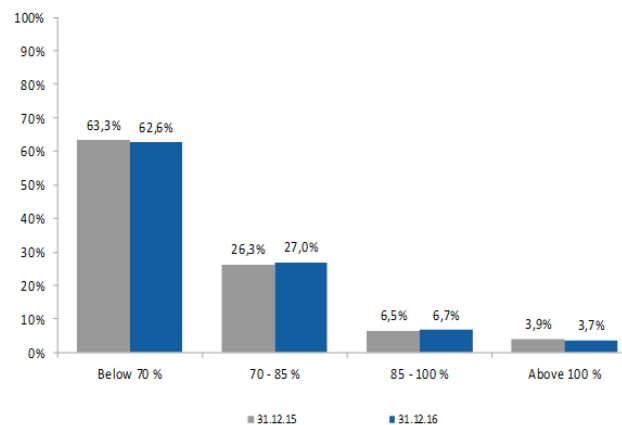


## Loan to value ratio on home mortgage loans

- The proportion of loans with a loan-to-value ratio of less than 85% is high.
- 89.6% 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.

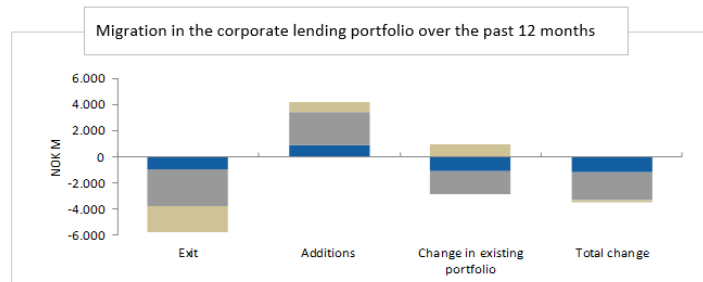
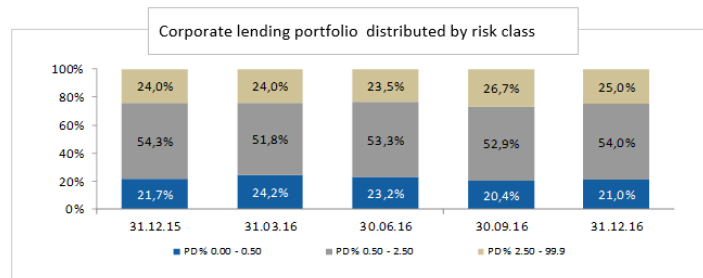
The figures include the loan portfolio in the covered bond company: (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).



## Lending to the corporate market – risk profile

- *The quality of the corporate market portfolio is good. 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 21.0 %.*
- *Despite the regional economic downturn, the quality of the corporate market portfolio is maintained over the past 12 months.*

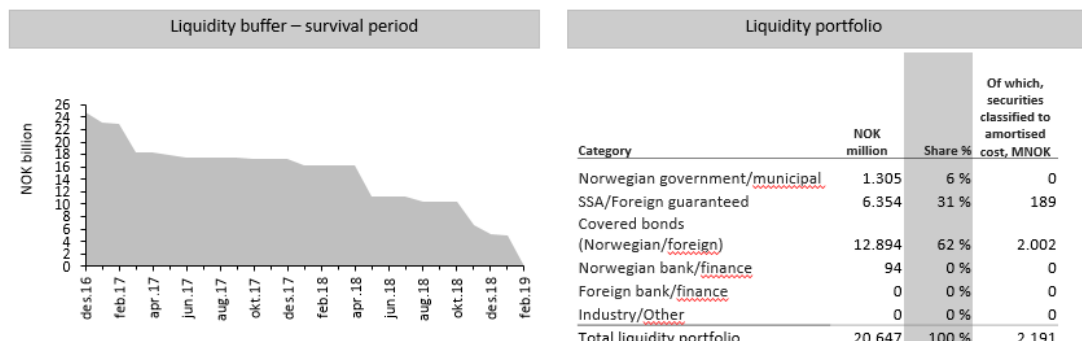
\*Probability of default (PD) through a full cycle of loss.



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 24.7 billion
- Other liquid assets:
  - Home mortgages prepared for covered bond funding: NOK 14.8 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 and AA-	20.553	98,0 %
Low risk	A+, A and A-	0	0,0 %
Moderate risk	Not rated	183	0,9 %
High risk	Not rated	144	0,7 %
Very high risk	Not rated	102	0,5 %
<b>Total portfolio</b>		<b>20.982</b>	<b>100,0 %</b>

Of which liquidity purposes:

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	20.553	99,5 %
Low risk	A+, A and A-	0	0,0 %
Moderate risk	Not rated	94	0,5 %
High risk	Not rated	0	0,0 %
Very high risk	Not rated	0	0,0 %
<b>Total liquidity purposes</b>		<b>20.647</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	90	26,7 %
High risk	Not rated	144	42,8 %
Very high risk	Not rated	102	30,4 %
<b>Total trading portfolio</b>		<b>335</b>	<b>100,0 %</b>

All amounts in MNOK.

