

QUARTER 1
2015
(UNAUDITED)



SPAREBANKEN SØR

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Information

The merger between Sparebanken Pluss and Sparebanken Sør complies with the rules set out in IFRS 3 and has been executed as a transaction. Sparebanken Sør's net assets have been recognised in Sparebanken Pluss' balance sheet as at 1 January 2014. Negative goodwill has arisen as a result of the fact that the value of net assets does not correspond with the fee paid in the merger. To prevent dilution of the equity ratio, negative goodwill has been recognised in its entirety immediately after the merger was completed and transferred directly to the dividend equalisation fund. (See note about the merger of the business). Negative goodwill has been excluded from both the actual accounting figures and the comparative figures.

(all key figures 2014 are excluding negative goodwill)

Income statement (NOK million)	Q1 2015	Q1 2014	31.12.14
Net interest income	367	379	1 511
Net commission income	68	61	284
Net income from financial instruments	29	101	184
Other operating income	3	5	23
Total net income	467	546	2 002
Operating expenses	199	210	834
Profit before losses on loans	268	336	1 168
Losses on loans and guarantees	14	28	268
Profit before taxes	254	308	900
Tax expenses	69	66	215
Profit for the period	185	242	685
Income statement as percentage of average assets			
Net interest income	1.57 %	1.64 %	1.60 %
Net commission income	0.29 %	0.26 %	0.30 %
Net income from financial instruments	0.12 %	0.44 %	0.20 %
Other operating income	0.01 %	0.02 %	0.02 %
Total net income	1.99 %	2.36 %	2.12 %
Operating expenses	0.85 %	0.91 %	0.88 %
Profit before losses on loans	1.14 %	1.45 %	1.24 %
Losses on loans and guarantees	0.06 %	0.12 %	0.28 %
Profit before taxes	1.08 %	1.33 %	0.95 %
Tax expenses	0.29 %	0.29 %	0.23 %
Profit for the period	0.79 %	1.05 %	0.73 %
Average total assets	95 100	93 700	94 300
Balance sheet			
Total assets	96 071	93 649	94 062
Net loans to customers	82 330	78 330	80 913
Grows in loans as %, last 12 mths.	5.1 %	6.4 %	4.5 %
Customers deposits	47 735	44 722	48 250
Growth in deposits as %, last 12 mths.	6.7 %	10.2 %	10.3 %
Deposits as % of net loans	58.0 %	57.1 %	59.6 %
Equity capital	7 288	6 842	7 157
Losses on loans as % of net loans, annualised	0.07 %	0.14 %	0.33 %
Gross defaulted loans over 90 days as % of gross loans	0.72 %	0.77 %	0.71 %
Other key figures			
Cost as % of income	42.6 %	38.5 %	41.7 %
Return on equity after tax	10.4 %	14.7 %	10.1 %
Core tier 1 capital ratio (added share of profit)	13.1 %	12.7 %	13.1 %
Core capital ratio	13.7 %	13.7 %	14.4 %
Total capital ratio	14.8 %	14.3 %	15.1 %
Total core capital	7 585	7 293	7 792
Net primary capital	8 163	7 612	8 170
Number of branches	40	40	40
Number of man-years in banking activity	451	478	454
Key figures, Equity certificates			
Equity certificate ratio	13.5 %	14.1 %	14.1 %
Number of equity certificate issued	4 768 674	4 768 674	4 768 674
Profit/diluted earnings per equity certificate (Parent bank)	3.5	5.2	12.2
Profit/diluted earnings per equity certificate (Group)	5.2	7.3	20.3
Dividend last year per equity certificate	10.0	10.0	10.0
Book equity per equity certificate	206	203	214
Price/Book value per equity certificate	0.9	0.7	0.9
Listed price on Oslo Stock Exchange at end of period	196	148	196

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 first quarter 2015

- Underlying profit increase of NOK 17 million or 7.2 per cent, adjusted for profit on sale of Nets in 2014
- Interest income reduced due to margin pressure, but partially compensated by increase in commission income
- 5.2 per cent reduction in operating expenses compared with the same period last year
- Low losses on loans
- Loan growth of 5.1 per cent, and deposit growth of 6.7 per cent from the same period last year
- Solid equity and core tier 1 equity ratio well above regulatory requirements
- Return on equity after tax of 10.4 per cent

Financial framework conditions

In December 2014, Norges Bank cut the key interest rate to 1.25 per cent. Prior to the monetary policy meeting in March 2015, there were further expectations for a reduction in the key interest rate. This had an impact on the market interest rates, and at one point NIBOR was lower than the key interest rate. After Norges Bank decided to keep the key interest rate unchanged, NIBOR has increased once again.

Annual growth in the general public's gross domestic debt (C2) at the end of March was 5.8 per cent national. Debt growth for households and industry amounted to 6.4 per cent and 3.9 per cent respectively.

There is moderate growth in the Norwegian economy. Unemployment has been increasing in the period, and the development in the oil industry will probably have a negative impact on economic development in the region in the time ahead.

Income statement and balance sheet per the first quarter of 2015

In the first quarter of 2015, Sparebanken Sør achieved a profit before losses of NOK 268 million, compared with NOK 336 million in the same period last year. Adjusted for extraordinary income in the first quarter last year, due to the sale of the ownership interests in Nets, the result was NOK 265 million.

Total net income amounted to NOK 467 million compared with NOK 546 million in the same period last year. Adjusted for profit on the sale of Nets, the total for last year was NOK 475 million. The income trend has been composed of reduced net interest due to pressure on margins, and an increase in commission income that partly compensate for this reduction.

In the first quarter of 2015, operating expenses amounted to NOK 199 million, compared with NOK 210 million in the same period last year. The reduction in operating costs was 5.2 per cent. The reduction may be attributed to the effects of the merger, a significant portion of this was the result of reduced workforce. There are currently 451 FTE in the banking operations, down 27 FTE from the same period last year.

