

QUARTER 3 2014  
(UNAUDITED)



SPAREBANKEN SØR

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## Information

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. As a result, all comparative figures in the financial statements are historical figures from Sparebanken Pluss.

As the official figures do not reflect the actual trends during the period regarding the merged bank, pro forma figures have been used in the comparative figures for the key figures. Pro forma financial information has been compiled in order to show the merged bank adjusted as if the transaction had been carried out with effect from 1 January 2013. Pro forma financial information has solely been compiled for guidance purposes, and there is greater uncertainty linked to pro forma financial information than the historical information.

In addition, the recognition of negative goodwill has been excluded in the key figures presented. The merger 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 of 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 the separate note on the merger). Negative goodwill has been excluded from both the actual accounting figures and the comparative figures.

Key figures concerning equity certificates have not been reworked in the statement.

<b>Income statement (NOK million)</b>	<b>3.Q. 2014</b>	<b>3. Q. 2013</b>	<b>30.09.2014</b>	<b>30.09.2013</b>	<b>31.12.2013</b>
		<b>Pro forma</b>		<b>Pro forma</b>	<b>Pro forma</b>
Net interest income	378	380	1 136	1 059	1 443
Net commission income	73	65	206	178	252
Net income from a financial instruments	48	17	166	25	201
Other operating income	5	7	14	19	22
<b>Total income</b>	<b>504</b>	<b>469</b>	<b>1 522</b>	<b>1 281</b>	<b>1 918</b>
Total expenses	183	185	614	577	800
<b>Profit before losses on loans</b>	<b>321</b>	<b>284</b>	<b>908</b>	<b>704</b>	<b>1 118</b>
Losses on loans and guarantees	193	20	249	69	126
<b>Profit before taxes</b>	<b>128</b>	<b>264</b>	<b>659</b>	<b>635</b>	<b>992</b>
Tax expenses	38	75	158	171	219
<b>Profit for the period</b>	<b>90</b>	<b>189</b>	<b>501</b>	<b>464</b>	<b>773</b>
<b>Income statement as percentage of average asset</b>					
Net interest income	1.58 %	1.65 %	1.61 %	1.57 %	1.60 %
Net commission income	0.31 %	0.28 %	0.29 %	0.26 %	0.28 %
Net income from financial instruments	0.20 %	0.07 %	0.23 %	0.04 %	0.22 %
Other operating income	0.02 %	0.03 %	0.02 %	0.03 %	0.03 %
<b>Total income</b>	<b>2.11 %</b>	<b>2.03 %</b>	<b>2.15 %</b>	<b>1.90 %</b>	<b>2.13 %</b>
Total expenses	0.77 %	0.80 %	0.87 %	0.85 %	0.89 %
<b>Profit before losses on loans</b>	<b>1.34 %</b>	<b>1.23 %</b>	<b>1.28 %</b>	<b>1.04 %</b>	<b>1.24 %</b>
Losses on loans and guarantees	0.81 %	0.09 %	0.35 %	0.10 %	0.14 %
<b>Profit before taxes</b>	<b>0.54 %</b>	<b>1.14 %</b>	<b>0.93 %</b>	<b>0.94 %</b>	<b>1.10 %</b>
Tax expenses	0.16 %	0.32 %	0.22 %	0.25 %	0.24 %
<b>Profit for the period</b>	<b>0.38 %</b>	<b>0.82 %</b>	<b>0.71 %</b>	<b>0.69 %</b>	<b>0.86 %</b>
Average total assets	94 900	91 600	94 500	90 300	90 200
<b>Balance sheet</b>					
Total assets			93 320	91 395	93 758
Net loans to customers			79 631	76 374	77 450
Growth in loans as %. last 12 mths.			4.3 %	7.4 %	6.8 %
Customers deposits			47 633	43 034	43 740
Growth in deposits as %. last 12 mths.			10.7 %	10.8 %	8.3 %
Deposits as % of net loans			59.8 %	56.3 %	56.5 %
Equity			7 090	6 345	6 658
Losses on loans as % of net loans, annualised			0.42 %	0.12 %	0.16 %
Gross defaulted loans over 90 days as % of gross loans			0.57 %	0.58 %	0.60 %
<b>Other key figures</b>					
Cost as % of income			40.3 %	45.0 %	41.7 %
Return on equity after tax			9.9 %	10.2 %	12.3 %
Core tier 1 capital ratio			12.2 %	11.5 %	12.8 %
Core capital ratio			13.5 %	12.8 %	14.2 %
Total capital ratio			14.2 %	12.8 %	15.1 %
Total core capital			7 268	6 555	7 076
Total primary capital			7 646	6 486	7 522
Number of branches			40	44	44
Number of man-years in banking activity			462	509	489
<b>Key figures where history is not pro forma</b>					
Equity certificate ratio			141 %	75 %	71 %
Number of equity certificates issued			4 768 674	1 250 000	1 250 000
Profit/diluted earnings per equity certificate (Parent Bank)			8.5	7.4	10.3
Profit per equity certificate (Group)			14.8	12.5	18.1
Book equity per equity certificate			210	175	187
Price/Book per equity certificate			0.9	0.8	0.8
Listed price on Oslo Stock Exchange at end of period			183	138	150