# 2.8 Funding

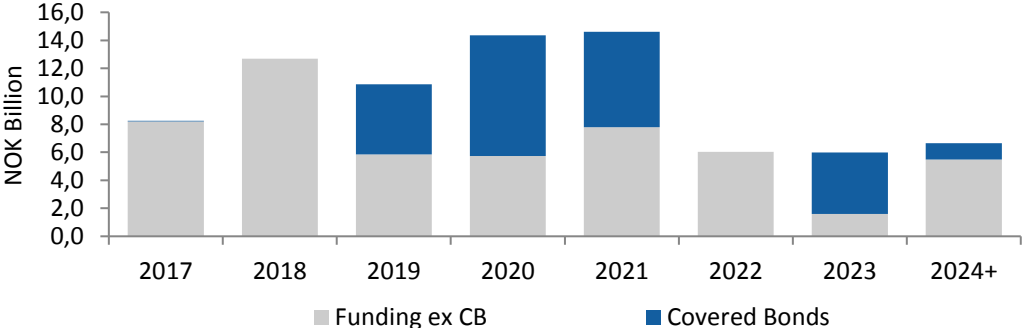
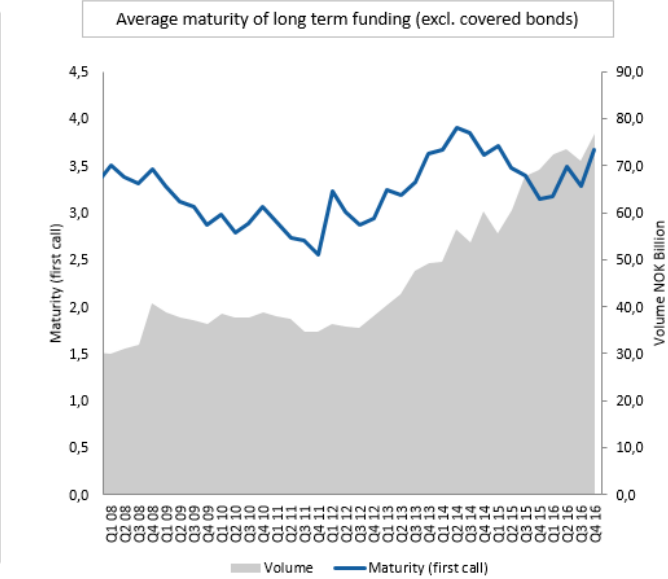


Figure 2.8.1: Funding - annual

## Funding structure

- LCR of 174% at the end of December 2016. Average LCR during Q4 2016 was 139%.



Average remaining maturity of the outstanding senior bonds and OMF is 3.7 years per 31 December 2016.

## 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	Standard method
	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").

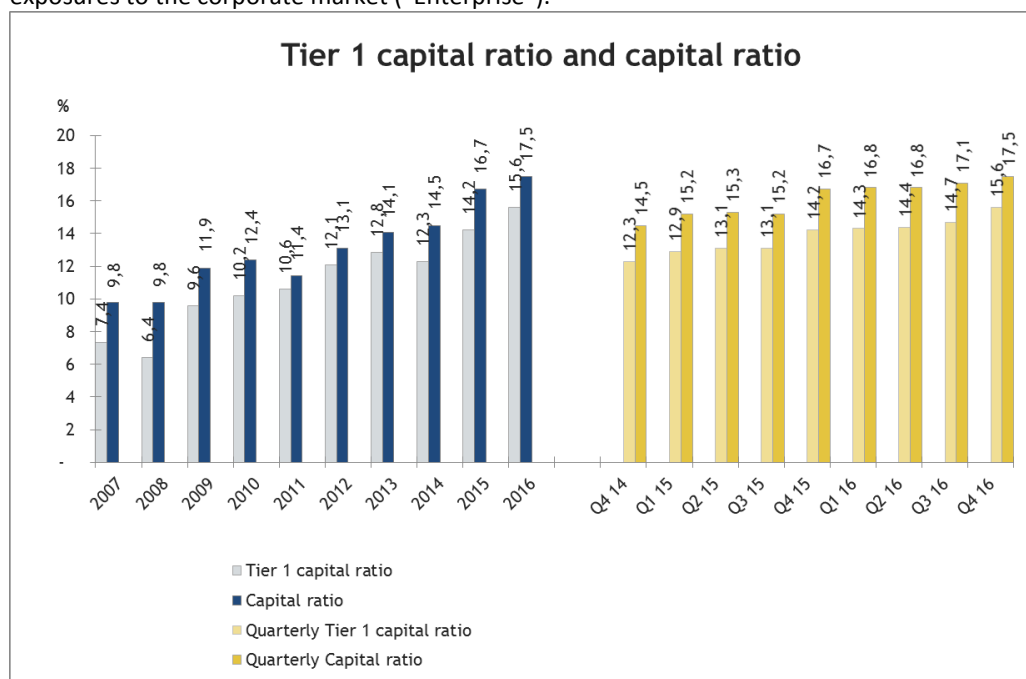


Figure 2.9.2: Development in capital ratios



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.

