

QUARTER 1
2017
(UNAUDITED)



SPAREBANKEN SØR

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Income statement (NOK million)	Q1 2017	Q1 2016	31.12.2016
Net interest income	401	362	1 565
Net commission income	71	67	293
Net income from financial instruments	14	-21	224
Other operating income	4	5	28
Total net income	490	413	2 110
Total expenses	199	199	787
Profit before losses on loans	291	214	1 323
Losses on loans and guarantees	15	13	50
Profit before taxes	276	201	1 273
Tax expenses	66	51	284
Profit for the period	210	150	989
Income statement as percentage of average assets			
Net interest income	1,54 %	1,41 %	1,49 %
Net commission income	0,27 %	0,26 %	0,28 %
Net income from financial instruments	0,05 %	-0,08 %	0,21 %
Other operating income	0,02 %	0,02 %	0,03 %
Total net income	1,88 %	1,61 %	2,01 %
Total expenses	0,76 %	0,78 %	0,75 %
Profit before losses on loans	1,12 %	0,84 %	1,26 %
Losses on loans and guarantees	0,06 %	0,05 %	0,05 %
Profit before taxes	1,06 %	0,79 %	1,21 %
Tax expenses	0,25 %	0,20 %	0,27 %
Profit for the period	0,81 %	0,59 %	0,94 %
Average total assets	105 680	102 900	104 950
Balance sheet			
Total assets	105 895	104 521	105 455
Net loans to customers	92 632	89 250	90 928
Growth in loans as %, last 12 mths.	3,8 %	8,4 %	2,9 %
Customers deposits	52 788	48 699	51 562
Growth in deposits as %, last 12 mths.	8,4 %	2,0 %	6,6 %
Deposits as % of net loans	57,0 %	54,6 %	56,7 %
Equity	9 947	8 363	10 051
Losses on loans as % of net loans, annualised	0,06 %	0,06 %	0,05 %
Gross defaulted loans over 90 days as % of gross loans	0,26 %	0,42 %	0,30 %
Other key figures			
Cost as % of income	40,6 %	48,2 %	37,3 %
Cost as % of income, ex net income from financial instruments	41,8 %	45,9 %	41,7 %
Return on equity after tax	8,7 %	7,7 %	11,6 %
Liquidity reserve (LCR) (Group)	114,0 %	137,0 %	128 %
Common equity tier 1 capital ratio (added share of profit)	14,6 %	12,9 %	14,7 %
Tier 1 capital ratio	15,3 %	13,6 %	16,0 %
Total capital ratio	17,2 %	15,5 %	17,9 %
Common equity tier 1 capital	9 101	7 692	9 114
Tier 1 capital	9 726	8 205	9 939
Net total primary capital	10 904	9 383	11 121
Leverage ratio	8,8 %	7,0 %	8,6 %
Number of branches	33	36	34
Number of man-years in banking activity	431	445	439
Key figures, Equity certificate			
(The Bank carried out an equity certificate issuance in 2016, this affects the key figures)			
Equity certificate ratio	18,7 %	13,0 %	17,5 %
Number of equity certificates issued	15 663 944	4 768 674	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	1,9	2,8	8,5
Profit/diluted earnings per equity certificate (Group)	2,4	4,0	10,7
Dividend last year per equity certificate	6,0	9,0	6,0
Book equity per equity certificate	111,6	214,0	115,2
Price/Book value per equity certificate	0,9	0,6	0,8
Listed price on Oslo Stock Exchange at end of period	96,5	123,4	91,3

General

Sparebanken Sør is an independent financial institution that engages in banking, securities and real estate brokerage activities in the counties of Aust-Agder, Vest-Agder and Telemark.

Estate agency brokerage is carried out through the subsidiary Sørmeglere. General insurance and life insurance products are supplied via Frende, an insurance company of which the bank is a joint owner. The Bank is also a joint owner of Norne, a security trading company, and Brage, a leasing product supplier.

Key features in Q1 2017

- Good results from ordinary operations
- Positive development in net interest income
- Positive net income from financial instruments due to a positive change in the market value of bonds
- Costs under control
- Low loan losses
- Defaults on loans further reduced
- Loan growth of 3.8 percent during the last 12 months
- Deposit growth of 8.4 percent during the last 12 months
- Return on equity after tax of 8.7 percent
- Common equity tier 1 capital ratio of 14.6 percent and leverage ratio of 8.9 percent, when including 80 percent of accrued profit

Financial framework conditions

Norges Bank has held its key interest rate at 0.50 percent in Q1, with no adjustments at the last meeting in March.

A financial tax has been adopted in the national budget. The Financial tax has two elements; an additional tax of 5 percent on salaries in the financial sector, and a continuation of the 25 percent income tax throughout 2017.

The ministry of finance has decided to increase the required countercyclical capital buffer from 1.5 percent to 2.0 percent with effect from 31.12.2017. The purpose is to make the banks more solid. The increase is in line with the recommendation made by Norges Bank.

The Group has good access to funding, both home and abroad, through covered bonds and senior debt. Credit spreads have been reduced in Q1 2017.

The annual growth in the general public's gross domestic debt (C2) was 5.3 percent at the end of March. Debt growth for households and industry amounted to 6.8 percent and 2.4 percent respectively.

Income statement

Profit before tax was NOK 276 million in Q1 2017, compared with NOK 201 million in the same period in 2016.

The Group has a solid profit before tax, a positive development in net interest income, low costs and low losses.

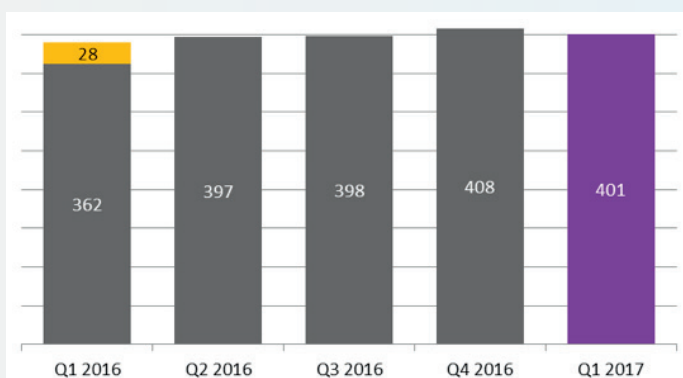
The increased profit is mainly due to the increased income from financial instruments and changes in the accounting principles for the fee to the Banks` Guarantee Fund. While the fee as a whole was expensed in Q1 2016, the accrued cost has been expensed in Q1 2017.

The return on equity after tax was 8.7 percent in Q1 2017, compared with 7.7 percent in Q1 2016. The Group is well-capitalized with a common equity tier 1 capital ratio of 14.6 percent and a leverage ratio of 8.9, when including 80 percent of accrued profit.

Profit from ordinary operations (*) show an increase of NOK 9 million in Q1 2017 compared with Q1 2016.

Net interest income

Quarterly net interest in NOK million



Net interest income amounted to NOK 401 million in Q1 2017, compared with NOK 362 million in Q1 2016, which gave an increase of NOK 39 million.

The bank has changed its accounting principles regarding the fee to the Norwegian Banks` Guarantee Fund, which causes an accrued fee throughout the year. The cost amounted to NOK 10.7 million in Q1 2017. In 2016 the fee was expensed as a whole in Q1 as NOK 37 million.

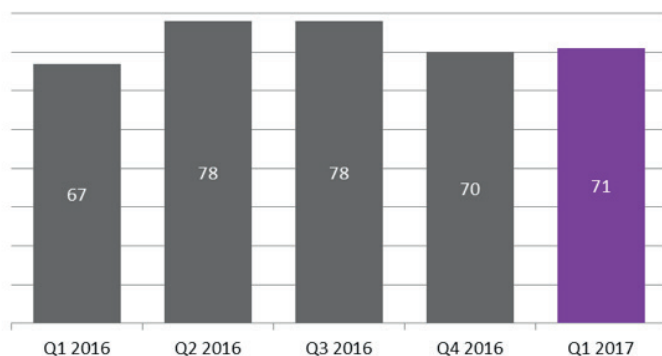
Hybrid capital has been reclassified as equity, and the related interest is therefore classified as surplus disposal. This amounted to NOK 10.3 in Q1 2017 and NOK 5.1 million in Q1 2016.