In first quarter of 2015, losses on loans totalled NOK 14 million, compared with NOK 28 million the year before. As a percentage of net loans, the losses are 0.07 per cent, compared with 0.14 per cent in the same period last year. The improvement from last year may be attributed to the significant review of the loan portfolio conducted in 2014 and the losses in Q1 2015 reflect the quality of the bank's loan portfolio.

After the first quarter 2015, the profit before tax was NOK 254 million for Sparebanken Sør, compared with NOK 308 million in the same last year. Adjusted for profit on the sale of Nets, the total last year was NOK 237 million, which gave an underlying profit improvement of NOK 17 million, or 7.2 per cent.

At the end of the first quarter of 2015, return on equity after tax was 10.4 per cent compared with 10.5 per cent the previous year. (excl. Nets)

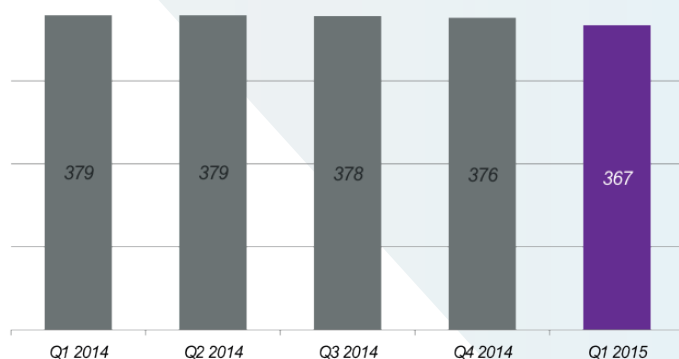
Growth in lending and deposits on a 12-month basis as at 31.03.2015 amounted to 5.1% and 6.7% respectively. In the period, the bank has focused on deposit growth and has succeeded in maintaining a faster growth pace in deposits than in lending.

The core tier 1 capital ratio was 12.8 per cent and the total capital ratio was 14.8 per cent as at 31 March 2015. The Group thus met by a good margin the new capital requirements for financial institutions of 10 per cent for core tier 1 capital and 13.5 per cent for total capital respectively.

Added to the share of the profit for this year, the core tier 1 capital ratio was 13.1%.

Net interest income

Net interest per quarter in NOK million



In the quarter, net interest income amounted to NOK 367 million, compared with NOK 379 million in same period last year. Through 2014, lending margins have been under pressure and at the beginning of 2015, the pressure has continued to increase due to competition in the market.

In January 2015, the bank announced a reduction in interest rates to meet the competition in the market. This reduction was effective from mid-March for existing loans. For mortgages, the reduction is up to 0.40 percentage points. At the same time as reducing the interest rate on mortgages, the bank will also adjust the deposit conditions on certain deposit products. The aggregate of the changes will probably have a neutral impact on the bank's net interest.

Commission income

NOK million	Q1 2015	Q1 2014	Changes
Payment transfers	36	34	2
Real estate agency	24	17	7
Other product companies	20	20	0
Total	80	71	9

After the first quarter 2015, gross commission income totalled NOK 80 million, compared with NOK 71 million after the same period last year. The increase is mainly due to increased activity in the estate agency business.

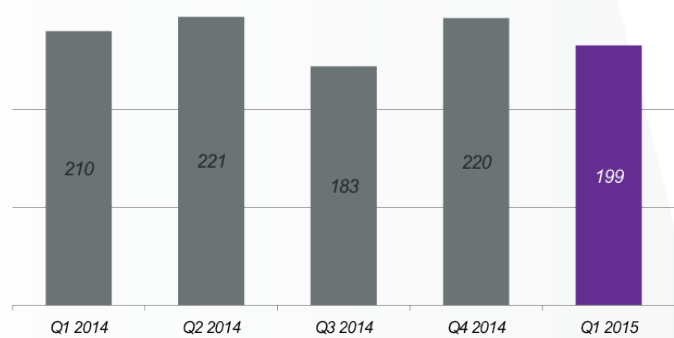
Financial instruments

The total return on financial investments was NOK 29 million in the first quarter of 2015, compared with NOK 101 million in the same period last year, of which the sale of the ownership interests in Nets was NOK 71 million.

In 2014, Sparebanken Sør has realised its portfolio of interest-bearing securities which are not defined as a liquidity portfolio.

Operating expenses

Operating expenses per quarter in NOK million



Total expenses amounted to NOK 199 million after the first quarter 2015, compared with NOK 210 million during the same period last year. The cost reduction represents a decrease of 5.2 per cent for the Group.

At the time of the merger, the two banks had overlapping offices at four locations. The bank has moved out of leased premises in Arendal and sold the buildings in Kristiansand, Grimstad and Mandal.

Withdrawal of merger benefits through staff reduction is ahead of schedule, and together with the above-mentioned property transactions, the bank's cost base has been reduced in 2015.

Total operating expenses as a percentage of average assets amounted to 0.85 per cent (0.91 per cent). The ratio between expenses and income within the Group was 42.6 per cent (38.5 per cent)(44.2 per cent excl. Nets).

Losses and defaulted loans

Losses on loans were charged to the financial statements in the net amount of NOK 14 million, equivalent to 0.07 per cent of net loans. The corresponding figures last year were NOK 28 million and 0.14 per cent of net loans.

The bank's individual write-downs as at 31 March 2015 amounted to NOK 488 million. Total individual write-downs amountet to 0.59 per cent of gross loans at the end of the first quarter 2015.

Gross defaulted loans over 90 days amounted to NOK 594 million. As a percentage of gross loans, this is equivalent to 0.72 per cent.

The bank expects the future loss level to be moderate.