Capital Adequacy					
	31 Dec.	30 Sep.	30 Jun.	31 Mar.	31 Dec.
MNOK	2016	2016	2016	2016	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	575	0	0	384	384
Reserve for unrealised gains	52	163	163	163	163
Other equity	9.680	8.260	8.232	8.381	8.386
Profit for the year		1.326	792	386	
<b>Total book equity</b>	<b>18.288</b>	<b>17.730</b>	<b>17.168</b>	<b>17.295</b>	<b>16.914</b>
<b>Tier 1 capital</b>					
Deferred taxes, goodwill and other intangible assets	-94	-96	-97	-96	-67
Deduction for allocated dividends	-575	0	0	-384	-384
Deduction for expected losses on IRB, net of write-downs	-263	-304	-273	-315	-421
Year-to-date profit not included in common equity Tier 1 capital		-663	-396	-193	
Deduction for common equity Tier 1 capital in significant investments in financial institutions	-163	-183	-209	-383	-191
The institution's own credit risk related to derivative liabilities	-50	-56	-58	-57	-57
Tier 1 capital instruments	1.084	1.124	1.131	1.088	1.088
<b>Total Tier 1 capital</b>	<b>18.227</b>	<b>17.552</b>	<b>17.266</b>	<b>16.955</b>	<b>16.882</b>
<b>Tier 2 capital</b>					
Tier 2 capital - Tier 1 capital instruments in excess of 15%		0	0	0	0
Term subordinated loan capital	2.276	2.894	2.933	2.958	3.111
Deduction for significant investments in financial institutions	-60	-60	-60	-60	-60
<b>Total Tier 2 capital</b>	<b>2.216</b>	<b>2.834</b>	<b>2.873</b>	<b>2.898</b>	<b>3.051</b>
<b>Net primary capital</b>	<b>20.443</b>	<b>20.386</b>	<b>20.139</b>	<b>19.853</b>	<b>19.933</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	31 Dec.	30 Sep.	30 Jun.	31 Mar.	31 Dec.
	2016	2016	2016	2016	2015
SME	17.231	16.974	17.276	16.526	14.822
Specialised lending	19.471	19.203	20.153	21.426	22.148
Other corporations	6.785	6.933	6.262	6.566	6.830
SME retail	1.194	1.229	1.256	1.246	1.236
Retail mortgage (properties)	25.899	27.020	26.920	28.585	27.170
Other retail	2.027	787	871	897	950
Equity investments	0	0	0	0	0
<b>Total credit and counterparty risk IRB</b>	<b>72.607</b>	<b>72.146</b>	<b>72.738</b>	<b>75.246</b>	<b>73.156</b>
States and central banks	68	68	68	70	70
Local and regional authorities, state-owned enterprises	333	123	112	167	191
Institutions	2.169	2.742	5.175	5.815	5.985
Enterprises	7.446	7.324	6.510	6.770	6.886
Mass market	2.058	1.505	1.630	1.412	1.386
Mass market - mortgage on real estate	2.506	3.227	3.606	3.948	4.114
Covered bonds	1.817	2.059	2.204	1.719	1.205
Equity positions	4.950	4.959	4.566	4.624	4.661
Other assets	1.726	2.269	1.842	2.036	1.840
<b>Total credit and counterparty risk standard method</b>	<b>23.073</b>	<b>24.276</b>	<b>25.713</b>	<b>26.561</b>	<b>26.338</b>
Position risk for equity instruments	0	0	0	0	0
Credit value adjustment risk (CVA)	701	890	941	872	1.050
Operational risk	7.054	7.079	7.084	7.084	6.794
Transitional scheme	13.216	14.727	13.229	8.764	11.786
<b>Risk weighted balance</b>	<b>116.651</b>	<b>119.118</b>	<b>119.705</b>	<b>118.527</b>	<b>119.124</b>
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	5.249	5.360	5.387	5.334	5.361
Buffer requirement					
Capital conservation buffer 2,5 %	2.916	2.978	2.993	2.963	2.978
Systemic risk buffer 3 %	3.500	3.574	3.591	3.556	3.574
Countercyclical capital buffer 1 %	1.750	1.787	1.796	1.185	1.191
Total buffer requirement to common equity Tier 1 capital ratio	8.166	8.338	8.379	7.704	7.743
Available common equity Tier 1 capital ratio after buffer requirement	3.728	2.729	2.369	2.829	2.690
<b>Common Equity Tier 1 capital ratio <sup>1)</sup></b>	<b>14,70 %</b>	<b>13,79 %</b>	<b>13,48 %</b>	<b>13,39 %</b>	<b>13,26 %</b>
Tier 1 capital ratio	15,63 %	14,73 %	14,42 %	14,30 %	14,17 %
Tier 2 capital ratio	17,52 %	17,11 %	16,82 %	16,75 %	16,73 %
Common Equity Tier 1 capital ratio, IRB	16,57 %	15,74 %	15,15 %	14,46 %	14,71 %
Tier 1 capital ratio, IRB	17,62 %	16,81 %	16,22 %	15,45 %	15,73 %
Tier 2 capital ratio, IRB	19,76 %	19,53 %	18,91 %	18,09 %	18,57 %

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

Table 2.9.2: Specification of minimum capital requirement

## 3. Business areas

### 3.1 Business segments - Financial performance

MNOK	SpareBank 1 SR-Bank Group													
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		SR-Finans		Other*		Total	
	Q4 16	Q4 15	Q4 16	Q4 15	Q4 16	Q4 15	Q4 16	Q4 15	Q4 16	Q4 15	Q4 16	Q4 15	Q4 16	Q4 15
Net interest income	303	281	341	301	10	20	0	0	61	65	18	11	733	678
Net commission and other income	148	165	85	75	10	10	85	82	-2	-3	29	43	355	372
Net return on investment securities	2	2	8	-63	19	-5	0	0	4	0	106	53	139	-13
Operating expenses	175	167	72	74	21	15	85	80	14	6	173	26	540	368
Operating profit before losses	278	281	362	239	18	10	0	2	49	56	-20	81	687	669
Change in individual write-downs in the period	8	-7	97	128	0	0	0	0	38	20	-1	0	142	141
Change in group write-downs in the period	1	1	14	45	0	0	0	0	5	5	0	0	20	51
<b>Operating profit before tax</b>	<b>269</b>	<b>287</b>	<b>251</b>	<b>66</b>	<b>18</b>	<b>10</b>	<b>0</b>	<b>2</b>	<b>6</b>	<b>31</b>	<b>-19</b>	<b>81</b>	<b>525</b>	<b>477</b>
Gross loans to customers excl. covered bond companies	93.159	89.133	54.922	55.852	379	698	0	0	7.002	7.000	2.176	2.506	157.638	155.189
Deposits from customers	47.754	46.910	37.355	38.360	4	3.698	0	0	0	0	801	476	85.914	89.444

MNOK	SpareBank 1 SR-Bank Group pr 31.12															
	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		
Net interest income	1.183	1.080	1.308	1.072	46	72	2	3	240	254	92	112	2.871	2.593		
Net commission and other income	629	706	305	308	44	31	348	383	-14	-19	131	123	1.443	1.532		
Net return on investment securities	10	15	26	-51	39	-21	0	0	5	0	574	361	654	304		
Operating expenses	571	587	234	243	81	80	334	356	55	45	757	552	2.032	1.863		
Operating profit before losses	1.251	1.214	1.405	1.086	48	2	16	30	176	190	40	44	2.936	2.566		
Change in individual write-downs in the period	27	3	510	242	0	0	0	0	83	35	0	0	620	280		
Change in group write-downs in the period	5	5	144	130	0	0	0	0	9	5	0	0	158	140		
<b>Operating profit before tax</b>	<b>1.219</b>	<b>1.206</b>	<b>751</b>	<b>714</b>	<b>48</b>	<b>2</b>	<b>16</b>	<b>30</b>	<b>84</b>	<b>150</b>	<b>40</b>	<b>44</b>	<b>2.158</b>	<b>2.146</b>		
Gross loans to customers excl. covered bond companies	93.159	89.133	54.922	55.852	379	698	0	0	7.002	7.000	2.176	2.506	157.638	155.189		
Deposits from customers	47.754	46.910	37.355	38.360	4	3.698	0	0	0	0	801	476	85.914	89.444		