## General

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. As a result of this, all comparative figures in the financial statements are historical figures from Sparebanken Pluss.

In the key figures in the interim report, pro forma figures have been compiled for the merged bank. This is intended exclusively for information purposes. In the report, reference is made to developments per third quarter of 2014 compared with the pro forma figures, as the Board of Directors believes this provides a better overview of development for the merged bank.

Sparebanken Sør is an independent savings bank with 40 offices across Aust-Agder, Vest-Agder and Telemark. The bank offers a wide range of financial products and services to the retail and corporate markets.

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

## Key features

- Stable and positive trend in net interest and commission income.
  - The bank's income developed positively during the quarter.
- Recognition of substantial losses during the quarter reduced the profit.
  - As a result of an increase in provisions for future losses following a comprehensive review of the bank's lending portfolio to the corporate market.
- Operating profit before tax of NOK 859 million.
  - Of which negative goodwill is NOK 200 million and Nets NOK 71 million.
- Growth in loans and deposits of 4.3% and 10.7% respectively after the third quarter.
- Reduction in costs as a result of downsizing became apparent during the quarter.
  - Costs as a percentage of income of 36.3% during the quarter and 38.0% year- to- date adjusted for merger costs.
- Solid equity and core capital ratio well above the regulatory requirement.

## Financial framework conditions

During 2014, Norges Bank did not alter the key interest rate, which was 1.50% at the end of the third quarter 2014. The financial markets improved in 2014 and credit spreads in the market fell during the year.

Annual growth in the general public's gross domestic debt (C2) at the end of September was 5.3%. Debt growth for households and industry amounted to 6.5% and 2.6% respectively.

Growth in the Norwegian economy is moderate, and growth in house prices has been stable in recent months. Unemployment rose slightly during the period, and the fall in the price of oil and oil investments will probably adversely affect the economic development of the region over the coming period.

### Results after the third quarter

After the third quarter of 2014, Sparebanken Sør achieved a pre-tax profit (excluding negative goodwill) of NOK 659 million, compared with NOK 635 million in 2013 (pro forma). This represents an increase in profit of NOK 24 million, of which NOK 71 million can be attributed to realised gain on Nets shares.

After the 3rd quarter, return on equity after tax, corrected for negative goodwill, was 9.9%, compared with 10.2% in the same period last year.

After the 3rd quarter, net interest income amounted to NOK 1,522 million compared with NOK 1,281 million after the 3rd quarter 2013 (pro forma). The increase is due to increased net interest, increased commission fees and the realised gain on Nets shares.

After the 3rd quarter of 2014, operating expenses (adjusted for negative goodwill) amounted to NOK 614 million, compared with NOK 577 million as at the 3rd quarter of 2013 (pro forma). NOK 35 million of the increase is non-recurring items due to the merger and around NOK 18 million in increased activity in Sørmeqleren, the bank's own estate agency business. Adjusted for these factors, the bank can report a nominal decrease in the operating costs in accordance with the objective of the merger.

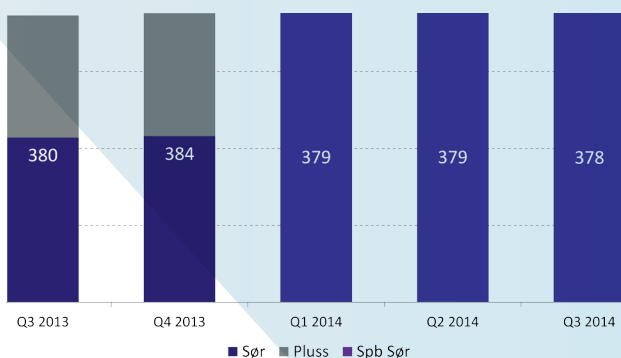
After the 3rd quarter 2014, losses on loans totalled NOK 249 million, compared with NOK 69 million after the 3rd quarter 2013 (pro forma). As a percentage of net loans, the losses are 0.42%, compared with 0.12% in the same period last year (annualised). During the third quarter, the bank increased its provisions for future losses following a comprehensive review of the bank's loan portfolio for the corporate market. As a result of this, the bank decided to recognise NOK 193 million in losses on loans in the quarter.