Loans

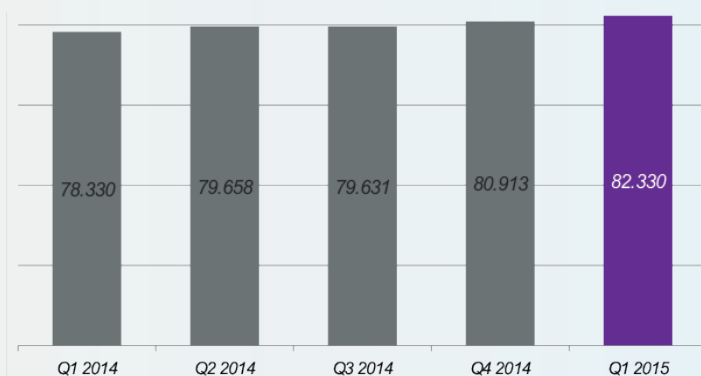
During the past 12 months, total loans increased by NOK 4.0 billion, to NOK 82.3 billion. This corresponds to an annual growth of 5.1 per cent.

Gross loan to retail customers during the past 12 months has increased by NOK 3.4 billion to NOK 55.0 billion. This corresponds to a growth of 6.5 per cent.

Gross loan to corporate customers during the past 12 months has increased by NOK 0.7 billion to NOK 27.9 billion. This corresponds to a growth of 2.5 per cent.

Loans to retail customers amounted to 66 per cent (66 per cent) of total loans at the end of the first quarter 2015.

Loans in NOK million



Deposits

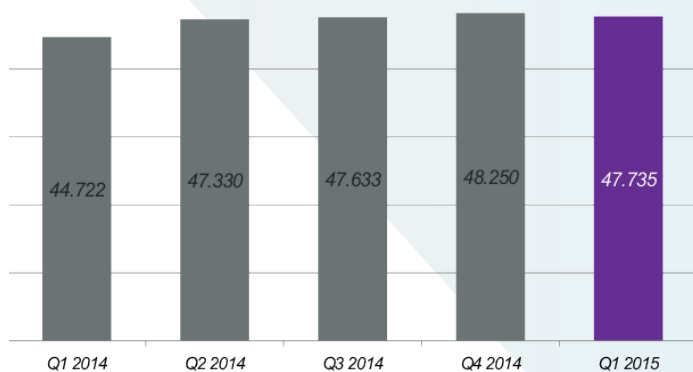
During the past 12 months, customer deposits increased by NOK 3.0 billion to NOK 47.8 billion. This corresponds to a growth of 6.7 per cent.

Deposits from retail customers increased by NOK 2.1 billion to NOK 23.1 billion. This corresponds to a growth of 9.8 per cent.

Deposits from corporate customers increased by NOK 1.0 billion to NOK 24.4 billion. This corresponds to a growth of 4.2 per cent.

Sparebanken Sør's deposit as a percentage of net loans was 58.0 per cent as at 31 March 2015, up from 57.1 per cent for the same period the year before.

Deposits in NOK million



Financing and securities

The bank's liquidity situation is very satisfactory. The liquidity buffers are adequate and the maturity structure for borrowing is well-adjusted to the needs of the business. New long-term loans are established through the issuing of covered bonds and senior debt.

As at 31 March 2015, the portfolio of interest-bearing securities in the Group totalled NOK 11.3 billion, and the liquidity indicator for long-term financing was 106 per cent.

Primary capital and capital adequacy

Net primary capital amounted to NOK 8.2 billion. Hybrid capital amounted to NOK 0.5 billion and subordinated loans to NOK 0.6 billion. At the end of the first quarter of 2015, the core tier 1 capital ratio was 12.8 per cent. The core capital ratio was 13.7 per cent and the (total) capital ratio 14.8 per cent, based on the standard method in the Basel II regulations. Added to the share of the profit for the year, the core tier 1 capital ratio was 13.1 per cent. The Group thus fulfilled by a good margin the new capital requirements for financial institutions with effect from 1 July 2014 of 10 per cent for core tier 1 capital and 13.5 per cent for total capital ratio.

For the Parent Bank, the respective figures are 13.9 per cent core tier 1 capital, 14.9 per cent core capital ratio and 16.1 per cent (total) capital ratio at the end of the first quarter 2015.

Sparebanken Sør has a target at any given time to be well-capitalised. The core tier 1 equity ratio shall be above the regulatory minimum requirements and be at the level with comparable banks. The Group's long-term target of core tier 1 capital ratio is currently at 14.0 per cent.

The bank's solidity is considered strong with regards to current regulatory requirements.

The bank's equity certificates

As at 31 March 2015, 4,768,674 equity certificates have been issued. After the first quarter the profit (Group) per equity certificate was NOK 5.2 per certificate.

An overview of the 20 largest equity certificate owners at the end of the first quarter is presented in note 11.

Dividend

Sparebanken Sør will through sound, stable and profitable operations secure that its equity certificate owners achieves a competitive return in terms of dividend and appreciation 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, the Bank's need for capital, including regulatory requirements, expectations from investors and the Bank's strategic targets will be considered.

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

Subsidiaries and collaborating companies

Sørmegleren, the bank's own estate agency, has now operated for over one year since the merger between ABCenter and Plussmegleren was completed.

Sørmegleren has had a good start. Market share has been increased in a number of areas. In the Agder counties, Sørmegleren has become, after the first year, the market-leading estate agency by a clear margin, with a market share almost twice that of its nearest competitor.

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 2015, the bank had transferred NOK 24.0 billion to Sparebanken Sør Boligkreditt AS, equivalent to 44 per cent of all loans to the retail market.

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 continued its strong growth as regards customers and premiums within both general and life insurance. Frende Holding has delivered a profit after tax of NOK 16.3 million after the first quarter 2015.

Brage Finans (14% ownership interest) is a financing company which offers leasing and loans secured by the purchased objects to the corporate and retail markets. The company recorded a profit of NOK 6.4 million after the first quarter.

Norne Securities (17.6% ownership interest) is an investment firm that provides online trading, traditional brokerage and corporate finance services. The company is owned by 14 independent Norwegian savings banks.

Rating

Sparebanken Sør has an A2 rating from Moody's. Due to the change in rating method, on 17 March 2015, Moody's put 421 banks worldwide "Under review" and in connection with this Sparebanken Sør has been put "Under review for upgrade". All covered bonds issued by Sparebanken Sør Boligkreditt AS have also been rated by Moody's, with a rating of Aaa.