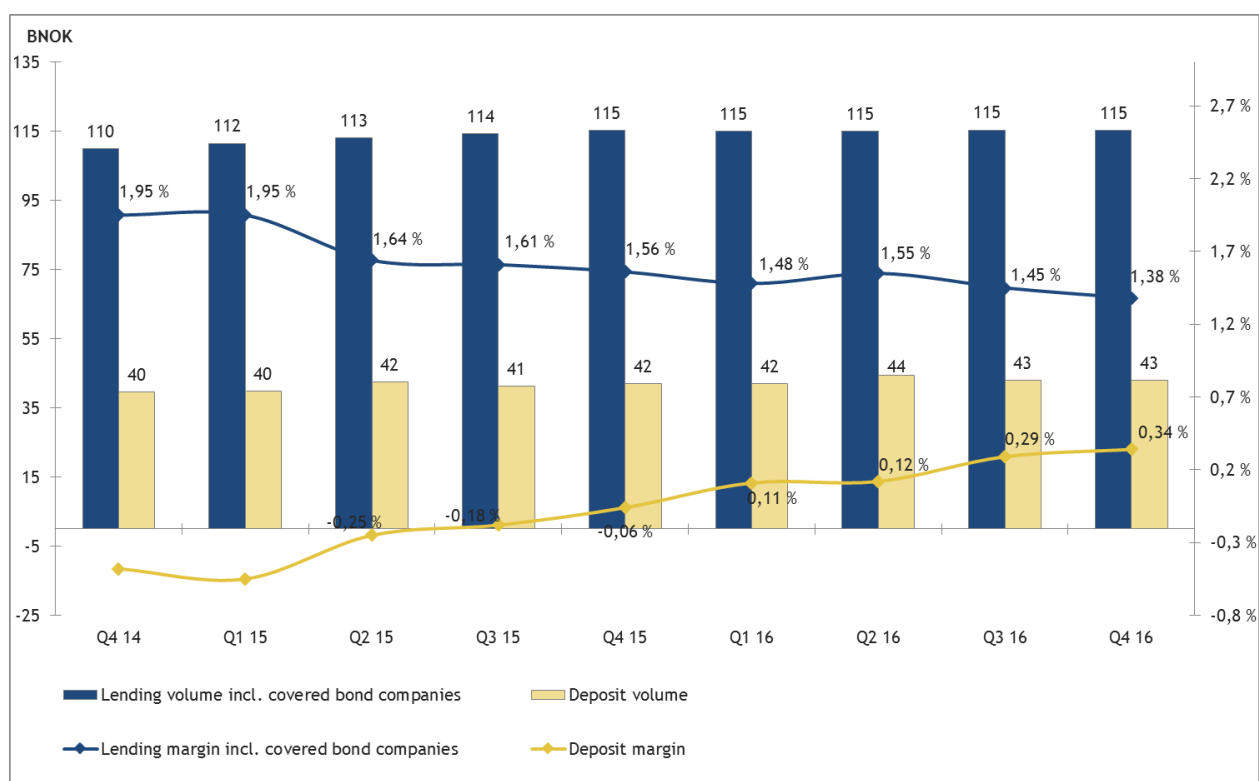
\* Includes SR-Forvaltning, SR-Investering and SpareBank 1 Regnskapshuset SR

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

### Financial performance in the retail market segment

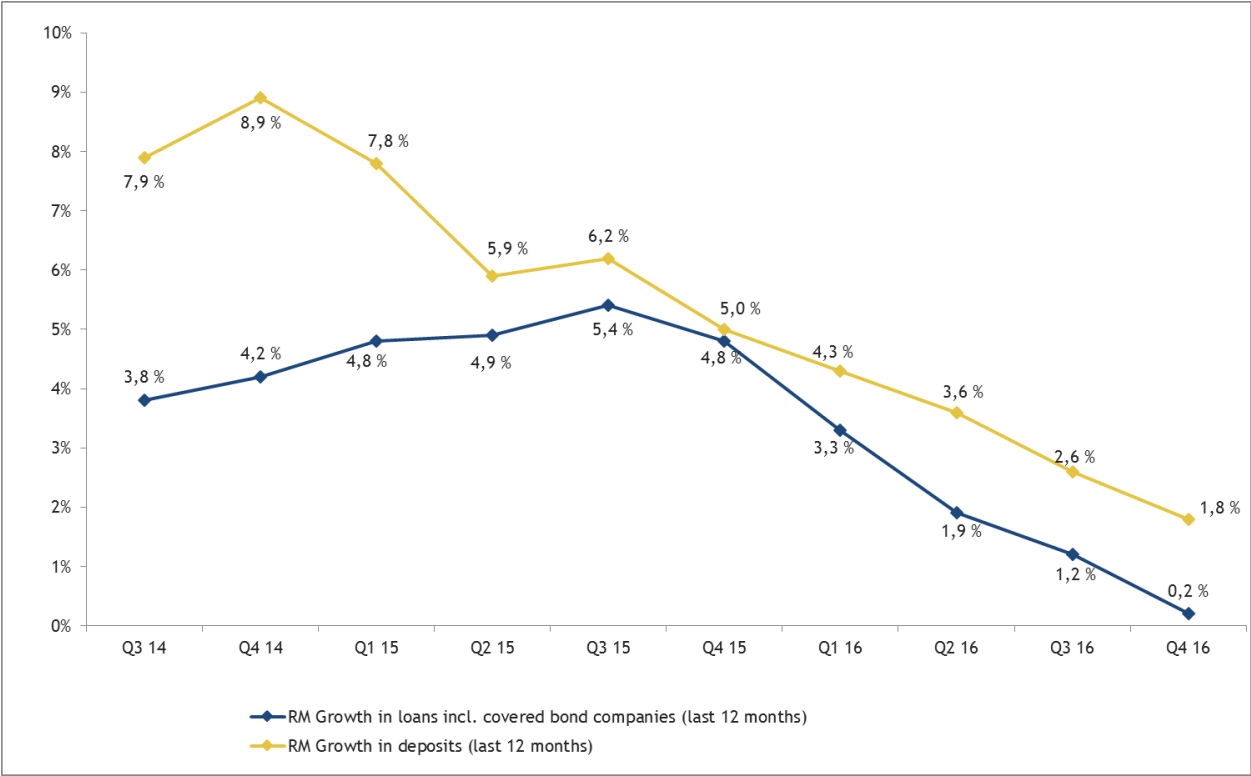
MNOK	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Net interest income	303	307	296	277	281	1.183	1.080
Net other income	150	169	165	155	167	639	721
Total income	453	476	461	432	448	1.822	1.801
Total operating expenses	175	147	108	141	167	571	587
Operating profit before losses	278	329	353	291	281	1.251	1.214
Change in individual write-downs in the period	8	7	5	7	-7	27	3
Change in group write-downs in the period	1	1	0	3	1	5	5
Operating profit before tax	269	321	348	281	287	1.219	1.206