Growth in lending and deposits on a 12-month basis after the 3rd quarter 2014 (pro forma) amounted to 4.3% and 10.7% respectively. The bank has focus on deposits and will seek to maintain a higher growth rate in deposits than in loans.

Core tier 1 capital ratio as at 30 September 2014 was 12.2%. Sparebanken Sør is currently well-capitalised and has a total capital ratio in line with the largest regional savings banks.

### Net interest

Net interest per quarter in NOK million



After the 3rd quarter 2014, net interest income amounted to NOK 1,136 million, compared with NOK 1,059 million after the same period last year (pro forma). Lending margins increased during 2013, partly as a result of falling market interest rates (NIBOR) and partly as a result of the interest rate adjustment in May 2013.

A reduction in the mortgage interest rate was announced in October 2014. This reduction will take effect from mid-December for existing loans. For mortgages, the reduction is up to 0.35 percentage points. In April, the bank also reduced its interest rate on mortgages, yet still maintained the nominal net interest income at the same level as during the first and second quarters 2014.

At the same time as reducing its interest rate on mortgages, the bank will also adjust the deposit conditions on certain deposit products. This change will be announced individually and will have a positive effect on the bank's net interest income.

### Commission income

NOK million	Q3 2014	Q3 2013	Change	30.09.2014	30.09.2013	Change
Payment transfers	44	44	0	118	117	1
Real estate agency	21	11	10	61	33	28
Other product companies	21	20	1	62	58	4
<b>Total</b>	<b>86</b>	<b>75</b>	<b>11</b>	<b>241</b>	<b>208</b>	<b>33</b>

After the 3rd quarter 2014, net commission income totalled NOK 206 million, compared with NOK 178 million after the 3rd quarter 2013 (pro forma). The increase is mainly due to increased activity in the estate agency business.

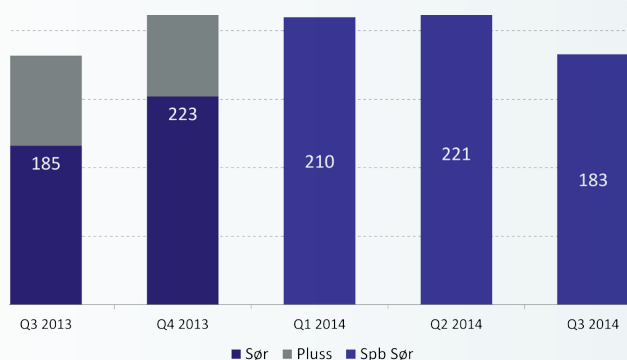
### Financial instruments

The total return on financial investments was NOK 166 million after the 3rd quarter of 2014, compared with NOK 25 million during the same time last year (pro forma). The total return breaks down as follows:

- Return on the Group's shares totalled NOK 91 million, including Nets, against NOK 29 million in 2013.
- Net income from other financial instruments totalled NOK 75 million, against NOK -4 million in 2013.

### Operating expenses

Operating expenses per quarter in NOK million



Total expenses (excluding recognition of negative goodwill) amounted to NOK 614 million after the 3rd quarter 2014, compared with NOK 577 million during the same period last year (pro forma). Excluding expenses relating to the merger and increased activity in the estate agency business, the Group can report a nominal reduction in expenses.

The staff reduction is being implemented as planned, and will reduce the cost base. Further accounting effects of the staff reduction are not expected until the end of the second half of 2014.

Total operating expenses as a percentage of average asset amounted to 0.87% (0.85%). The ratio between expenses and income within the Group was 40.3% (45.0%).

### Losses and defaulted loans

Losses on loans were charged to the financial statements in the net amount of NOK 249 million, equivalent to 0.31% of gross loans (annualised). The corresponding figures last year were NOK 69 million and 0.18% of gross loans. In addition, individual write-downs identified relating to the merger have increased by NOK 104 million to NOK 376 million (cf. Note 2).

Ahead of the merger, a study of credit quality was carried out which concentrated on the largest commitments. During 2014, a comprehensive review was carried out of a much larger proportion of the corporate portfolio, and the increase in losses during the third quarter can largely be attributed to this review. This review has identified individual losses or a number of loss events which when viewed in context resulted in an increase in individual write-downs on individual loans. The bank is working hard to improve the credit quality in order to limit future losses.

The bank's individual write-downs as at 30.09.2014 amounted to NOK 612 million. Total individual write-downs amount to 0.76% of gross loans at the end of the third quarter.