Adjusted for these two factors the net interest income shows an increase of NOK 6 million in Q1 2017 when compared with Q1 2016. This is mainly due to the improved lending margins in the retail market, where a mortgage interest rate increase of up to 0.15 percent was implemented as of 25 January 2017.

*) Net interest income adjusted for accounting changes, commission income, other income and costs adjusted for the conversion of the pension scheme. See appendix for calculations.

Commission income

Quarterly net commission income in NOK million



Net commission income amounted to NOK 71 million in Q1 2017, compared with NOK 67 million in Q1 2016.

Gross commission income amounted to NOK 84 million in Q1 2017, compared with NOK 78 million in Q1 2016. The increase is mainly due to increased commissions in Sørmeqleren.

NOK Million	Q1 2017	Q1 2016	Change
Payment services	39	38	1
Real estate brokerage	24	19	5
Others	21	21	0
Total	84	78	6

Financial instruments

Net income from financial instruments amounted to NOK 14 million in Q1 2017, compared to minus NOK 21 million in the same period last year. The main reason was the positive development in the bond portfolio caused by lower credit spreads.

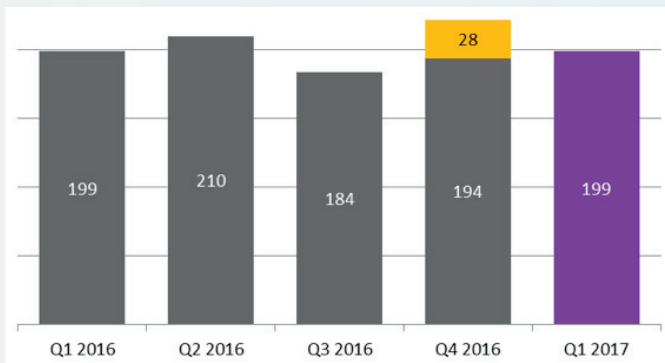
The net gain is related to gains on the bond portfolio of NOK 21 million, gains on shares of NOK 4 million and gains on interest rate and currency derivatives of NOK 7 million in Q1 2017. Fixed-rate loans had a negative development of NOK 9 million, and in addition basis swaps have had a negative effect of NOK 9 million.

Basis swaps are used to hedge fixed interest rate debt issued in Euro. The value of basis swaps fluctuates due to market changes, and the fluctuations are recognized in the income statement. These are hedging instruments, and assuming the underlying bonds are held to maturity, the change in market value over the instruments duration equals zero. The accounting effects will therefore be reversed over time.

The Bank has made no value adjustments related to its ownership in Frende, Brage or Norne in Q1 2017.

Operating expenses

Quarterly operating expenses in NOK million



Total operating expenses amounted to NOK 199 million in Q1 2017, identical with NOK 199 million in the same period last year. Operating expenses in Q4 were extraordinarily low as a result of the conversion of the bank's collective defined benefit scheme (NOK 28 million).

For the banking operations alone, expenses amounted to NOK 174 million, a decrease from NOK 179 million in Q1 2016. This was mainly due to a lower number of employees in the banking business. New in 2017 is the financial tax which increased costs by NOK 4.6 million in the first quarter of 2017.

Total operating expenses as a percentage of average assets amounted to 0.76 percent (0.78 percent) in Q1 2017. Costs as a percent of income were 40.6 (48.2 percent) in the Group. Costs as a percent of income, excl. financial instruments, were 41.8 percent (45.9 percent).

Losses and defaulted loans

Net losses on loans amount to NOK 15 million in Q1 2017, equivalent to 0.06 percent of net loans. The corresponding figures in 2016 were NOK 13 million and 0.06 percent of net loans.

The Group's individual write-downs as at 31 March 2017 amounted to NOK 392 million, equivalent to 0.42 percent of gross loans. The Group's collective write-downs as at 31 March 2017 amounted to NOK 210 million, equivalent to 0.23 percent of gross loans.

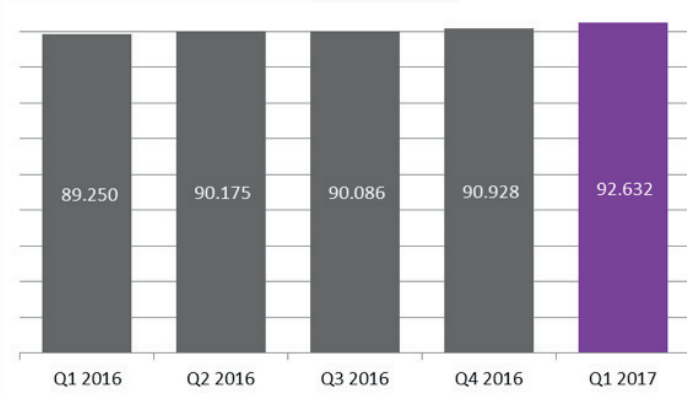
Gross non-performing loans amounted to NOK 241 million, which is 0.26 percent of gross loans. Gross non-performing loans are significantly lower than at the end of Q1 2016, when gross non-performing loans amounted to NOK 372 million, or 0.42 percent of gross loans.

Other doubtful loans amounted to NOK 633 million. The corresponding figure in 2016 was NOK 647 million.

IFRS 9 – Financial instruments will replace IAS 39 – Financial instruments, recognition and measurement as of 2018. There are significant changes in the impairment regulations in the new standard. Today's IAS 39 is based on an incurred loss model, while the upcoming IFRS 9 is based on an expected loss model. The bank has through 2016 developed models to meet the new requirements. So far the bank's calculations suggest no significant changes in loss provisions under IFRS 9.

Loans

Loans in NOK million



During the past 12 months, net loans have increased by NOK 3.4 billion to a total of NOK 92.6 billion, a growth of 3.8 percent.

Gross loans to retail customers have increased by NOK 1.4 billion to NOK 60.3 billion, a growth of 2.4 percent.

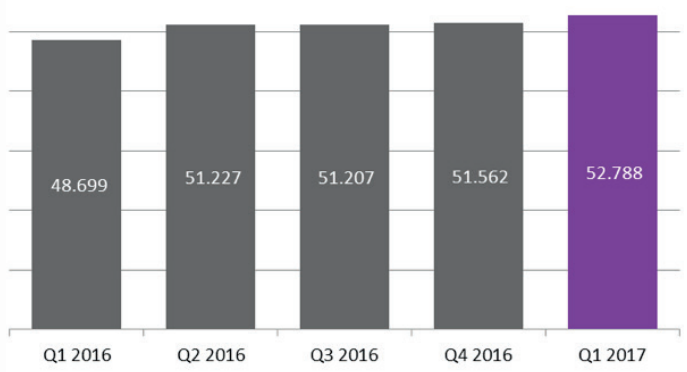
Gross loan to corporate customers have increased the last 12 months by NOK 2.0 billion to NOK 32.8 billion, a growth of 6.5 percent.

With a common equity tier 1 capital ratio of 14.7 percent at the end of 2016, the bank plan for growth in 2017 to be in excess of credit growth in the markets, in which the bank is represented. In Q1 2017, growth in the retail market has been lower than the ambitions and the Group take steps to achieve a higher lending growth in the retail market by the end of 2017.

Loans to retail customers amounted to 65 percent (66 percent) of total loans at the end of Q1 2017.

Deposits

Deposits in NOK million



During the past 12 months, customer deposits increased by NOK 4.1 billion to NOK 52.8 billion, a growth of 8.4 percent.

Deposits from retail customers have increased by NOK 0.7 billion to NOK 24.7 billion, a growth of 2.7 percent.

Deposits from corporate customers have increased by NOK 3.4 billion to NOK 28 billion, a growth of 14.0 percent.

Sparebanken Sør’s deposits as a percentage of net loans were 57.0 percent as at 31 March 2017, up from 54.6 percent the same time last year.

Financing and securities

The bank's liquidity situation is satisfactory. The liquidity buffers are adequate and the maturity structure for the funding is well-adjusted to the business activities. New long-term funding is established through the issuance of covered bonds and senior debt. The Group has also arranged for long term financing from the international market through EMTN programs.

Wholesale funding amounted to NOK 40.6 million at the end of Q1 2017, with 59 percent of the funding through covered bonds. Long-term financing amounted to 93 percent at the end of Q1 2017.