### 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



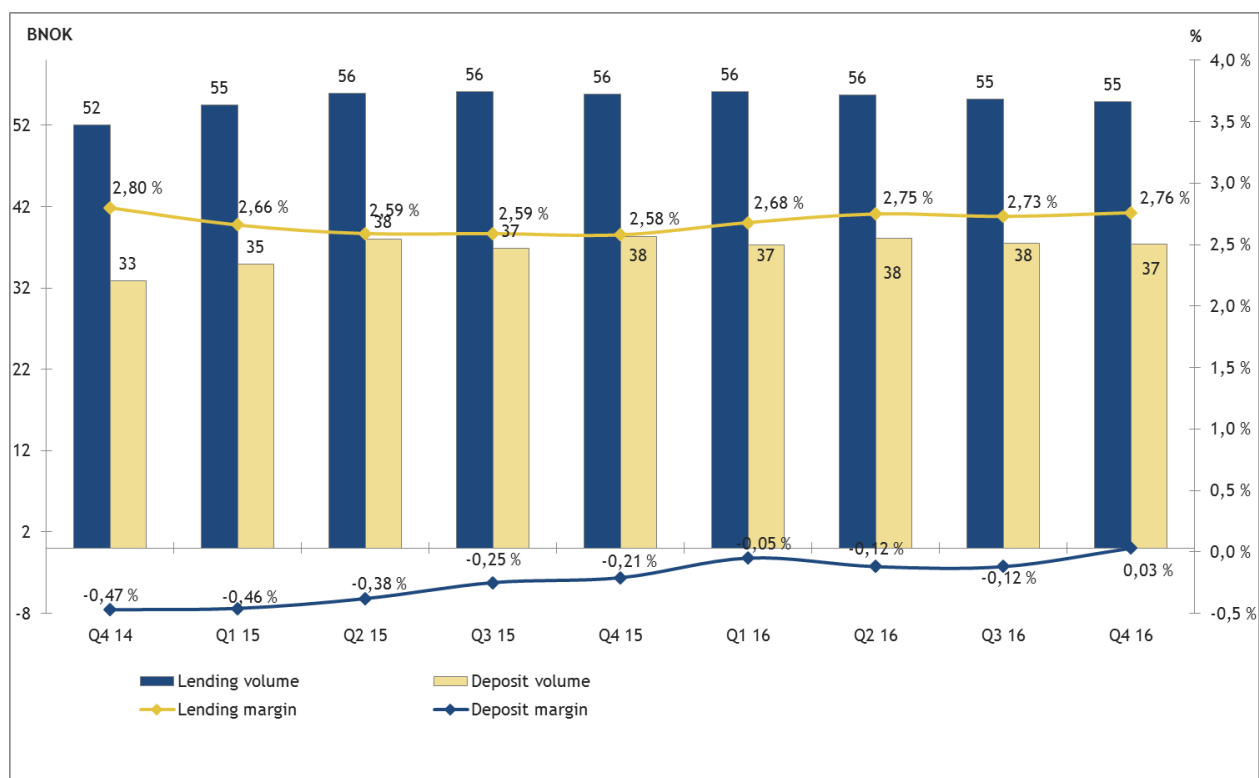
### 3.3 Corporate Market

#### Financial performance in the corporate market segment

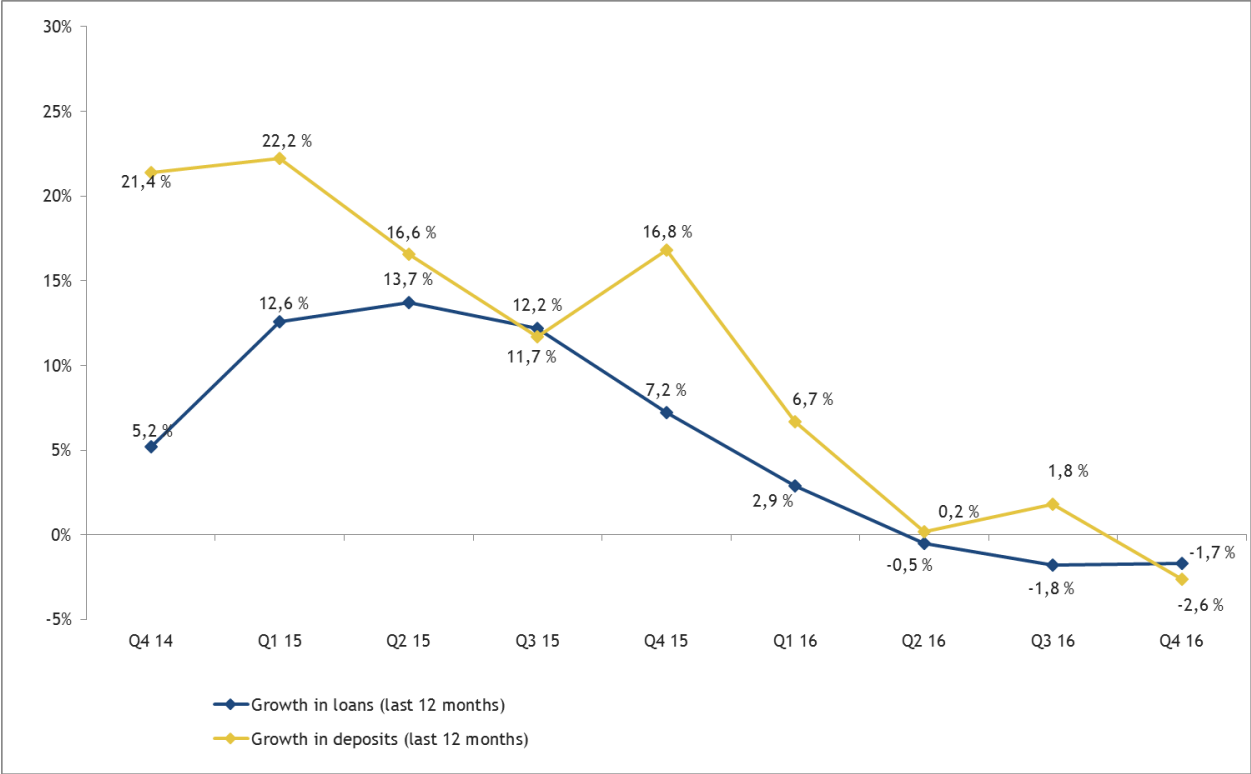
##### Financial Performance

MNOK	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Net interest income	341	325	324	318	301	1.308	1.072
Net other income	93	69	86	83	12	331	257
Total income	434	394	410	401	313	1.639	1.329
Total operating expenses	72	59	47	56	74	234	243
Operating profit before losses	362	335	363	345	239	1.405	1.086
Change in individual write-downs in the period	97	104	227	82	128	510	242
Change in group write-downs in the period	14	42	31	57	45	144	130
Operating profit before tax	251	189	105	206	66	751	714