Gross defaulted loans over 90 days amounted to NOK 457 million. As a percentage of gross loans, this is equivalent to 0.57%. The corresponding figures at the year-end were NOK 213 million and 0.56%.

Following the substantial loss write-downs during the third quarter of 2014, the bank expects the future loss level to be moderate provided that the economy develops as expected.

## Loans

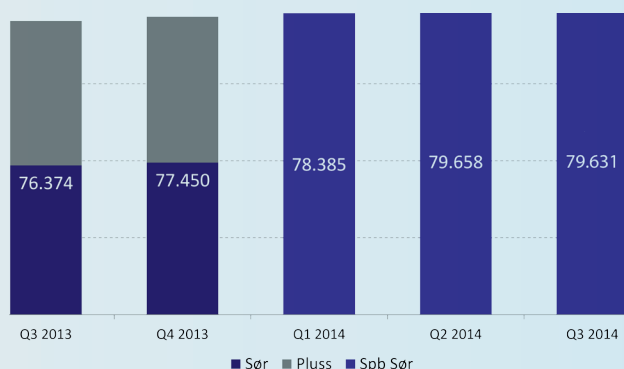
During the past 12 months, total loans increased by NOK 3.3 billion, to NOK 79.6 billion. This corresponds to 4.3%.

Loans to retail customers during the past 12 months increased by NOK 2.2 billion to NOK 52.9 billion. This corresponds to a growth of 4.2%.

Loan to corporate customers during the past 12 months has increased by NOK 1.2 billion to NOK 27.5 billion. This corresponds to a growth of 4.3%.

Loans to retail customers amounted to 66% (66%) of total loans at the end of the third quarter 2014.

Loans in NOK million



## Deposits

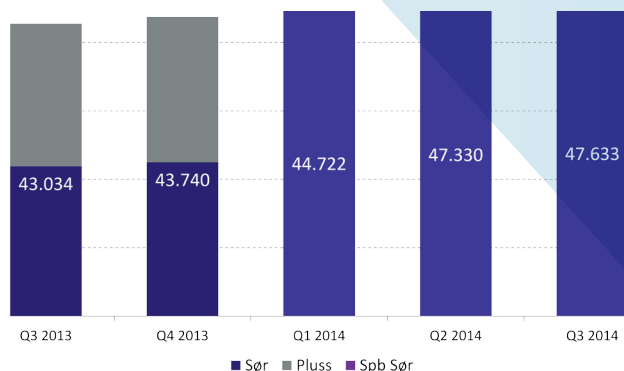
During the past 12 months, customer deposits increased by NOK 4.6 billion to NOK 47.6 billion. This corresponds to a growth of 10.7%.

During the past 12 months, deposits from retail customers increased by NOK 2.1 billion to NOK 22.5 billion. This corresponds to a growth of 10.2%.

During the past 12 months, deposits from corporate customers increased by NOK 2.1 billion to NOK 24.5 billion. This corresponds to a growth of 9.5%.

Sparebanken Sør's deposit as a percentage of net loans was 59.8% as of 30 September 2014, up from 56.3% for the same period last year.

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.

Holdings of bonds and certificates within the Group amounted to NOK 11.1 billion, compared with NOK 12.3 billion at the same time last year. At the end of the quarter, the Group's liquidity indicator for long-term financing was 105.5%.

### Primary capital and capital adequacy

Total primary capital amounted to NOK 7.7 billion. Hybrid capital amounts to NOK 0.7 billion and subordinated loans to NOK 0.4 billion. At the end of the third quarter, the core tier 1 capital ratio was 12.2%. The core capital ratio is 13.5% and the (total) capital ratio 14.2, based on the standard method in the Basel II regulations. The Group therefore fulfils the new capital requirements for financial institutions, with effect from 1 July 2014, of 13.5% for total capital and 10% for core tier 1 capital.

For the Parent Bank, the respective figures are 12.9% core Tier 1 capital, 14.4% core capital ratio and 15.1% (total) capital ratio.

### The bank's equity certificates

As at 30 September 2014, 4,768,674 equity certificates have been issued. After the third quarter, the profit (Group) per equity certificate was NOK 14.8 per certificate (excluding the recognition of negative goodwill).

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

### Subsidiaries and collaborating companies

**Sørmegleren**, the bank's own estate agency, has now been operating for almost nine months 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. Along the south coast of Norway, Sørmegleren has become, after the first nine months of the year, the market-leading estate agency by a clear margin, with a market share almost twice that of its nearest competitor.