As at 31 March 2017, the portfolio of interest-bearing securities in the Group totalled NOK 11.0 billion, and the liquidity indicator for long-term financing was 108 percent.

The Group's liquidity reserves (LCR) were 114 percent as at 31 March 2017 (103 percent in the parent bank).

Rating

Sparebanken Sør has an A1 rating from Moody's with stable outlook. All covered bonds issued by Sparebanken Sør Boligkreditt AS have also been rated by Moody's, with a Aaa rating.

Primary capital and capital adequacy

Net primary capital amounted to NOK 10.9 billion. Hybrid capital amounted to NOK 0.6 billion and subordinated loans to NOK 1.2 billion. At the end of Q1 2017, the common equity tier 1 (CET1) capital ratio was 14.3 percent (excl. accrued profit). The tier 1 capital ratio was 15.3 percent and the (total) capital ratio 17.2 percent, based on the standard method in the Basel II regulations. Hence the Group has fulfilled the new capital requirements for financial institutions with effect from 30 June 2016 of 11.5 percent for common equity tier 1 capital and 15 percent for (total) capital.

For the Parent Bank, the respective figures are a CET1 capital ratio of 14.5 percent, a tier 1 capital ratio of 15.6 percent and a (total) capital ratio of 17.7 percent at the end of Q1 2017.

The Groups leverage ratio was 8.8 percent at the end of Q1 2017, compared with 7 percent at the end of Q1 2016.

An important part of the banks ambition is to achieve a CET1 capital ratio at least at level with comparable banks. Of the largest regional banks, Sparebanken Sør is the only bank using the standard method in the capital adequacy calculations. Despite this the bank had a CET1 capital ratio of 14.6 percent by the end of Q1 2017, when including 80 percent of accrued profit. If the bank had made its calculations based on the IRB-method this would have given a significantly higher CET1 capital ratio.

The bank's financial strength is considered satisfactory in light of the current regulatory requirements.

The Ministry of Finance decided in December 2016 to increase the requirement for the countercyclical capital buffer from 1.5 percent to 2.0 percent with effect from 31.12.2017. As a consequence of this the requirement for the common equity tier 1 capital, including the pillar 2 addition of 2.1 percent, has increased to 14.1 percent. Further adaptation of the buffer beyond this level will depend on market expectations, the Financial Supervisory Authority's recommendations and the banks own Internal Capital Adequacy Assessment Process (ICAAP). Forecasts for the Bank's operations for 2017 alone, will allow for levels above 15 percent in common equity tier 1 capital.

The bank's equity certificates

As at 31 March 2017, 15 663 944 equity certificates have been issued. The profit (Group) per equity certificate was NOK 2.4 in Q1 2017. The ownership ratio in Q1 2017 was 18.7 percent. Hybrid capital classified as equity has been excluded when calculating the ownership ratio.

Report from the Board of Directors

Dividend

Sparebanken Sør will through sound, stable and profitable operations ensure that its equity certificate owners achieves a competitive return in terms of dividend and return on their equity certificates.

The surplus will be distributed between the equity certificate capital (equity certificate owners) and the primary capital in accordance with their share of the equity.

When determining the annual dividend, Sparebanken Sør's need for capital, including regulatory requirements, expectations from investors and the bank's strategic targets will be considered.

An ambition is that approximately half of the equity certificate capital share of annual profits after tax should be awarded as dividend.

Datterselskaper og samarbeidende selskaper

Sparebanken Sør Boligkreditt AS, the Bank's wholly owned subsidiary, is licensed to issue covered bonds and is used as an instrument in the bank's long-term funding strategy. As at 31 March 2017, the bank had transferred NOK 27.4 billion to Sparebanken Sør Boligkreditt AS, equivalent to 45.4 percent of all loans to the retail market.

Sørmegleren, the bank's own estate agency, are the leading estate agency business in the Agder counties. The company has a positive profit development and has also established new offices in Skien and Porsgrunn in 2017.

Frende Holding (10% ownership interest) is the parent company of Frende Skadeforsikring AS and Frende Livsforsikring AS, which provides general insurance and life insurance to retail customers and corporate customers. The company has had a strong growth in customer base and premiums within both general and life insurance, and the profit-development is positive.

Brage Finans (15% ownership interest) is a financing company which offers leasing and loans secured by the purchased objects to the corporate and retail markets. The company continues the positive trend with profitable growth.

Norne Securities (17.6% ownership interest) is an investment firm that provides online trading, traditional brokerage and corporate finance services. The company has a positive profit trend.

Outlook

The Board of Directors is satisfied with the financial performance after Q1 2017. The bank has had a good development in profit from ordinary operations through customized growth, stable commission income, good cost control and low losses on loans.

The growth in the Norwegian economy has been low in recent years, and this is expected to continue in 2017. The future outlook is considered more positive. House prices in the bank's main market have had a moderate trend over several years. Statistics for Q1 shows the same. Norges Bank kept its key interest rate unchanged at the last interest rate meeting, and their analysis implies a key interest rate that will remain close to current levels for some time.

The Group has a requirement for a common equity tier 1 capital, including a pillar 2 addition of 2.1 percent, which amounts to 13.6 percent. The Financial Supervisory expects the Group to have a common equity tier 1 capital ratio of 14.5 percent. The Ministry of Finance decided in December 2016 to increase the requirement for the countercyclical capital buffers from 1.5 percent to 2.0 percent with effect from 31 December 2017. The Group aims at a common equity tier 1 capital ratio of 14.5 percent, and adjustments of the buffer beyond this level will depend on market expectations, the Financial Supervisory's recommendations and the Groups own ICAAP.

The Group expects its growth to be higher than the credit growth in 2017. The Group has a goal of a return on equity of 9 percent.

Based on the banks portfolio composition, cyclical trend, historical figures and local market conditions, the net losses in 2017 is expected to be low.

In February 2017, the Group collaborated with more than 100 other Norwegian savings banks and DNB to establish a common mobile wallet under the brand Vipps. Sparebanken Sør and the other 14 banks in the Frende Cooperation own 12 percent of Vipps AS. The ownership will be managed in a company called Balder Betaling AS, where Sparebanken Sør owns 22.4 percent. This collaboration will provide the best and easiest payment solution for our customers, and it strengthens the bank's competitiveness on mobile solutions in the future.

The Bank shall in accordance with its strategy focus on cost and long-term value creation. The Bank's investments in technology will continue, which will contribute to cost efficient operations and enable streamlining of the office structure. This, together with high quality in customer credit assessments, will contribute to a continued profitable growth and development for Sparebanken Sør.

Events since the end of the quarter

There have been no recorded incidents since 31 March 2017 that affect the quarterly accounts.

Arendal, 4 May 2017

Stein A. Hannevik
Chairman

Torstein Moland
Deputy chairman

Inger Johansen

Erling Holm

Marit Kittilsen

Tone Thorvaldsen Vareberg

Jan Erling Tobiassen
Employee representative

Gunnhild T. Golid
Employee representative

Geir Bergskaug
CEO

Income statement

PARENT BANK			NOK million		GROUP		
31.12.	Q1	Q1			Q1	Q1	31.12.
2016	2016	2017		Notes	2017	2016	2016
2 194	558	549	Interest income		730	734	2 928
963	281	222	Interest expenses		329	372	1 363
1 231	277	327	Net interest income		401	362	1 565
309	73	74	Commission income		84	78	345
52	11	12	Commission expenses		13	11	52
257	62	62	Net commission income		71	67	293
22		1	Dividend		1		10
228	-7	22	Net income from other financial instruments		13	-21	214
250	-7	23	Net income from financial instruments		14	-21	224
29	5	4	Other operating income		4	5	28
1 767	337	416	Total net income		490	413	2 110
359	90	85	Wages and other personal expenses		105	106	425
34	7	7	Depreciation and write-down of fixed assets and intangible assets		7	7	36
310	82	82	Other operating expenses		87	86	326
703	179	174	Total operating expenses		199	199	787
1 064	158	242	Profit before losses on loans		291	214	1 323
50	12	15	Losses on loans and guarantees	2	15	13	50
1 014	146	227	Profit before taxes	7	276	201	1 273
216	37	54	Tax expenses	12	66	51	284
798	109	173	Profit for the period		210	150	989
			Minority interests				1
798	109	173	Majority interests		210	150	988
8,5	2,8	1,9	Profit/diluted earnings per equity certificate		2,4	4,0	10,7
			Other comprehensive income				
798	109	173	Profit for the period		210	150	989
			<i>Items that will not be reclassified to profit and loss account</i>				
15			Recognised estimate deviation, pensions				15
-3			Tax effect of recognised estimate deviation, pensions				-3
810	109	173	Comprehensive income for the period		210	150	1 001