#### 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>	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Net interest income	10	12	10	14	20	46	72
Net other operating income	29	32	16	6	5	83	10
Total income	39	44	26	20	25	129	82
Total operating expenses	21	19	17	24	15	81	80
Operating profit before losses	18	25	9	-4	10	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	18	25	9	-4	10	48	2



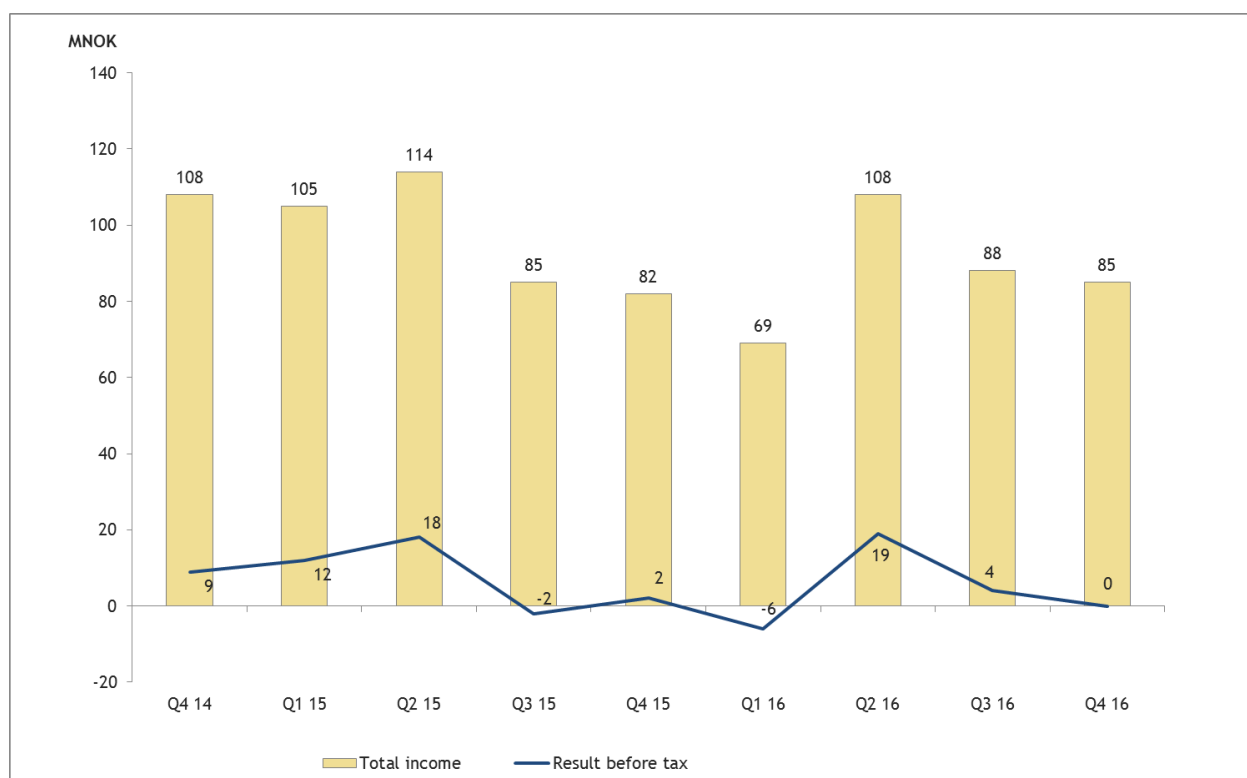
## 3.5 Subsidiaries

### *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 December 2016, the company sold 6042 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	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Interest income	0	1	0	1	0	2	3
Other income	85	87	108	68	82	348	383
Total income	85	88	108	69	82	350	386
Total operating expenses	85	84	89	75	80	334	356
Operating profit before losses	0	4	19	-6	2	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	0	4	19	-6	2	16	30