Outlook

The Board of Directors is satisfied with the result for the first quarter of 2015. Despite a slight reduction in net interest income, due to the strong competitive situation, the bank has delivered a better result from ordinary operations (adjusted for profit on the sale of the ownership interests in Nets in the first quarter 2014) through an increase in commission income and a reduction in costs and losses.

With the fall in the oil price and fewer investments on the Norwegian continental shelf, growth in the Norwegian economy is likely to slow down in 2015. The Bank has low direct exposure to the oil sector and therefore will not be significantly affected in the short-term. However, persistent low oilprices and less activity could lead to slightly lower growth in the region in the future. There are reports of workforce reductions and layoffs in the oil and associated industries, which over time will have knock on effects for the region.

Over time, the bank has seen a significant change in customer behavior with increasing use of digital channels and fewer visits to the bank offices. The bank is in the process of organising its operations in relation to this and the adjustments made will form the basis for a cost-effective bank with a strong competitive position in the future.

Events since the end of the quarter

There have been no events reported after 31 March 2015 which affect the presented interim financial statements.

Kristiansand, 7 May 2015

Stein A. Hannevik Chairman	Torstein Moland Deputy chairman	Jill Akselsen	Trond Bjørnenak
Erling Holm	Inger Johansen	Marit Kittilsen	Siss Ågedal
Per Adolf Bentsen Employee representative	Bente Pedersen Employee representative		Geir Bergskaug CEO

Income statement

PARENT BANK			NOK million	GROUP			
31.12.	Q1	Q1			Q1	Q1	31.12.
2014	2014	2015		Notes	2015	2014	2014
2 798	692	626	Interest income		811	898	3 593
1 714	433	358	Interest expenses		444	519	2 082
1 084	259	268	Net interest income		367	379	1 511
284	56	68	Commission income		80	71	331
46	9	12	Commission expenses		12	10	47
238	47	56	Net commission income		68	61	284
11	7		Dividend income			7	11
204	112	34	Net income from other financial instruments		29	94	173
215	119	34	Net income from financial instruments		29	101	184
15	4	3	Other operating income		3	5	23
1 552	429	361	Total net income		467	546	2 002
380	95	92	Wages and other personnel expenses		110	109	438
48	8	8	Depreciation and write-down of fixed assets and intangible assets		8	9	52
-200	-200		Negative goodwill	13		-200	-200
332	87	76	Other operating expenses		81	92	344
560	-10	176	Total operating expenses		199	10	634
992	439	185	Profit before losses on loans		268	536	1 368
268	28	14	Losses on loans, guarantees, etc	2	14	28	268
724	411	171	Profit before taxes	7	254	508	1 100
113	39	48	Tax expenses	12	69	66	215
611	372	123	Profit for the period		185	442	885
			Minority interests				
611	372	123	Majority interests		185	442	885
12.2	5.2	3.5	The equity certificates' share of the profit divided by the number of equity certificates (in whole NOK)		5.2	7.3	20.3
			Other comprehensive income				
611	372	123	Profit for the period		185	442	885
			<i>Items that will not be reclassified to profit or loss account</i>				
-127			Recognised estimate deviation, pensions				-127
34			Tax effect of recognised estimate deviation, pensions				34
518	372	123	Total income for the period		185	442	792

PARENT BANK			NOK million		GROUP		
31.12.	31.03.	31.03.			31.03.	31.03.	31.12.
2014	2014	2015	ASSETS	Notes	2015	2014	2014
595	801	391	Cash and receivables from central banks		391	801	595
1 510	1 849	2 029	Loans to and receivables from credit institutions		203	649	180
60 880	56 280	58 386	Net loans to customers	2,3,5,7,8	82 330	78 330	80 913
2	2	2	Repossessed properties		2	2	2
10 059	13 754	11 768	Bonds and certificates	8	11 348	11 733	10 359
445	708	421	Shares	8	421	708	445
751	521	603	Financial derivatives	8,9	735	544	906
1 258	1 282	1 258	Shareholdings in group companies			0	
12	14	12	Shareholdings in associated companies		12	14	12
17	21	18	Intangible assets		21	24	20
11	19		Deferred tax assets		4	30	17
475	521	473	Fixed assets		501	696	503
71	78	57	Other assets		103	118	110
76 086	75 850	75 418	TOTAL ASSETS	7,8	96 071	93 649	94 062
LIABILITIES AND EQUITY CAPITAL							
627	1 885	779	Debts to credit institutions		722	2 043	614
48 269	44 740	47 753	Deposits from customers	4,7,8	47 735	44 722	48 250
18 414	20 792	18 005	Debt incurred due to issue of securities	8, 10	38 024	37 985	35 775
517	332	461	Financial derivatives	8,9	464	335	521
83	94	83	Payable taxes		176	189	178
		2	Deferred tax				
194	283	284	Other liabilities		326	333	231
236	101	236	Provisions for commitments		236	101	236
1 100	1 099	1 100	Subordinated loan capital	8, 10	1 100	1 099	1 100
69 440	69 326	68 703	Total liabilities		88 783	86 807	86 905
891	894	891	Equity certificate capital	11	891	894	891
5 755	5 630	5 824	Other equity		6 397	5 948	6 266
6 646	6 524	6 715	Total equity capital	6	7 288	6 842	7 157
76 086	75 850	75 418	TOTAL LIABILITIES AND EQUITY CAPITAL	7,8	96 071	93 649	94 062

Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12. 2014	31.03. 2014	31.03. 2015		31.03. 2015	31.03. 2014	31.12. 2014
2 791	703	719	Interest payment received	928	932	3 575
-1 774	-469	-474	Interest payment made	-589	-572	-2 147
399	77	63	Other payments received	75	80	435
-695	-177	-178	Operating payments	-202	-198	-784
5	2	3	Established on confirmed losses	3	2	5
-135	-68	-35	Period tax paid	-59	-107	-211
-32	-4	-7	Gifts paid	-7	-4	-32
-6			Paid group contribution			
4 524	984	-516	Change in customers deposits	-515	982	4 521
-6 591	-1 943	2 478	Change in loans to customers	-1 431	-942	-3 572
-1 514	-895	2 053	Net cash flow from operational activities	-1 797	173	1 790
18 216	4 442	1 365	Payments received regarding securities	736	2 571	11 188
-12 002	-2 119	-3 079	Payments made regarding securities	-1 731	-2 119	-9 111
28			Payments received regarding sale of group companies			
32		6	Payments received regarding sale of fixed assets	6		178
-42	-10	-4	Payments made regarding purchase of fixed assets	-4	-10	-44
34	-37	134	Change in other assets	127	-56	-10
6 266	2 276	-1 578	Net cash flow from investment activities	-866	386	2 201
554	212	-519	Change in loans to credit institutions	-23	-314	155
-4 031	-2 779	151	Change in deposits from credit institutions	107	-1 456	-2 879
3 990	1 676	1 100	Payments received, bond debt	5 100	1 653	7 240
-6 331	-1 477	-1 331	Payments made, bond debt	-2 641	-1 472	-9 573
			Payments received, subordinated loan capital			
-42			Dividend payment			-42
-18	67	-80	Change in other liabilities	-84	110	-18
-5 878	-2 301	-679	Net cash flow from financing activities	2 459	-1 479	-5 117
-1 126	-920	-204	Net change in liquid assets	-204	-920	-1 126
1 721	1 721	595	Cash and cash equivalents as at 01.01.	595	1 721	1 721
595	801	391	Cash and cash equivalents at end of period	391	801	595

GROUP			Dividend						
NOK million	Equity	Premium	equalisation	Primary	Gift	Other	Minority	TOTAL	
	certificates	fund	fund	capital	fund	equity	interests		
Balance 1.1.2014	474	175	45	5 418	45	254	7	6 418	
Dividend distributed for 2013						-13		-13	
Profit Q1 2014			200			242		442	
Other income and expenses								-	
Distributed by gift fund					-5			-5	
Balance 31.03.2014	474	175	245	5 418	40	483	7	6 842	
Profit Q2-Q4 2014			10	329	25	79		443	
Recognised estimate deviations, pension			-18	-109				-127	
Tax effect estimate deviations, pension			5	29				34	
Other changes						-4	-7	-11	
Distributed by gift fund					-24			-24	
Balance 31.12.2014	474	175	242	5 667	41	558	0	7 157	
Dividend distributed for 2014						-47		-47	
Profit Q1 2015						185		185	
Distributed by gift fund					-7			-7	
Balance 31.03.2015	474	175	242	5 667	34	696	0	7 288	
PARENT BANK									
Balance 1.1.2014	474	175	45	5 418	45	13		6 170	
Dividend distributed for 2013						-13		-13	
Profit Q1 2014			200			172		372	
Other income and expenses								0	
Distributed by gift fund					-5			-5	
Balance 31.03.2014	474	175	245	5 418	40	172	0	6 524	
Profit Q2-Q4 2014			10	329	25	-125		239	
Recognised estimate deviations, pension			-18	-109				-127	
Tax effect estimate deviations, pension			5	29				34	
Distributed by gift fund					-24			-24	
Balance 31.12.2014	474	175	242	5 667	41	47	0	6 646	
Dividend distributed for 2014						-47		-47	
Profit Q1 2015						123		123	
Other income and expenses								0	
Distributed by gift fund					-7			-7	
Balance 31.03.2015	474	175	242	5 667	34	123	0	6 715	

1. ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with International Standards for Financial Reporting (IFRS), including IAS 34.

The accounting principles are the same as those used in the 2014 annual financial statements.

There is currently a debate regarding the interpretation of IFRIC 21 Levies, which concerns the accrual of the levy paid to the Norwegian Banks' Guarantee Fund. The debate concerns whether the levy may be accrued over the year or be expensed in full at the beginning of the financial year. The levy is determined on the basis of the average calculation basis for previous quarters according to separate regulations. It has not been regulated whether withdrawal from the arrangement will result in a refund of overpaid levy. In the first quarter, Sparebanken Sør has continued previous practice of monthly accrual of the levy. In the first quarter of 2015, the cost was NOK 9 million. If the levy to the Norwegian Banks' Guarantee Fund had been expensed in full in the first quarter of 2015, this would have increased the interest costs by NOK 27 million.

New standards applicable for 2015 have had no effect on the financial statements for the first quarter of 2015.

2. LOSSES ON LOANS AND GUARANTEES

PARENT BANK			NOK million	GROUP		
31.12.14	31.03.14	31.03.15	Individual write-downs	31.03.15	31.03.14	31.12.14
73	73	521	Individual write-downs at start of period	521	73	73
376	376		Individual write-downs identified in connection with merger		376	376
142	3	45	- Period's confirmed loss where individual write-down has been performed previously	45	3	142
57	9	17	+ Increased individual write-downs during the period	17	9	57
180	23	17	+ New individual write-downs during the period	17	23	180
24	3	22	- Reversal of individual write-downs during the period	22	3	24
521	475	488	= Individual write-downs at end of period	488	475	521

PARENT BANK				GROUP		
31.12.14	31.03.14	31.03.15	Collective write-downs on loans	31.03.15	31.03.14	31.12.14
92	92	92	Collective write-downs of loans at start of period	92	92	92
96	96	96	Collective write-downs of loans identified in connection with merger	102	102	102
0	0	0	+ Change in collective write-downs during the period	0	0	0
188	188	188	= Collective write-downs of loans at end of period	194	194	194