PARENT BANK			NOK million	GROUP			
31.12.	31.03.	31.03.			31.03.	31.03.	31.12.
2016	2016	2017	ASSETS	Notes	2017	2016	2016
797	1 377	420	Cash and receivables from central banks		420	1 377	797
2 211	916	1 996	Loans to credit institutions		157	183	156
62 869	60 678	65 307	Net loans to customers	2,3,5,7,8	92 632	89 250	90 928
10 957	11 656	10 140	Bonds and certificates	8	10 951	11 656	11 815
542	489	540	Shares	8	540	489	542
453	773	413	Financial derivatives	8,9	529	940	604
1 259	1 259	1 259	Shareholdings in group companies				
9	13	11	Shareholdings in associated companies		11	13	9
18	11	20	Intangible assets		23	14	21
			Deferred tax assets			8	
417	442	419	Fixed assets		465	469	472
58	62	99	Other assets		167	122	111
79 590	77 676	80 624	TOTAL ASSETS	7,8	105 895	104 521	105 455
LIABILITIES AND EQUITY CAPITAL							
232	611	215	Debts to credit institutions		155	579	178
51 577	48 722	52 794	Deposits from customers	4,7,8	52 788	48 699	51 562
16 584	18 507	16 549	Debt incurred due to issue of securities	8,10	40 585	44 433	41 217
366	533	318	Financial derivatives	8,9	554	604	616
195	145	102	Payable taxes		148	208	269
222	250	364	Other liabilities		409	287	258
77	144	76	Provisions for commitments		76	144	77
36		44	Deferred tax		30		24
1 203	1 204	1 203	Subordinated loan capital	8,10	1 203	1 204	1 203
70 492	70 116	71 665	Total liabilities		95 948	96 158	95 404
1 531	905	1 531	Equity certificate capital	11	1 531	905	1 531
825	510	625	Hybrid capital		625	510	825
6 742	6 145	6 803	Other equity		7 791	6 948	7 695
9 098	7 560	8 959	Total equity capital	6	9 947	8 363	10 051
79 590	77 676	80 624	TOTAL LIABILITIES AND EQUITY CAPITAL	7,8	105 895	104 521	105 455

Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12. 2016	31.03. 2016	31.03. 2017		31.03. 2017	31.03. 2016	31.12. 2016
2 249	630	595	Interest payment received	810	830	2 972
-1 005	-363	-315	Interest payment made	-453	-474	-1 417
330	66	61	Other payments received	72	71	371
-719	-207	-196	Operating payments	-221	-230	-800
14	2	3	Established on confirmed losses	3	2	14
-138	-40	-141	Period tax paid	-184	-88	-237
-33	-6	-7	Gifts paid	-7	-6	-33
3 201	345	1 217	Change in customers deposits	1 226	350	3 214
-304	2 074	-2 473	Change in loans to customers	-1 739	-854	-2 719
3 595	2 501	-1 256	Net cash flow from operational activities	-493	-399	1 365
10 155	1 615	2 228	Payments received regarding securities	2 328	1 715	10 519
-10 567	-2 787	-1 383	Payments made regarding securities	-1 436	-2 785	-11 688
13		8	Payments received regarding sale of fixed assets	17	14	27
-30	-4	-11	Payments made regarding purchase of fixed assets	-11	-4	-59
337	-235	7	Change in other assets	-7	-306	337
-92	-1 411	849	Net income from investing activities	891	-1 366	-864
-194	1 101	215	Change in loans to credit institutions	-1	-39	1
-393	-15	-17	Change in deposits from credit institutions	-23	3	-397
300		1 550	Payments received, bond debt	1 550	5 100	9 560
-3 311	-1 399	-1 534	Payments made, bond debt	-2 121	-2 495	-9 774
-76		-10	Payments made, dividend and interest hybrid capital	-10		-76
314			Issuance of hybrid capital			314
		-200	Buy back of hybrid capital	-200		
582			Issuance of ECs			582
-260	268	26	Change in other liabilities	30	241	-246
-3 038	-45	30	Net cash flow from financing activities	-775	2 810	-36
465	1 045	-377	Net change in liquid assets	-377	1 045	465
332	332	797	Cash and cash equivalents as at 01.01	797	332	332
797	1 377	420	Cash and cash equivalents at end of period	420	1 377	797

GROUP NOK million	Dividend								TOTAL
	Equity certificates	Premium fund	equalization- fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	
Balance 31.12.2015	474	175	256	510	6 002	41	803	2	8 263
Dividend distributed for 2015							-43		-43
Profit Q1 2016				5			145		150
Capital reduction	-239	239							0
Interest on hybrid capital				-5					-5
Allocated gift fund						-2			-2
Balance 31.03.2016	235	414	256	510	6 002	39	905	2	8 363
Profit 1.4-31.12.2016			40	28	596	35	139	1	839
Issuance of ECs	545	37							582
Sale of own ECs	3		-1		-1				1
Issuance of hybrid capital				315	-1				314
Interest on hybrid capital				-28					-28
Recognised estimate deviations, pension			3		12				15
Tax effect estimate deviations, pension			-1		-2				-3
Allocated gift fund						-32			-32
Balance 31.12.2016	783	451	297	825	6 606	42	1 044	3	10 051
Dividend distributed for 2016							-94	-2	-96
Profit Q1 2017				10			200		210
Buy back of hybrid capital				-200					-200
Interest on hybrid capital				-10					-10
Allocated gift fund						-8			-8
Balance 31.03.2017	783	451	297	625	6 606	34	1 150	1	9 947
PARENT BANK									
Balance 31.12.2015	474	175	256	510	6 002	41	43		7 501
Dividend distributed for 2015							-43		-43
Profit Q1 2016				5			104		109
Capital reduction	-239	239							0
Interest on hybrid capital				-5					-5
Allocated gift fund						-2			-2
Balance 31.03.2016	235	414	256	510	6 002	39	104	0	7 560
Profit 1.4-31.12.2016			40	28	596	35	-10		689
Issuance of ECs	545	37							582
Sale of own ECs	3		-1		-1				1
Issuance of hybrid capital				315	-1				314
Interest on hybrid capital				-28					-28
Recognised estimate deviations, pension			3		12				15
Tax effect estimate deviations, pension			-1		-2				-3
Allocated gift fund						-32			-32
Balance 31.12.2016	783	451	297	825	6 606	42	94	0	9 098
Dividend distributed for 2016							-94		-94
Profit Q1 2017				10			163		173
Buy back of hybrid capital				-200					-200
Interest on hybrid capital				-10					-10
Allocated gift fund						-8			-8
Balance 31.03.2017	783	451	297	625	6 606	34	163	0	8 959

1. ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with International Standards for Financial Reporting (IFRS), including IAS 34. The applied accounting principles are the same as used in the 2016 annual financial statements.

The bank has changed its accounting principles regarding the fee to the Banks' Guarantee Fund in Q1 2017. According to its own regulations, the determination of the fee is based on the average calculation basis for previous quarters. The new principle has been adopted as a result of the implementation of a new regulation for withdrawal from the Banks' Guarantee Fund. The regulatory amendment gives the right to a proportionate deduction in the fee on exit and the banks will therefore accrue the tax under IFRIC 21. Comparable figures have not been restated, and in the first quarter of 2016 the tax was expensed as a whole with NOK 37 million.

There are no new standards applicable for 2017 that have significant effects on the financial statements.