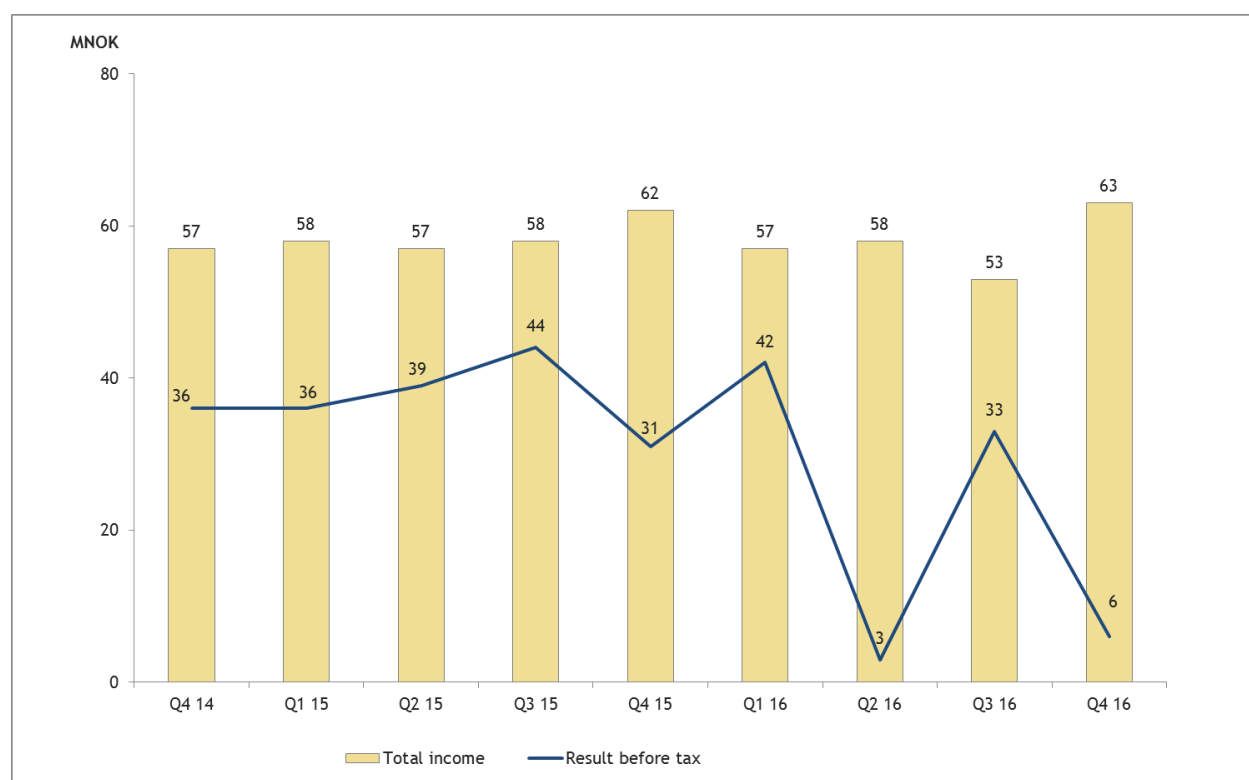


## SpareBank 1 SR-Finans AS

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

### Financial performance

MNOK	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Interest income	61	56	61	62	65	240	254
Other income	2	-3	-3	-5	-3	-9	-19
Total income	63	53	58	57	62	231	235
Total operating expenses	14	13	14	14	6	55	45
Operating profit before losses	49	40	44	43	56	176	190
Change in individual write-downs in the period	38	5	40	0	20	83	35
Change in group write-downs in the period	5	2	1	1	5	9	5
Operating profit before tax	6	33	3	42	31	84	150