PARENT BANK				GROUP		
31.12.14	31.03.14	31.03.15	Loss expense on loans during the period	31.03.15	31.03.14	31.12.14
72	26	-31	Change in individual write downs during the period	-31	26	72
0	0	0	+ Change in collective write-downs during the period	0	0	0
142	3	45	+ Period's confirmed loss where individual write-downs has been performed previously	45	3	142
55	0	2	+ Period's confirmed loss where no individual write-downs has been performed previously	2	0	55
4	1	0	+ Recognised as interest income	0	1	4
5	2	2	- Period's recoveries relating to previous losses	2	2	5
268	28	14	= Loss expenses during the period	14	28	268

3. DEFAULTED AND DOUBTFUL LOANS

PARENT BANK			NOK million	GROUP		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
147	207	145	Gross defaulted loans 31-60 days	147	219	147
58	72	76	Gross defaulted loans 61-90 days	76	72	58
576	608	594	Gross defaulted loans > 90 days	594	608	576
781	887	815	Defaulted loans	817	899	781
180	190	254	Individual write-downs	254	190	180
602	697	561	Net defaulted loans	563	709	602
0.94 %	1.01 %	1.01 %	Gross defaulted loans > 90 days in % of gross loans	0.72 %	0.77 %	0.71 %
870	601	817	Other doubtful loans	817	601	870
341	285	234	Individual write-downs	234	285	341
529	316	583	Net doubtful loans	583	316	529

A defaulted 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 30 days.

4. CUSTOMERS DEPOSITS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
23 233	21 018	23 084	Retail customers	23 084	21 018	23 233
4 278	4 280	3 997	Public administration	3 997	4 280	4 278
256	305	335	Primary industry	335	305	256
2 015	1 586	1 778	Manufacturing industry	1 778	1 586	2 015
2 206	1 971	2 142	Building and construction	2 142	1 971	2 206
1 265	1 098	957	Transport and communication	957	1 098	1 265
931	783	807	Retail trade	807	783	931
149	140	135	Hotel and restaurant	135	140	149
3 417	3 136	3 909	Property management	3 892	3 119	3 399
2 382	2 438	2 362	Financial/commercial services	2 361	2 437	2 381
8 124	7 750	8 040	Other industries	8 040	7 750	8 124
13	235	207	Accrued interests	207	235	13
48 269	44 740	47 753	Total deposits from customers	47 735	44 722	48 250

5. LOANS TO CUSTOMERS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
34 268	29 914	31 157	Retail customers	54 983	51 629	54 076
22	21	29	Public administration	29	21	22
688	651	699	Primary industry	705	689	709
808	893	854	Manufacturing industry	860	912	819
4 217	4 033	4 345	Building and construction	4 393	4 151	4 283
548	535	615	Transport and communication	628	596	579
1 001	1 289	1 029	Retail trade	1 042	1 335	1 037
370	378	359	Hotel and restaurant	366	392	378
14 186	14 041	14 336	Property management	14 291	13 905	14 152
1 506	1 662	1 576	Financial/commercial services	1 600	1 734	1 537
3 832	3 377	3 933	Other industries	3 958	3 459	3 868
143	147	130	Accrued interests	157	174	168
61 589	56 941	59 062	Total gross loans	83 012	78 997	81 628
709	661	676	Write-downs on loans	682	667	715
60 880	56 280	58 386	Total net loans	82 330	78 330	80 913

6. PRIMARY CAPITAL AND CAPITAL ADEQUACY

PARENT BANK			NOK million	GROUP		
31.12.14	31.03.14	31.03.15		31.03.15	31.03.14	31.12.14
474	474	474	Equity certificate	474	474	474
175	175	175	Premium fund	175	175	175
5 667	5 418	5 667	Primary capital	5 667	5 418	5 667
41	40	34	Gift fund	34	40	41
242	245	242	Equalisation fund	242	245	242
47			Other equity	511	241	558
-48			- Deduction for dividends included under other equity			-48
-17		-18	- Deduction for intangible assets and deferred tax assets	-18		-17
6 581	6 352	6 574	Total core tier 1 capital	7 085	6 593	7 092
700	700	500	Hybrid capital	500	700	700
0	-25	0	- Deduction for intangible assets and deferred tax assets		-41	0
7 281	7 052	7 074	Total core capital	7 585	7 293	7 792
			Additional capital over core capital:			
400	400	600	Subordinated loan capital	600	400	400
400	400	600	Total additional core capital	600	400	400
-22	-21	-22	- Deduction from core- and additional capital	-22	-81	-22
7 659	7 431	7 652	Net primary capital	8 163	7 612	8 170
			Minimum requirement for primary capital Basel II calculated according to the standard method:			
3	19	17	Engagements with local and regional authorities	17	19	3
181	457	84	Engagements with institutions	58	162	62
1 192	1 246	1 179	Engagements with enterprises	1 179	1 246	1 192
810	714	788	Engagements with mass market	982	805	947
1 087	1 027	1 017	Engagements with security in property	1 642	1 645	1 618
91	74	93	Engagements which have fallen due	93	74	91
0	0	0	Engagements which are high risk	0	0	0
200	63	226	Engagements in covered bonds	60	47	62
0	0	103	Engagements in equity positions	3	0	0
62	43	67	Engagements, other	67	43	62
3 626	3 643	3 572	Capital requirements for credit- and counterparty risk	4 101	4 041	4 037
4	4	4	Capital requirements for position-, currency- and product risk	4	4	4
193	193	196	Capital requirements for operational risk	272	232	233
27	-17	22	CVA addition	38	-22	45
0	0	0	Deduction from the capital requirement	0	0	0
3 850	3 823	3 795	Total minimum requirement for primary capital	4 415	4 255	4 319
48 125	47 788	47 440	Risk-weighted balance (calculation basis)	55 186	53 188	53 988
13,7 %	13,3 %	13,9 %	Core tier 1 capital ratio, %	12,8 %	12,4 %	13,1 %
15,1 %	14,8 %	14,9 %	Core capital ratio, %	13,7 %	13,7 %	14,4 %
15,9 %	15,6 %	16,1 %	Total capital ratio, %	14,8 %	14,3 %	15,1 %