2. LOSSES ON LOANS AND GUARANTEES

PARENT BANK			NOK million	GROUP		
31.12.16	31.03.16	31.03.17	Individual write-downs	31.03.17	31.03.16	31.12.16
517	517	385	Individual write-downs at start of period	385	517	517
159	99	9	- Period's confirmed loss where individual write-down has been performed previously	9	99	159
74	55	16	+ Increased individual write-downs during the period	16	55	74
85	10	5	+ New individual write-downs during the period	5	11	85
132	69	5	- Reversal of individual write-downs during the period	5	69	132
385	414	392	= Individual write-downs at end of period	392	415	385

PARENT BANK				GROUP		
31.12.16	31.03.16	31.03.17	Collective write-downs on loans	31.03.17	31.03.16	31.12.16
200	200	204	Collective write-downs of loans at start of period	210	206	206
4	4	0	+ Change in collective write-downs during the period	0	4	4
204	204	204	= Collective write-downs of loans at end of period	210	210	210

PARENT BANK				GROUP		
31.12.16	31.03.16	31.03.17	Loss expense on loans during the period	31.03.17	31.03.16	31.12.16
-132	-103	7	Change in individual write downs during the period	7	-102	-132
4	4	0	+ Change in collective write-downs during the period	0	4	4
159	99	9	+ Period's confirmed loss where individual write-downs has been performed previously	9	99	159
43	5	5	+ Period's confirmed loss where no individual write-downs has been performed previously	5	5	43
-11	4	-2	+ Recognised as interest income	-2	4	-11
14	1	3	- Period's recoveries relating to previous losses	3	1	14
1	4	-1	+Change in write downs on guaranties	-1	4	1
50	12	15	= Loss expenses during the period	15	13	50

3. DEFAULTED AND DOUBTFUL LOANS

PARENT BANK			NOK million	GROUP		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
275	373	241	Gross non-performing loans	241	373	276
89	132	77	Individual write-downs	77	132	89
186	241	165	Net non-performing loans	165	241	187
0,43 %	0,61 %	0,37 %	Gross non-performing loans in % of gross loans	0,26 %	0,42 %	0,30 %
634	647	633	Other doubtful loans	633	647	634
296	282	315	Individual loss-provisions	315	282	296
338	365	239	Net doubtful loans	318	365	338

A non-performing loan is the sum of a customer's total loan amount if part of the loan has been overdrawn or has arrears exceeding NOK 1,000 for more than 90 days.

4. CUSTOMERS DEPOSITS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
24 984	23 997	24 656	Retail customers	24 656	23 997	24 983
7 597	6 344	8 559	Public administration	8 559	6 338	7 597
495	582	595	Primary industry	595	581	495
1 523	1 550	1 482	Manufacturing industry	1 482	1 548	1 523
462	412	452	Real estate development	445	411	462
1 043	873	886	Building and construction industry	886	872	1 043
2 394	2 479	2 257	Property management	2 258	2 476	2 394
875	702	870	Transport	870	701	875
953	794	896	Retail trade	896	793	940
161	141	119	Hotel and restaurant	119	141	161
260	260	260	Housing cooperatives	260	260	260
5 346	4 878	5 491	Financial/commercial services	5 491	4 874	5 346
5 477	5 593	6 166	Social services	6 166	5 587	5 477
7	118	107	Accrued interests	107	118	7
51 577	48 722	52 794	Total deposits from customers	52 788	48 699	51 562

The Group changed the industry classification for deposits and loans in Q3 2016. The new classification corresponds with what the Group uses internally. Comparable numbers are updated with the new classification.

5. LOANS TO CUSTOMERS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
31 789	30 480	32 971	Retail customers	60 337	58 915	59 861
334	592	370	Public administration	370	591	334
798	728	816	Primary industry	818	737	801
899	946	918	Manufacturing industry	918	952	899
3 399	3 322	3 680	Real estate development	3 621	3 317	3 396
1 421	1 248	1 403	Building and construction industry	1 403	1 288	1 427
15 645	15 533	16 338	Property management	16 334	15 522	15 629
565	496	585	Transport	585	503	570
1 023	1 134	1 011	Retail trade	1 011	1 143	985
371	390	330	Hotel and restaurant	330	393	372
898	818	983	Housing cooperatives	983	817	897
2 217	1 777	2 262	Financial/commercial services	2 262	1 807	2 221
3 970	3 706	4 106	Social services	4 106	3 738	3 977
129	126	130	Accrued interests	157	152	155
63 458	61 296	65 903	Total gross loans	93 234	89 875	91 523
589	618	596	Write-downs on lending	602	625	595
62 869	60 678	65 307	Total net loans	92 632	89 250	90 928

The Group changed the industry classification for deposits and loans in Q3 2016. The new classification corresponds with what the Group uses internally. Comparable numbers are updated with the new classification.

6. PRIMARY CAPITAL AND CAPITAL ADEQUACY

PARENT BANK			NOK million	GROUP		
31.12.16	31.03.16	31.03.17		31.03.17	31.03.16	31.12.16
783	235	783	Equity certificates	783	235	783
451	414	451	Premium fund	451	414	451
6 606	6 002	6 606	Primary capital	6 606	6 002	6 606
42	39	34	Gift fund	34	39	42
297	256	297	Equalisation fund	297	256	297
94			Other equity	950	760	1 047
-94			- Deduction for dividends included under other equity			-94
-18	-11	-20	- Deduction for intangible assets and deferred tax assets	-20	-11	-18
8 160	6 935	8 151	Total common equity tier 1 capital	9 101	7 695	9 114
825	510	625	Hybrid capital	625	510	825
0	0	0	- Deduction for intangible assets and deferred tax assets			
8 985	7 445	8 776	Total tier 1 capital	9 726	8 205	9 939
			Additional capital over core capital:			
1 204	1 200	1 200	Subordinated loan capital	1 200	1 200	1 204
1 204	1 200	1 203	Total additional tier 1 capital	1 200	1 200	1 204
-22	-22	-22	- Deduction from core and additional capital	-22	-22	-22
10 167	8 623	9 957	Net primary capital	10 904	9 383	11 121
			Minimum requirement for subordinated capital Basel II calculated according to the standard method:			
7	8	3	Engagements with local and regional authorities	3	8	7
59	47	54	Engagements with institutions	34	43	36
197	231	220	Engagements with enterprises	221	230	198
455	429	462	Engagement with mass market	462	446	473
2 881	2 756	3 017	Engagement secured in property	3 861	3 634	3 728
50	58	46	Engagement which have fallen due	46	58	50
0	0	0	Engagement which are high risk	0	0	0
260	273	250	Engagement in covered bonds	62	66	67
144	137	143	Engagement in collective investment funds	44	38	44
48	51	47	Engagement, other	47	51	48
4 101	3 990	4 242	Capital requirements for credit- and counterparty risk	4 780	4 574	4 651
5	4	6	Capital requirements for position-, currency- and product risk	6	4	5
198	158	219	Capital requirements for operational risk	257	209	259
26	30	24	CVA addition	41	55	45
0	0	0	Deduction from the capital requirement	0	0	0
4 330	4 182	4 491	Total minimum requirement for primary capital	5 084	4 842	4 960
54 125	52 279	56 138	Risk-weighted assets (calculation basis)	63 550	60 525	62 000
15,1 %	13,3 %	14,5 %	Common equity tier 1 capital ratio, %	14,3 %	12,7 %	14,7 %
16,6 %	14,2 %	15,6 %	Tier 1 capital ratio, %	15,3 %	13,6 %	16,0 %
18,8 %	16,5 %	17,7 %	Total capital ratio, %	17,2 %	15,5 %	17,9 %
8,00 %	6,17 %	8,0 %	Leverage ratio	8,8 %	7,03 %	8,61 %

7. SEGMENT REPORTING

Report per segment	Group 31.03.2017				Group 31.03.2016			
	RM	CM	Undistrib. and elimin.	Total	RM	CM	Undistrib. and elimin.	Total
Income statement (NOK million)								
Net interest	240	160	1	401	242	152	-32	362
Net other operating income	42	16	31	89	37	16	-2	51
Operating expenses	90	23	86	199	87	21	91	199
Profit before losses per segment	192	153	-54	291	192	147	-125	214
Losses on loans and guarantees	1	14	0	15	1	8	4	13
Profit before tax per segment	191	139	-54	276	191	139	-346	201
Net loans to customers	60 589	32 101	-58	92 632	58 884	30 290	76	89 250
Other assets			13 263	13 263			15 271	15 271
Total assets per segment	60 589	32 101	13 205	105 895	58 884	30 290	15 347	104 521
Deposits from customers	26 397	20 409	5 981	52 788	25 695	17 826	5 178	48 699
Other liabilities	34 192	11 692	-2 724	43 160	33 189	12 464	1 806	47 459
Total liabilities per segment	60 589	32 101	3 258	95 948	58 884	30 290	6 984	96 158
Equity			9 947	9 947			8 363	8 363
Total liabilities and equity per segment	60 589	32 101	13 205	105 895	58 884	30 290	15 347	104 521

8. FAIR VALUES OF FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial instruments are classified at different levels.