**Sør Boligkreditt**, 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 30 September 2014, the bank had transferred NOK 21.2 billion to Sør Boligkreditt, equivalent to 40% of all loans to the retail market.

**Frende Forsikring** (holding 10%) has continued its strong growth as regards customers and premiums within both general insurance and life insurance. Frende Forsikring has made a good start to the year and delivered a profit of NOK 123,1 million after the third quarter of 2014.

**Norne Securities** (holding 17.6%) was during the third quarter characterised by somewhat less activity in the bond and stock market, in line with the more challenging market, and the company delivered a loss of NOK -0,5 million after the third quarter of 2014. Acquisitions and execution of new assignments are expected to improve the financial result in 2014.

**Brage Finans** (holding 14%) is a financing company which offers leasing and loans secured by the purchased objects to the corporate and retail markets. The company has continued the progress it made last year and recorded a profit of NOK 10,6million after the third quarter.



## The merger

During 2014, a considerable amount of work was put into implementing the merger and ensuring good integration between the two banks. The merged bank has been well-received by the market and has reinforced its position as the regional bank for Agder and Telemark. Most of the work on the merger is now considered to have been completed.

## Rating

On 5 March 2014, the new Sparebanken Sør received an A2 rating from Moody's with «Stable Outlook», which is a continuation of the previous rating of Sparebanken Pluss. Like 82 other European banks, the outlook was adjusted to a «negative outlook» at the end of May. All covered bonds issued by Sør Boligkreditt have also been rated by Moody's, with a rating of Aaa.

## Outlook

During 2013, Sparebanken Pluss and Sparebanken Sør reinforced their position in the market despite the considerable amount of work that was put into the merger, and good results were achieved by both banks. The financial results after the first nine months of the year are also satisfactory. The Group has robust financing in line with the ambitions of the Board of Directors.

The Board of Directors will continue to ensure that the bank's solvency ratio is strengthened in line with authority requirements and adopted solvency ratio and total capital ratio targets.

On 12 May, the Ministry of Finance issued regulations relating to system-important financial institutions, SIFI. Institutions with total assets which are at least 10% of mainland Norway's GDP, or at least a 5% share of the lending market, would come under the definition. Sparebanken Sør is therefore not within this definition. Regardless of this, the bank will place emphasis on good capitalisation in line with the authorities' requirements and the market's expectations.

The bank wishes to utilise the many excellent opportunities for reorganisation and streamlining following the merger. It will form the basis for a highly competitive and cost-effective bank going forward.

## Events since the end of the quarter

There have been no events reported after 30 September 2014 that affect the presented interim accounts.

### Kristiansand, 5 November 2014

Stein 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.	30.09.	30.09.	Q3	Q3		Q3	Q3	30.09.	30.09.	31.12.
2013	2013	2014	2013	2014		2014	2013	2014	2013	2013
					Notes					
1 294	974	2 115	324	715	Interest income	908	418	2 716	1 235	1 657
905	686	1 307	222	435	Interest expenses	530	260	1 580	793	1 055
<b>389</b>	<b>288</b>	<b>808</b>	<b>102</b>	<b>280</b>	<b>Net interest income</b>	<b>378</b>	<b>158</b>	<b>1 136</b>	<b>442</b>	<b>602</b>
96	71	205	26	78	Commission income	86	24	241	67	91
11	8	34	2	13	Commission expenses	13	2	35	8	11
<b>85</b>	<b>63</b>	<b>171</b>	<b>24</b>	<b>65</b>	<b>Net commission income</b>	<b>73</b>	<b>22</b>	<b>206</b>	<b>59</b>	<b>80</b>
9	5	9	1	1	Dividend	1	1	9	5	9
28	22	178	6	44	Net income from other financial instruments	47	-2	157	2	10
<b>37</b>	<b>27</b>	<b>187</b>	<b>7</b>	<b>45</b>	<b>Net income from financial instruments</b>	<b>48</b>	<b>-1</b>	<b>166</b>	<b>7</b>	<b>19</b>
15	11	11	4	4	Other operating income	5	4	14	9	11
<b>526</b>	<b>389</b>	<b>1 177</b>	<b>137</b>	<b>394</b>	<b>Total income</b>	<b>504</b>	<b>183</b>	<b>1 522</b>	<b>517</b>	<b>712</b>
142	108	283	37	89	Wages and other personnel expenses	103	37	325	108	142
14	11	25	4	9	Depreciation and write-down of fixed assets and intangible assets	10	4	28	11	15
		-200			Negative goodwill			-200		
109	79	251	26	67	Other operating expenses	70	25	261	83	114
<b>265</b>	<b>198</b>	<b>359</b>	<b>67</b>	<b>165</b>	<b>Total expenses</b>	<b>183</b>	<b>66</b>	<b>414</b>	<b>202</b>	<b>271</b>
<b>261</b>	<b>191</b>	<b>818</b>	<b>70</b>	<b>229</b>	<b>Profit before losses on loans</b>	<b>321</b>	<b>117</b>	<b>1 108</b>	<b>315</b>	<b>441</b>
28	17	249	5	193	Losses on loans, guarantees, etc.	2	193	5	249	17
<b>233</b>	<b>174</b>	<b>569</b>	<b>65</b>	<b>36</b>	<b>Profit before taxes</b>	<b>7</b>	<b>128</b>	<b>112</b>	<b>859</b>	<b>413</b>
60	50	81	18	13	Tax expenses	12	38	158	88	111
<b>173</b>	<b>124</b>	<b>488</b>	<b>47</b>	<b>23</b>	<b>Profit for the period</b>	<b>90</b>	<b>80</b>	<b>701</b>	<b>210</b>	<b>302</b>
					Minority interests					
<b>173</b>	<b>124</b>	<b>488</b>	<b>47</b>	<b>23</b>	<b>Majority interests</b>	<b>90</b>	<b>80</b>	<b>701</b>	<b>210</b>	<b>302</b>
					<b>Other comprehensive income</b>					
<b>173</b>	<b>124</b>	<b>488</b>	<b>47</b>	<b>23</b>	<b>Profit for the period</b>	<b>90</b>	<b>80</b>	<b>701</b>	<b>210</b>	<b>302</b>
-25					Recognised estimate deviations, pensions					-25
7					Tax effect of recognised estimate deviations, pensions					7
<b>155</b>	<b>124</b>	<b>488</b>	<b>47</b>	<b>23</b>	<b>Total comprehensive income for the period</b>	<b>90</b>	<b>80</b>	<b>701</b>	<b>210</b>	<b>284</b>