7. SEGMENT REPORTING

Report per segment	Group 31.03.2015				Group 31.03.2014			
	RM	CM	Undistrib. and elimin.	Total	RM	CM	Undistrib. and elimin.	Total
Income statement (NOK million)								
Net interest	241	124	2	367	239	120	20	379
Net other operating income	32	14	54	100	33	13	121	167
Operating expenses	84	21	94	199	85	20	-95	10
Profit before losses per segment	189	117	-38	268	187	113	236	536
Losses on loans, guarantees	-1	15	0	14		28	0	28
Profit before tax per segment	190	102	-38	254	187	85	236	508
Net loans to customers	54 542	27 625	163	82 330	51 311	26 658	361	78 330
Other assets			13 741	13 741			15 319	15 319
Total assets per segment	54 542	27 625	13 904	96 071	51 311	26 658	15 680	93 649
Deposits from customers	24 896	18 714	4 125	47 735	22 679	17 484	4 559	44 722
Other liabilities	29 646	8 911	2 491	41 048	28 632	9 174	4 279	42 085
Total liabilities per segment	54 542	27 625	6 616	88 783	51 311	26 658	8 838	86 807
Equity capital			7 288	7 288			6 842	6 842
Total liabilities and equity per segment	54 542	27 625	13 904	96 071	51 311	26 658	15 680	93 649

8. FAIR VALUE 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 where 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 necessary market information is available.

For a more detailed description, see Note 21 Fair value of financial instruments in the 2014 annual financial statements.

PARENT BANK				NOK million	GROUP			
Recognised value	Fair value			31.03.2015	Recognised value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
50 757			50 757	Net loans to customers (floating interest rate)	74 701			74 701
				Assets recognised at amortised cost				
7 629			7 629	Net loans to customers (fixed interest rate)	7 629			7 629
11 768		11 768		Bonds and certificates	11 348		11 348	
421	27		394	Shares	421	27		394
603		603		Financial derivatives	735		735	
71 178	27	12 371	58 780	Total financial assets	94 834	27	12 083	82 724
				Liabilities recognised at amortised cost				
779		779		Debt to credit institutions	722		722	
47 753			47 753	Deposit from customers	47 735			47 735
18 005		18 081		Debt incurred due to issue of securities	38 024		38 611	
1 100		1 107		Subordinated loan capital	1 100		1 107	
				Liabilities recognised at fair value				
461		461		Financial derivatives	464		464	
68 098	0	20 428	47 753	Total financial liabilities	88 045	0	40 904	47 735

PARENT BANK				NOK million	GROUP			
Recognised value	Fair value			31.12.2014	Recognised value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
54 111			54 111	Net loans to customers (floating interest rate)	74 144			74 144
				Assets recognised at amortised cost				
6 769			6 769	Net loans to customers (fixed interest rate)	6 769			6 769
10 059		10 059		Bonds and certificates	10 359		10 359	
445	50		394	Shares	445	50		394
751		751		Financial derivatives	906		906	
72 134	50	10 810	61 274	Total financial assets	92 622	50	11 265	81 307
				Liabilities recognised at amortised cost				
627		627		Debt to credit institutions	614		614	
48 269			48 269	Deposit from customers	48 250			48 250
18 414		18 700		Debt incurred due to issue of securities	35 775		36 214	
1 100		1 109		Subordinated loan capital	1 100		1 109	
				Liabilities recognised at fair value				
517		517		Financial derivatives	521		521	
68 927	0	20 953	48 269	Total financial liabilities	86 259	0	38 458	48 250

PARENT BANK				NOK million	GROUP			
Recognised value	Fair value			31.03.2014	Recognised value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
49 061			49 061	Net loans to customers (floating interest rate)	71 111			71 111
				Assets recognised at amortised cost				
7 219			7 219	Net loans to customers (fixed interest rate)	7 219			7 219
13 754		13 754		Bonds and certificates	11 735		11 735	
708	42		666	Shares	708	42		666
521		521		Financial derivatives	544		544	
16		16		Other assets	16		16	
71 279	42	14 291	56 946	Total financial assets	91 333	42	12 295	78 996
				Liabilities recognised at amortised cost				
1 885		1 885		Debt to credit institutions	2 043		2 043	
44 740			44 740	Deposit from customers	44 722			44 722
20 792		20 980		Debt incurred due to issue of securities	37 985		38 332	
1 099		1 107		Subordinated loan capital	1 099		1 107	
				Liabilities recognised at fair value				
332		332		Financial derivatives	335		335	
16		16		Other liabilities	16		16	
68 864	0	24 320	44 740	Total financial liabilities	86 200	0	41 833	44 722

Movement level 3

GROUP / PARENT BANK

NOK million	Loans to customers	Of which credit risk	Shares	Of which credit risk
Recognised value as at 01.01.2014	5 473	-105	92	0
Acquisitions Q1 2014 (incl. acquisition merger)	2 199	-54	502	
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	27	12	71	0
Disposals Q1 2014	-480			
Recognised value as at 31.03.2014	7 219	-147	666	0
Acquisitions Q2, Q3 and Q4	456		560	
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	202	37	37	0
Disposals Q2, Q3 and Q4	-1 108		-308	
Recognised value as at 31.12.2014	6 769	-110	394	0
Acquisitions Q1 2015	1 356			
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	14	45	0	0
Disposals Q1 2015	-510			
Recognised value as at 31.03.2015	7 629	-65	394	0

Sensitivity analysis

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

GROUP / PARENT BANK

NOK million	31.03.2015	31.03.2014	31.12.2014
Loan to customers	26	25	22
- of which, loans to corporate market (CM)	9	10	9
- of which, loans to retail market (RM)	17	15	13

9. OFFSETTING

NOK million	GROUP					
	31.03.15	31.03.2015 (1) presented net	31.03.14	31.03.2014 (1) presented net	31.12.14	31.12.2014 (1) presented net
Assets						
Financial derivatives	735	366	544	274	906	478
Liabilities						
Financial derivatives	464	95	335	65	521	93
NOK million	PARENT BANK					
	31.03.15	31.03.2015 (1) presented net	31.03.14	31.03.2014 (1) presented net	31.12.14	31.12.2014 (1) presented net
Assets						
Financial derivatives	603	237	521	254	751	327
Liabilities						
Financial derivatives	461	95	332	65	517	93

(1) Financial derivatives indicate assets and liabilities in cases where the bank and the Group have recognised their financial derivatives net in relation to each individual counterparties.