Level 1:

Includes financial assets and liabilities valued using unadjusted observable market values. This includes listed shares, derivatives traded via active marketplaces and other securities with listed market values.

Level 2:

Instruments of which the value is based on valuation techniques in which all assumptions (all input) are based on directly or indirectly observable market data. Values in this regard may be obtained from external market players or reconciled against external market players offering these types of services.

Level 3:

Instruments are based on valuation techniques in which at least one essential requirement cannot be supported based on observable market values. This category includes investments in unlisted companies and fixed rate loans where no required market information is available.

For a more detailed description, see Note 21 Fair value of financial instruments in the 2016 annual financial statements.

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.03.2017	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
420		420		Cash and receivables from central banks	420		420	
1 996		1 996		Loans to credit institutions	157		157	
57 988			57 988	Net loans to customers (floating interest rate)	85 313			85 313
Assets recognized at fair value								
7 319			7 319	Net loans to customers (fixed interest rate)	7 319			7 319
10 140		10 140		Bonds and certificates	10 951		10 951	
540	35		505	Shares	540	35		505
413		413		Financial derivatives	529		529	
78 816	35	12 969	65 812	Total financial assets	105 229	35	12 057	93 137
Liabilities recognized at amortised cost								
215		215		Debt to credit institutions	155		155	
52 794			52 794	Deposit from customers	52 788			52 788
16 549		16 657		Debt incurred due to issue of securities	40 585		40 834	
1 203		1 212		Subordinated loan capital	1 203		1 212	
Liabilities recognized at fair value								
318		318		Financial derivatives	554		554	
71 079	0	18 402	52 794	Total financial liabilities	95 285	0	42 755	52 788

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.12.2016	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortized cost								
797		797		Cash and receivables from central banks	797		797	
2 211		2 211		Loans to credit institutions	156		156	
55 355			55 355	Net loans to customers (floating interest rate)	83 414			83 414
Assets recognized at fair value								
7 514			7 514	Net loans to customers (fixed interest rate)	7 514			7 514
10 957		10 957		Bonds and certificates	11 815		11 815	
542	33		509	Shares	542	33		509
453		453		Financial derivatives	604		604	
77 829	33	14 418	63 378	Total financial assets	104 842	33	13 372	91 437
Liabilities recognized at amortized cost								
232		232		Debt to credit institutions	178		178	
51 577			51 577	Deposit from customers	51 562			51 562
16 584		16 616		Debt incurred due to issue of securities	41 217		41 362	
1 203		1 195		Subordinated loan capital	1 203		1 195	
Liabilities recognized at fair value								
366		366		Financial derivatives	616		616	
69 962	0	18 409	51 577	Total financial liabilities	94 776	0	43 351	51 562

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.03.2016	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortized cost								
1 377		1 377		Cash and receivables from central banks	1 377		1 377	
916		916		Loans to credit institutions	183		183	
52 457			52 457	Net loans to customers (floating interest rate)	81 030			81 030
Assets recognized at fair value								
8 220			8 220	Net loans to customers (fixed interest rate)	8 220			8 220
11 656		11 656		Bonds and certificates	11 656		11 656	
489	24		465	Shares	489	24		465
773		773		Financial derivatives	940		940	
75 889	24	14 722	61 143	Total financial assets	103 895	24	14 156	89 715
Liabilities recognized at amortized cost								
611		611		Debt to credit institutions	579		579	
48 722			48 722	Deposit from customers	48 699			48 699
18 507		18 715		Debt incurred due to issue of securities	44 433		44 548	
1 204		1 152		Subordinated loan capital	1 204		1 152	
Liabilities recognized at fair value								
533		533		Financial derivatives	604		604	
69 577	0	21 011	48 722	Total financial liabilities	95 519	0	46 883	48 699

Movement level 3

GROUP / PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares	Of which credit risk
Recognized value as at 01.01.2015	8 290	-62	464	0
Acquisitions Q1 2016	142			
Of which, transferred from level 1 or 2	0			
Change in value recognized during the period	-20	-11	1	0
Disposals Q1 2016	-192			
Recognized value as at 31.03.2016	8 220	-73	465	0
Acquisitions Q2, Q3 and Q4	502		16	
Of which, transferred from level 1 or 2	0			
Change in value recognized during the period	-102	59	54	0
Disposals Q2, Q3 and Q4	-1 106		-27	
Recognized value as at 31.12.2016	7 514	-14	509	0
Acquisitions Q1 2017	124			
Of which, transferred from level 1 or 2	0			
Change in value recognized during the period	-9	-9	-4	0
Disposals Q1 2017	-310			
Recognized value as at 31.03.2017	7 319	-23	505	0

Sensitivity analysis

Changes in value as a result of the change in credit spread of 10 basis points.

GROUP / PARENT BANK

NOK million	31.03.2017	31.03.2016	31.12.2016
Loan o customers	21	26	22
- of which, loans to corporate market (CM)	6	8	6
- of which, loans to retail market (RM)	15	18	16

9. OFFSETTING

GROUP

NOK million	31.03.2017	31.03.2017 (1) Net presented	31.03.2016	31.03.2016 (1) Net presented	31.12.2016	31.12.2016 (1) Net presented
Assets						
Financial derivatives	529	338	940	619	604	297
Liabilities						
Financial derivatives	554	363	604	283	616	309

PARENT BANK

NOK million	31.03.2017	31.03.2017 (1) Net presented	31.03.2016	31.03.2016 (1) Net presented	31.12.2016	31.12.2016 (1) Net presented
Liabilities						
Financial derivatives	413	177	773	465	453	159
Liabilities						
Financial derivatives	318	82	533	225	366	73

(1) Financial derivatives are the volumes of financial derivatives against individual counterparties, recognised as a net volume.

The bank and the Group's counter-claim rights adhere to common Norwegian law. The Bank and Sparebanken Sør Boligkreditt AS have the right to offset other outstanding accounts through ISDA agreements and a master agreement in cases where certain events occur. The amounts have not been offset in the balance sheet as the transactions are generally not settled on a net basis.

10. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities – Parent bank

NOK million	31.03.2017	31.03.2016	31.12.2016
Bonds, nominal value	16 220	17 876	16 204
Value adjustments	178	443	192
Accrued interest	151	188	188
Debt incurred due to issue of securities	16 549	18 507	16 584

Change in debt securities – Parent bank

NOK million	31.12.2016	Issued	Matured/ Redeemed	Other changes during the period	31.03.2017
Bonds, nominal value	16 204	1 550	-1 534		16 220
Value adjustments	192			-14	178
Accrued interest	188			-37	151
Debt incurred due to issue of securities	16 584	1 550	-1 534	-51	16 549

Debt securities - Group

NOK million	31.03.2017	31.03.2016	31.12.2016
Bonds, nominal value	40 351	43 741	40 922
Value adjustments	59	483	42
Accrued interest	175	209	253
Debt incurred due to issue of securities	40 585	44 433	41 217

Change in debt securities - Group

NOK million	31.12.2016	Issued	Matured/ Redeemed	Other changes during the period	31.03.2017
Bonds, nominal value	40 922	1 550	-2 121		40 351
Value adjustments	42			17	59
Accrued interest	253			-78	175
Debt incurred due to issue of securities	41 217	1 550	-2 121	-61	40 585

Change in subordinated loan capital and hybrid capital – Parent bank and Group

NOK million	31.12.2016	Issued	Matured/ Redeemed	Other changes during the period	31.03.2017
Subordinated loans	1 200				1 200
Accrued interest	3				3
Total subordinated loan capital	1 203	0	0	0	1 203

11. EQUITY CERTIFICATE OWNERS

The twenty largest equity certificate owners as at 31 March 2017.