All comparative figures are historical figures for Sparebanken Pluss

PARENT BANK			NOK million		GROUP		
31.12. 2013	30.09. 2013	30.09. 2014		Notes	30.09. 2014	30.09. 2013	31.12. 2013
			<b>ASSETS</b>				
1 340	528	465	Cash and receivables from central banks		465	528	1 340
579	617	1 520	Loans to and receivables from credit institutions		213	18	50
26 667	26 093	58 598	Net loans to customers	2,3,5,7,8	79 631	37 624	37 987
0		2	Repossessed properties		2		0
7 620	8 420	12 463	Bonds and certificates	8	11 123	5 585	5 783
98	215	410	Shares	8	410	215	98
203	201	528	Financial derivatives	8,9	622	202	203
525	525	1 284	Shareholdings in group companies				
2	2	12	Shareholdings in associated companies		12	2	2
		22	Intangible assets		25		
2			Deferred tax asset		6		2
264	266	511	Fixed assets		682	266	264
30	33	85	Other assets		129	33	30
<b>37 330</b>	<b>36 900</b>	<b>75 900</b>	<b>TOTAL ASSETS</b>	<b>8</b>	<b>93 320</b>	<b>44 473</b>	<b>45 759</b>
			<b>LIABILITIES AND EQUITY</b>				
2 027	2 032	756	Debts to credit institutions		639	2 032	2 027
21 264	21 149	47 666	Deposits from customers	4,7,8	47 633	21 149	21 264
9 799	9 873	18 915	Debt incurred due to issue of securities	8,10	35 883	17 209	17 935
241	234	393	Financial derivatives	8,9	396	236	241
71	56	52	Payable taxes		147	94	123
81	141	295	Other liabilities		340	142	83
76	70	92	Provisions for commitments		92	70	76
		2	Deferred tax				
899	498	1 100	Subordinated loan capital	8,10	1 100	498	899
<b>34 458</b>	<b>34 053</b>	<b>69 271</b>	<b>Total liabilities</b>		<b>86 230</b>	<b>41 430</b>	<b>42 648</b>
204	205	894	Equity certificate capital	11	894	205	204
2 668	2 642	5 735	Other equity		6 196	2 838	2 907
<b>2 872</b>	<b>2 847</b>	<b>6 629</b>	<b>Total equity</b>	<b>6</b>	<b>7 090</b>	<b>3 043</b>	<b>3 111</b>
<b>37 330</b>	<b>36 900</b>	<b>75 900</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8</b>	<b>93 320</b>	<b>44 473</b>	<b>45 759</b>