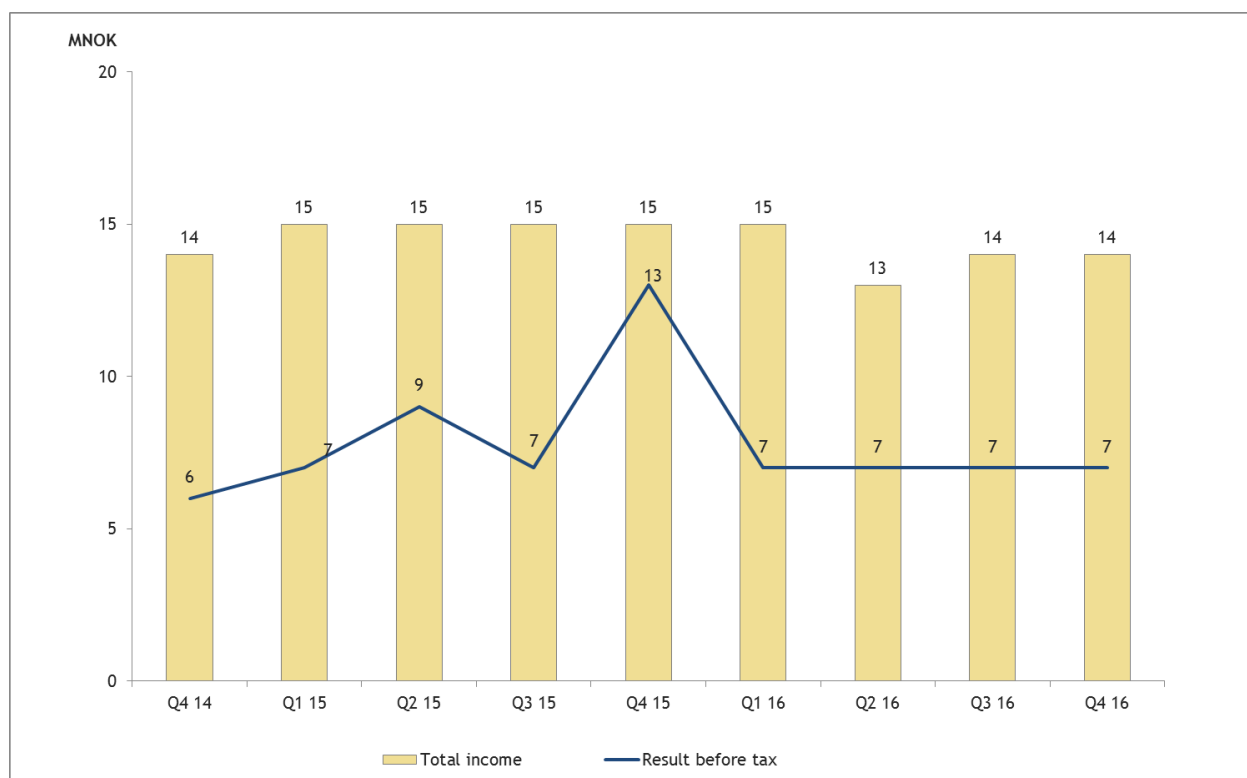


## SR-Forvaltning AS

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 December 2016. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

MNOK	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Interest income	1	0	0	0	1	1	1
Other income	13	14	13	15	14	55	59
Total income	14	14	13	15	15	56	60
Total operating expenses	7	7	6	8	2	28	24
Operating profit before losses	7	7	7	7	13	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	7	7	7	7	13	28	36

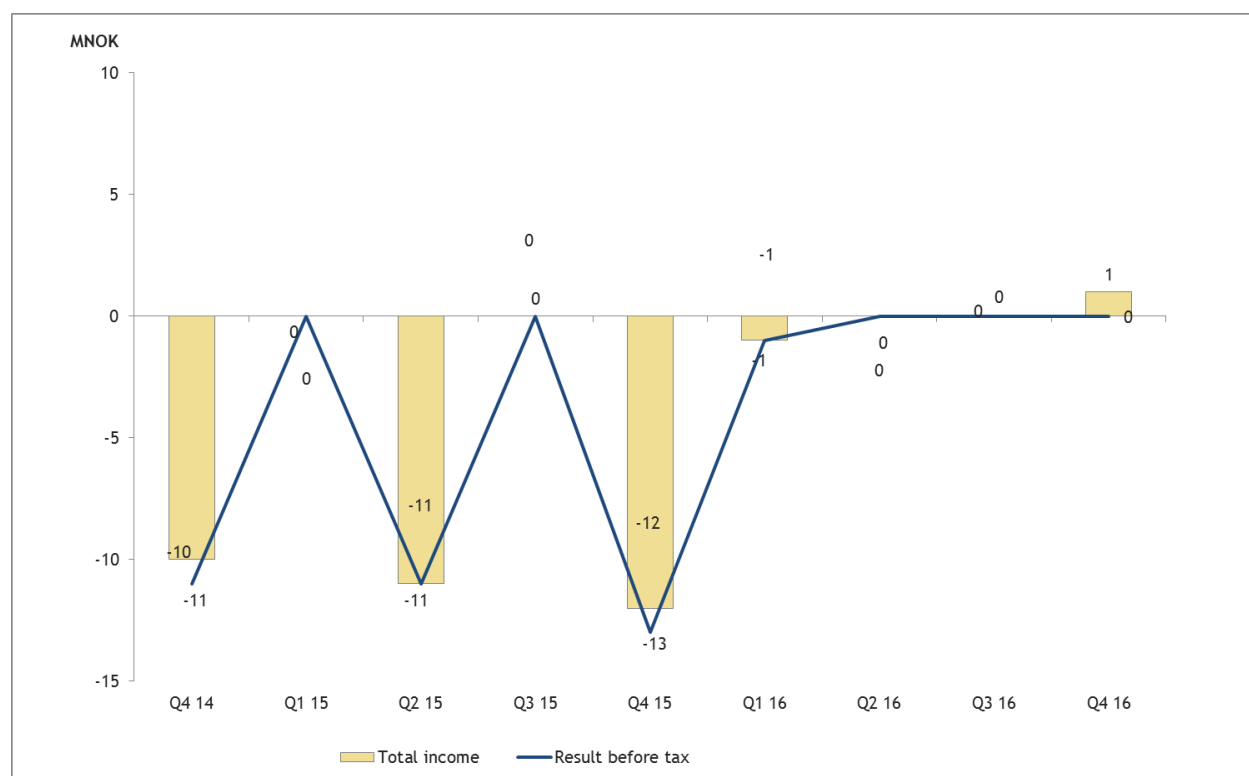


## SR-Investering AS

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	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	31.12 2016	31.12 2015
Interest income	0	0	1	0	1	1	1
Other income	1	0	-1	-1	-13	-1	-24
Total income	1	0	0	-1	-12	0	-23
Total operating expenses	1	0	0	0	1	1	1
Operating profit before losses	0	0	0	-1	-13	-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	-1	-13	-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>	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	30.12 2016	30.12 2015
Interest income	0	0	0	0	0	0	0
Other income	19	16	24	23	10	82	36
Total income	19	16	24	23	10	82	36
Personal expenses	15	12	15	16	8	58	24
Other expenses	3	2	1	2	1	8	4
Total operating expenses	3	3	4	4	3	14	7
Operating profit before losses	-2	-1	4	1	-2	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	-1	4	1	-2	2	1