NAME	NUMBER OF EC	SHARE OF EC-CAP. %	NAME	NUMBER OF EC	SHARE OF EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	8 125 679	51,88	11. Allumgården AS	151 092	0,96
2. Bergen Kom. Pensjonskasse	500 000	3,19	12. Otterlei Group AS	123 500	0,79
3. Arendal Kom. pensjonskasse	449 825	2,87	13. MP Pensjon PK	107 173	0,68
4. Holta Invest AS	444 410	2,84	14. Ottersland AS	100 000	0,64
5. Pareto AS	417 309	2,66	15. Profond AS	97 115	0,62
6. Glstad Invest AS	387 467	2,47	16. Wenaas Kapital AS	90 350	0,58
7. Merrill Lynch	329 080	2,10	17. Artel Holding A/S	82 131	0,52
8. EIKA utbytte VPF c/o Eika kapitalforv.	278 432	1,78	18. Apriori Holding AS	72 575	0,46
9. Wenaasgruppen AS	186 000	1,19	19. Varodd AS	70 520	0,45
10. Gumpen Bileiendom AS	154 209	0,98	20. Birkenes Sparebank	66 000	0,42
Total - 10 largest owners	11 272 411	71,96	Total - 20 largest owners	12 232 867	78,08

The weighted average ownership ratio for Q1 2017 was 18.7 percent. Hybrid capital classified as equity has been excluded when calculating the ownership ratio.

Sparebanken Sør owns 5 168 of its own equity certificates. As at 31 March 2017, the equity certificate capital was NOK 783 197 200 distributed over 15 663 944 equity certificates with a nominal value of NOK 50.

12. TAX EXPENSES

The ordinary tax rate of 25 % is used for calculation of payable tax.

Risk and Capital management

Risk management ensures that the Group's risk exposure is known at any time and is instrumental in helping the Group to achieve its strategic objectives, and also compliance with laws, regulations and regulatory requirements. Governing targets have been established for the Group's overall risk level, while specific governing targets have been established for each risk area. Systems have been established to calculate, manage and control risk. The aim of capital management is to ensure that the Group has an acceptable tier 1 capital ratio, is financially stable and achieves a satisfactory return in relation to its risk profile. The Group's total capital ratio and risk exposure are monitored through periodic reports.

Credit risk

Credit risk is defined as the risk of loss due to customers or counterparties failing to meet their obligations. One of the key risk factors in Sparebanken Sør's operations is credit risk. Future developments in the bank's losses will also be influenced by general economic trends and one of the most important areas for the bank's risk management is therefore linked to the granting of credit and processes in this respect.

Credit risk is managed through the Group's strategy and policy documents, credit routines, credit processes, scoring models and award authorities.

Market risk

Market risk generally arises from the Group's unsecured transactions in the interest rate, currency and equity markets, and can be divided into interest rate risk, currency risk, equity risk and spread risk. The risk is linked to variations in results caused by changes in the interest rate, market prices and/or exchange rates. Guidelines and limits have been established by the Board of Directors to manage market risk.

Liquidity risk

Liquidity risk is risk related to Sparebanken Sør's ability to finance its lending growth and fulfil its loan obligations subject to market conditions. Liquidity risk also includes the risk of the financial markets that the Group wishes to use, is ceasing to function. Guidelines and limits to manage liquidity risk have been established by the Board of Directors.

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failing internal processes, procedures or systems, human error or malpractice, or external events. Examples of operational risks include undesirable actions and events, including the failure of IT systems, money laundering, corruption, embezzlement, insider dealing, fraud, robbery, threats against employees, breaches of authority and breaches of established routines, etc.

Business risk

Business risk is defined as the risk of unexpected revenue fluctuations based on factors other than credit risk, liquidity risk, market risk and operational risk. This risk could for example arise as a result of the authorities introducing amendments to regulations or the implementation of financial or monetary policy measures, including changes in tax, duty and currency legislation, which could have a negative impact on the business.

It is a precondition for Sparebanken Sør that risk must be subject to active and satisfactory management, based on objectives and limits established by the Board of Directors for risk exposure and risk tolerance.

NOK million	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Net interest income	401	408	398	397	362
Net commission income	71	70	78	78	67
Net income from financial instruments	14	67	93	85	-21
Other operating income	4	8	4	11	5
Total net income	490	553	573	571	413
Total operating expenses	199	194	184	210	199
Profit before losses	291	359	389	361	214
Losses on loans and guarantees	15	15	13	9	13
Profit before taxes	276	344	376	352	201
Tax expenses	66	73	85	75	51
Profit for the period	210	271	291	277	150

% of average assets

Net interest income	1,54	1,54	1,50	1,51	1,41
Net commission income	0,27	0,26	0,29	0,30	0,26
Net income from financial instruments	0,05	0,25	0,35	0,32	-0,08
Other operating income	0,02	0,03	0,02	0,04	0,02
Total net income	1,88	2,08	2,15	2,17	1,61
Total operating expenses	0,76	0,73	0,69	0,80	0,78
Profit before losses	1,12	1,35	1,46	1,37	0,84
Losses on loans and guarantees	0,06	0,06	0,05	0,03	0,05
Profit before taxes	1,06	1,29	1,41	1,34	0,79
Tax expenses	0,25	0,27	0,32	0,28	0,20
Profit for the period	0,81	1,02	1,09	1,05	0,59
Average total assets	105 680	105 400	105 900	105 600	102 900

Balance sheet

Total assets	105 895	105 455	105 248	106 617	104 521
Net loans to customers	92 632	90 928	90 086	90 175	89 250
Growth in loans as %, last 12 mths.	3,8 %	2,9 %	5,5 %	7,4 %	8,4 %
Customers deposits	52 788	51 562	51 207	51 227	48 699
Growth in deposits as %, last 12 mths.	8,4 %	6,6 %	4,7 %	3,0 %	2,0 %
Deposits as % of net loans	57,0 %	56,7 %	56,8 %	56,8 %	54,6 %
Equity	9 947	10 051	9 800	9 521	8 363
Losses on loans as % of net loans, annualised	0,06 %	0,05 %	0,06 %	0,04 %	0,06 %
Gross defaulted loans over 90 days as % of gross loans	0,26	0,30 %	0,45 %	0,42 %	0,42 %

Other key figures

Cost as % of income	40,6 %	35,1 %	32,1 %	36,8 %	48,2 %
Cost as % of income, ex net income from financial instruments	41,8 %	39,9 %	38,3 %	43,2 %	45,9 %
Return on equity after tax	8,7 %	11,8 %	12,7 %	13,1 %	7,7 %
Liquidity reserve (LCR) (Group)	114 %	128 %	117 %	153 %	137 %
Common equity tier 1 capital ratio (added share of profit)	14,6 %	14,7 %	14,5 %	14,1 %	12,9 %
Tier 1 capital ratio	15,3 %	16,3 %	14,9 %	14,9 %	13,6 %
Total capital ratio	17,2 %	17,9 %	16,9 %	16,9 %	15,5 %
Common equity tier 1 capital	9 101	9 114	8 250	8 256	7 692
Tier 1 capital	9 726	9 939	9 075	9 081	8 205
Net total primary capital	10 904	11 121	10 256	10 259	9 383
Leverage ratio	8,8 %	8,6 %	7,8 %	7,5 %	7,0 %
Number of branches	33	34	36	36	36
Number of man-years in banking activity	431	439	435	432	445
Equity certificate ratio	18,7 %	19,8 %	19,8 %	17,4 %	13,0 %
Number of equity certificates issued	15 663 944	15 663 944	15 663 944	15 663 944	4 768 674
Profit/diluted earnings per equity certificate (Parent bank)	1,9	2,6	2,9	2,5	2,8
Profit/diluted earnings per equity certificate (Group)	2,4	3,3	3,6	3,0	4,0
Dividend last year per equity certificate	6,0	6,0	9,0	9,0	9,0
Book equity per equity certificate	111,6	115,2	113,4	110,0	214,0
Price/Book value per equity certificate	0,9	0,8	0,7	0,6	0,6
Listed price on Oslo Stock Exchange at end of period	96,5	91,3	81,8	63,8	123,4