The bank and the Group's counter-claim rights adhere to common Norwegian law. The Bank and Sparebanken Sør Boligkreditt AS has 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 because the transactions are generally not settled on a net basis.

10. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities - Parent bank

NOK million	31.03.2015	31.03.2014	31.12.2014
Bonds, nominal value	17 356	20 151	17 587
Value adjustments	463	411	542
Accrued interests	186	230	285
Debt incurred due to issue of securities	18 005	20 792	18 414

Change in debt securities - Parent bank

NOK million	31.12.2014	Issued	Matured/ Redeemed	Other changes during the period	31.03.2015
Bonds, nominal value	17 587	1 100	-1 331		17 356
Value adjustments	542			-79	463
Accrued interests	285			-99	186
Debt incurred due to issue of securities	18 414	1 100	-1 331	-178	18 005

Debt securities – Group

NOK million	31.03.2015	31.03.2014	31.12.2014
Bonds, nominal value	37 207	37 279	34 748
Value adjustments	608	445	692
Accrued interests	209	261	335
Debt incurred due to issue of securities	38 024	37 985	35 775

Change in debt securities - Group

NOK million	31.12.2014	Issued	Matured/ Redeemed	Other changes during the period	31.03.2015
Bonds, nominal value	34 748	5 100	-2 641		37 207
Value adjustments	692			-84	608
Accrued interests	335			-126	209
Debt incurred due to issue of securities	35 775	5 100	-2 641	-210	38 024

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

NOK million	31.12.2014	Issued	Matured/ Redeemed	Other changes during the period	31.03.2015
Subordinated loans	400	200			600
Hybrid capital	700		-200		500
Value adjustments	0				0
Total subordinated loan capital	1 100				1 100

11. EQUITY CERTIFICATE OWNERS

The twenty largest equity certificate owners as at 31.03.2015

	NUMBER	SHARE OF		NUMBER	SHARE OF
NAME	OF EC	EC-CAP. %	NAME	OF EC	EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	3 518 674	73,79	11. Spareskillingsbanken	26 600	0,56
2. Pareto AS	124 150	2,60	12. Allumgården	25 179	0,53
3. Glastad Invest AS	90 000	1,89	13. Birkenes Sparebank	20 000	0,42
4. Verdipapirfondet EIKA	84 271	1,77	14. Flekkefjord Sparebank	15 800	0,33
5. Sparebankstiftelsen DNB	62 300	1,31	15. Albert Alf	15 500	0,33
6. Brøvig Holding AS	34 800	0,73	16. Harald Espedal AS	14 916	0,31
7. Varodd AS	32 800	0,69	17. Apriori Holding AS	13 900	0,29
8. Gumpen Bileiendom AS	32 350	0,68	18. Strømme Leif Eiendom	13 400	0,28
9. Sparebanken Sør	31 600	0,66	19. Lund Hans Arvid	12 000	0,25
10. MP Pensjon PK	26 900	0,56	20. Spectatio Invest	11 900	0,25
Total - 10 largest owners	4 037 845	84,67	Total - 20 largest owners	4 207 040	88,21

As at 31.03.2015, Sparebanken Sør owns 31,600 of its own equity certificates. Equity certificate ratio as at 01.01.2015 was 13.5 %.

As at 31.03.2015, equity certificate capital was NOK 476,867,400 divided between 4,768,674 equity certificates with a nominal value of NOK 100.

12. TAX EXPENSES

The ordinary tax rate of 27 % is used.

13. MERGER OF BUSINESS

Sparebanken Pluss and Sparebanken Sør merged with effect from 1 January 2014. Sparebanken Pluss was the acquiring bank in the merger and was renamed Sparebanken Sør. Negative goodwill has arisen as a result of the fact that the value of net assets does not correspond with the fee paid in the merger. To prevent dilution of the equity ratio, negative goodwill has been recognised in its entirety immediately after the merger was completed and transferred directly to the dividend equalization fund.

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 a good core 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 linked to 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 associated processes.

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, share 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 for managing market risk.

Liquidity risk

Liquidity risk is risk linked 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, ceasing to function. Guidelines and limits for the management of 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.

Quarterly profit trend

(The recognition of negative goodwill during Q1 2014 has been excluded from the statement.)

Group	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
NOK million					
Net interest income	367	375	378	379	379
Net commission income	68	78	73	72	61
Net income from financial instruments	29	18	48	17	101
Other operating income	3	9	5	4	5
Total net income	467	480	504	472	546
Total operating expenses	199	220	183	221	210
Profit before losses	268	260	321	251	336
Losses on loans, guarantees etc.	14	19	193	28	28
Profit before taxes	254	241	128	223	308
Tax expenses	69	57	38	54	66
Profit for the period	185	184	90	169	242

Group	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
% of average assets					
Net interest income	1.57	1.59	1.58	1.60	1.64
Net commission income	0.29	0.33	0.31	0.30	0.26
Net income from financial instruments	0.12	0.08	0.20	0.07	0.44
Other operating income	0.01	0.04	0.02	0.02	0.02
Total net income	1.99	2.04	2.11	1.99	2.36
Total operating expenses	0.85	0.93	0.77	0.93	0.91
Profit before losses	1.14	1.11	1.34	1.06	1.45
Losses on loans, guarantees etc.	0.06	0.08	0.81	0.12	0.12
Profit before taxes	1.08	1.03	0.53	0.94	1.33
Tax expenses	0.29	0.24	0.16	0.23	0.29
Profit for the period	0.79	0.79	0.37	0.71	1.04

SPAREBANKEN SØR