All comparative figures are historical figures for Sparebanken Pluss

## Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12. 2013	30.09. 2013	30.09. 2014		30.09. 2014	30.09. 2013	31.12. 2013
1 254	1 005	2 138	Interest payments received	2 803	1 266	1 614
-921	-467	-1 331	Interest payments made	-1 699	-574	-1 072
119	87	291	Other payments received	310	80	111
-266	-138	-510	Operating payments	-541	-142	-272
2	1	3	Recoveries from confirmed losses	3	1	2
-82	-82	-135	Period tax paid	-211	-115	-115
-10	-7	-23	Gifts paid	-23	-7	-10
		-6	Paid group contribution			
1 870	1 513	3 910	Change in customer deposits	3 893	1 513	1 870
-1 608	-1 031	-4 395	Change in loans to customers	-2 373	-1 999	-2 365
<b>358</b>	<b>881</b>	<b>-58</b>	<b>Net cash flow from operational activities</b>	<b>2 162</b>	<b>23</b>	<b>-237</b>
16 409	12 250	11 851	Payments received regarding securities	8 565	11 150	13 679
-12 464	-9 221	-8 002	Payments made regarding securities	-7 424	-9 146	-12 389
1	1	30	Payments received regarding sale of fixed assets	30	1	1
-8	-7	-31	Payments made regarding purchase of fixed assets	-31	-7	-8
1	-1		Change in other assets	76	-1	1
<b>3 939</b>	<b>3 022</b>	<b>3 848</b>	<b>Net cash flow from investment activities</b>	<b>1 216</b>	<b>1 997</b>	<b>1 284</b>
-5	-42	528	Change in loans to credit institutions	102	2	-30
-3 278	-3 277	-3 906	Change in deposits from credit institutions	-2 858	-3 277	-3 278
2 501	1 242	2 150	Payments received, bond debt	3 650	4 841	8 529
-3 039	-1 772	-3 778	Payments made, bond debt	-5 587	-3 532	-5 794
401			Payments received, subordinated loan capital			401
-13	-13	-42	Dividend payment	-42	-13	-13
1	12	2	Change in other liabilities	101	12	3
<b>-3 432</b>	<b>-3 850</b>	<b>-5 046</b>	<b>Net cash flow from financing activities</b>	<b>-4 634</b>	<b>-1 967</b>	<b>-182</b>
<b>865</b>	<b>53</b>	<b>-1 256</b>	<b>Net change in liquid assets</b>	<b>-1 256</b>	<b>53</b>	<b>865</b>
475	475	1 721	Cash and cash equivalents as at 1 January	1 721	475	475
<b>1 340</b>	<b>528</b>	<b>465</b>	<b>Cash and cash equivalents at end of period</b>	<b>465</b>	<b>528</b>	<b>1 340</b>

GROUP NOK million	Equity certificates	Premium fund	Dividend		Primary capital	Gift fund	Other equity	Minority interests	TOTAL
			equalisation fund						
<b>Balance as at 31.12.2012</b>	<b>125</b>	<b>34</b>	<b>46</b>		<b>2 493</b>	<b>32</b>	<b>123</b>		<b>2 853</b>
Dividend distributed for 2012							-13		-13
Profit, 1.1-30.9. 2013							210		210
Other comprehensive income									-
Distributed by gift fund						-7			-7
<b>Balance as at 30.09.2013</b>	<b>125</b>	<b>34</b>	<b>46</b>		<b>2 493</b>	<b>25</b>	<b>320</b>	<b>0</b>	<b>3 043</b>
Profit, 1.10-31.12.2013					147	13	-68		92
Other comprehensive income				-1	-17				-18
Distributed by gift fund						-6			-6
<b>Balance as at 31.12.2013</b>	<b>125</b>	<b>34</b>	<b>45</b>		<b>2 623</b>	<b>32</b>	<b>252</b>	<b>0</b>	<b>3 111</b>
Equity added through merger	349	141			2 795	13	2	7	3 307
<b>Balance as at 01.01.2014</b>	<b>474</b>	<b>175</b>	<b>45</b>		<b>5 418</b>	<b>45</b>	<b>254</b>	<b>7</b>	<b>6 418</b>
Dividend distributed for 2013							-13		-13
Profit, 1.1-30.9.2014			200				501		701
Distributed from gift fund						-16			-16
<b>Balance as at 30.09.2014</b>	<b>474</b>	<b>175</b>	<b>245</b>		<b>5 418</b>	<b>29</b>	<b>742</b>	<b>7</b>	<b>7 090</b>
PARENT BANK									
<b>Balance as at 31.12.2012</b>	<b>125</b>	<b>34</b>	<b>46</b>		<b>2 493</b>	<b>32</b>	<b>13</b>		<b>2 743</b>
Dividend distributed for 2012							-13		-13
Profit, 1.1-30.9. 2013							124		124
Other comprehensive income									0
Distributed by gift fund						-7			-7
<b>Balance as at 30.09.2013</b>	<b>125</b>	<b>34</b>	<b>46</b>		<b>2 493</b>	<b>25</b>	<b>124</b>	<b>0</b>	<b>2 847</b>
Profit, 1.10-31.12.2013					147	13	-111		49
Other comprehensive income				-1	-17				-18
Distributed by gift fund						-6			-6
<b>Balance as at 31.12.2013</b>	<b>125</b>	<b>34</b>	<b>45</b>		<b>2 623</b>	<b>32</b>	<b>13</b>	<b>0</b>	<b>2 872</b>
Equity added through merger	349	141			2 795	13			3 298
<b>Balance as at 01.01.2014</b>	<b>474</b>	<b>175</b>	<b>45</b>		<b>5 418</b>	<b>45</b>	<b>13</b>	<b>0</b>	<b>6 170</b>
Dividend distributed for 2013							-13		-13
Profit, 1.1-30.9.2014			200				288		488
Distributed by gift fund						-16			-16
<b>Balance as at 30.09.2014</b>	<b>474</b>	<b>175</b>	<b>245</b>		<b>5 418</b>	<b>29</b>	<b>288</b>	<b>0</b>	<b>6 629</b>