Key figures group 2013-2016

	31.12.2016	31.12.2015	31.12.2014*	31.12.2013*
Income statement (NOK million)				Proforma
Net interest income	1 565	1 521	1 511	1 443
Net commission income	293	300	284	252
Net income from financial instruments	224	-66	184	201
Other operating income	28	14	23	22
Total net income	2 110	1 769	2 002	1 918
Total expenses	787	817	834	800
Profit before losses on loans	1 323	952	1 168	1 118
Losses on loans and guarantees	50	97	268	126
Profit before taxes	1 273	855	900	992
Tax expenses	284	231	215	219
Profit for the period	989	624	685	773
Income statement as percentage of average assets				
Net interest income	1,49 %	1,55 %	1,60 %	1,60 %
Net commission income	0,28 %	0,31 %	0,30 %	0,28 %
Net income from financial instruments	0,21 %	-0,07 %	0,20 %	0,22 %
Other operating income	0,03 %	0,01 %	0,02 %	0,03 %
Total net income	2,01 %	1,81 %	2,12 %	2,13 %
Total expenses	0,75 %	0,83 %	0,88 %	0,89 %
Profit before losses on loans	1,26 %	0,97 %	1,24 %	1,24 %
Losses on loans and guarantees	0,05 %	0,10 %	0,28 %	0,14 %
Profit before taxes	1,21 %	0,87 %	0,96 %	1,10 %
Tax expenses	0,27 %	0,24 %	0,23 %	0,24 %
Profit for the period	0,94 %	0,64 %	0,73 %	0,86 %
Average total assets	104 950	98 000	94 300	90 200
Balance				
Total assets	105 455	101 334	94 062	93 758
Net loans to customers	90 928	88 387	80 913	77 450
Grows in loans as %, last 12 mths.	2,9 %	9,2 %	4,5 %	6,8 %
Customers deposits	51 562	48 349	48 250	43 740
Growth in deposits as %, last 12 mths.	6,6 %	0,2 %	10,3 %	8,3 %
Deposits as % of net loans	56,7 %	54,7 %	59,6 %	56,5 %
Equity	10 051	7 753	7 157	6 658
Losses on loans as % of net loans, annualised	0,05 %	0,11 %	0,33 %	0,16 %
Gross defaulted loans over 90 days as % of gross loans	0,30 %	0,47 %	0,71 %	0,60 %
Other key figures				
Cost as % of income	37,3 %	46,2 %	41,7 %	41,7 %
Cost as % of income, ex net income from financial instruments	41,7 %	44,5 %	45,9 %	46,6 %
Return on equity after tax	11,6 %	8,4 %	10,1 %	12,3 %
Liquidity reserve (LCR) (Group)	128 %	108,0 %		
Common equity tier 1 capital ratio (added share of profit)	14,7 %	12,7 %	13,1 %	12,8 %
Tier 1 capital ratio	16,0 %	13,5 %	14,4 %	14,2 %
Total capital ratio	17,9 %	15,5 %	15,1 %	15,1 %
Common equity tier 1 capital	9 114	7 700	7 092	6 376
Tier 1 capital	9 939	8 210	7 792	7 076
Net total primary capital	11 121	9 388	8 170	7 522
Leverage ratio	8,6 %	7,0 %	7,0 %	
Number of branches	34	40	40	44
Number of man-years in banking activity	439	449	454	489
Key figures, Equity certificates				
Equity certificate ratio before profit distribution	19,8 %	13,5 %	14,1 %	7,1 %
Number of equity certificates issued	15 663 944	4 768 674	4 768 674	1 250 000
Profit per equity certificate (Parent bank)	8,5	10,8	12,2	10,3
Profit per equity certificate (Group)	10,7	17,6	20,3	18,1
Dividend last year per equity certificate (Parent bank - proposed dividend 2014)	6,0	9,0	10,0	10,0
Book equity per equity certificate	115,2	219	212	187
Price/Book value per equity certificate	0,8	0,6	0,9	0,8
Listed price on Oslo Stock Exchange at end of period	91,25	139	196	150

* Excluding negative goodwill.

	Q1	Q4	Q3	Q2	Q1	31.12.
NOK million	2017	2016	2016	2016	2016	2016
Return on equity adjusted for hybrid capital						
Profit after tax	210	271	291	277	150	989
Interest on hybrid capital	-10	-10	-10	-7	-5	-33
Profit after tax, incl. interest on hybrid capital	200	261	281	270	145	956
IB Equity	10 051	9 800	9 521	8 363	7 753	7 753
IB Hybrid capital	-825	-825	-825	-510	-510	-510
IB Equity excl. hybrid capital	9 226	8 975	8 696	7 853	7 243	7 243
UB Equity	9 947	10 051	9 800	9 521	8 363	10 051
UB Hybrid capital	-625	-825	-825	-825	-510	-825
UB Equity excl. hybrid capital	9 322	9 226	8 975	8 696	7 853	9 226
Average equity	9 999	9 926	9 661	8 942	8 058	8 902
Average equity excl. hybrid capital	9 274	9 101	8 836	8 275	7 548	8 235
Return on equity	8,5 %	10,9 %	12,0 %	12,5 %	7,5 %	11,1 %
Return on equity excl. hybrid capital	8,7 %	11,4 %	12,7 %	13,1 %	7,7 %	11,6 %
Net interest income, adjusted for accounting changes						
Net interest income	401	408	398	397	362	1 565
Fee to the Norwegian Banks' Guarantee Fund		-9	-9	-9	28	
Interest on hybrid capital	-10	-10	-10	-7	-5	-33
Net interest income, adjusted for accounting changes	391	389	379	381	385	1 532
Average total assets	105 680	105 400	105 900	105 600	102 900	104 950
As a percentage of total assets	1,50 %	1,47 %	1,42 %	1,45 %	1,50 %	1,46 %
Operating costs, adjusted for conversion of the pension scheme						
Operating costs	199	194	184	210	199	787
Conversion of pension scheme		28				28
Operating costs, adjusted for conversion of the pension scheme	199	222	184	210	199	815
Profit from ordinary operations						
Net interest income, adjusted for accounting changes	391	389	379	381	385	1 532
Nett commission income	71	70	78	78	67	293
Other operational income	4	8	4	11	5	28
Operating income, adjusted for conversion of pension scheme	199	222	184	210	199	815
Profit from ordinary operations, before tax	267	245	277	260	258	1 038
Profit excl. finance and adjusted for accounting changes						
Net interest income, adjusted for accounting changes	391	389	379	381	385	1 532
Net commission income	71	70	78	78	67	293
Other operational income	4	8	4	11	5	28
Operating income, adjusted for conversion of pension scheme	199	222	184	210	199	815
Losses on loans and guarantees	15	15	13	9	13	50
Profit excl. finance and adjusted for accounting changes	252	230	264	251	245	988
Tax (25 %)	63	58	66	63	61	247
Ordinary operations / adjusted profit after losses and tax	189	173	198	188	184	741
Average equity excl. hybrid capital	9 274	9 101	8 836	8 275	7 548	8 235
Return on equity, profit excl. finance and adjusted for accounting changes	8,3 %	7,5 %	8,9 %	9,2 %	9,8 %	9,0 %
Average interest / interest margins						
Average lending rate RM (Return)	2,83 %	2,78 %	2,82 %	2,88 %	2,95 %	2,86 %
Average lending rate CM (Return)	3,44 %	3,53 %	3,49 %	3,53 %	3,61 %	3,55 %
Average deposit rate RM	0,82 %	0,87 %	0,92 %	0,99 %	1,00 %	0,93 %
Average deposit rate CM	1,10 %	1,16 %	1,22 %	1,26 %	1,23 %	1,19 %
Average 3 month NIBOR	1,02 %	1,13 %	1,07 %	1,00 %	1,08 %	1,07 %
Lending margin RM (lending rate - 3 month NIBOR)	1,81 %	1,65 %	1,75 %	1,88 %	1,87 %	1,79 %
Lending margin CM (lending rate - 3 month NIBOR)	2,42 %	2,40 %	2,42 %	2,53 %	2,53 %	2,48 %
Deposit margin RM (3 month NIBOR - deposit rate)	0,20 %	0,26 %	0,15 %	0,01 %	0,08 %	0,14 %
Deposit margin CM (3 month NIBOR - deposit rate)	-0,08 %	-0,03 %	-0,15 %	-0,26 %	-0,15 %	-0,12 %

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