## 1. ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with International Standards for Financial Reporting (IFRS), including IAS34. Sparebanken Sør and Sparebanken Pluss merged on 1 January 2014 with Sparebanken Pluss taking over Sparebanken Sør. With effect from the same date, Sparebanken Pluss was renamed Sparebanken Sør.

The accounting principles are the same as those used in the 2013 annual financial statements for Sparebanken Pluss. As a result of the merger, the figures for the year are not directly comparable with the figures for previous periods. As regards the merger, reference is also made to the separate note on the merger.

The segment accounts have changed in relation to the previous presentation for Sparebanken Pluss in that Sør Boligkreditt AS comes under the retail market.

New standards applicable for 2014 have had no effect on the financial statements for the third quarter of 2014.

## 2. LOSSES ON LOANS AND GUARANTEES

PARENT BANK			NOK million	GROUP		
31.12.13	30.09.13	30.09.14	Individual write-downs	30.09.14	30.09.13	31.12.13
52	52	73	Individual write-downs at start of period	73	52	52
0	0	376	Individual write-downs identified in connection with merger	376	0	0
2	1	65	- Period's confirmed loss where individual write-down has been performed previously	65	1	2
7	7	64	+ Increased individual write-downs during the period	64	7	7
21	7	184	+ New individual write-downs during the period	184	7	21
5	4	20	- Reversal of individual write-downs during the period	20	4	5
<b>73</b>	<b>61</b>	<b>612</b>	<b>= Individual write-downs at end of period</b>	<b>612</b>	<b>61</b>	<b>73</b>

PARENT BANK				GROUP		
31.12.13	30.09.13	30.09.14	Collective write-downs on loans	30.09.14	30.09.13	31.12.13
92	92	92	Collective write-downs of loans at start of period	92	92	92
0	0	96	Write-downs of collective loans identified in connection with merger	102	0	0
0	0	0	+ Change in collective write-downs during the period	0	0	0
<b>92</b>	<b>92</b>	<b>188</b>	<b>= Collective write-down of loans at end of period</b>	<b>194</b>	<b>92</b>	<b>92</b>

PARENT BANK				GROUP		
31.12.13	30.09.13	30.09.14	Loss (expense) on loans during the period	30.09.14	30.09.13	31.12.13
22	14	163	Change in individual write-downs during the period	163	14	22
0	0	0	+ Change in collective write-downs during the period	0	0	0
2	1	65	+ Period's confirmed loss where individual write-down has been performed previously	65	1	2
1	1	18	+ Period's confirmed loss where no individual write-down has been performed previously	18	1	1
5	2	6	+ Recognised as interest income	6	2	5
2	1	3	- Period's recoveries relating to previous losses	3	1	2
<b>28</b>	<b>17</b>	<b>249</b>	<b>= Loss expense during the period</b>	<b>249</b>	<b>17</b>	<b>28</b>

### 3. DEFAULTED AND DOUBTFUL LOANS

PARENT BANK			NOK million	GROUP		
31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
49	64	289	Gross defaulted loans 31–60 days	292	64	49
1	5	63	Gross defaulted loans 61–90 days	64	5	1
213	132	457	Gross defaulted loans >90 days	457	132	213
<b>263</b>	<b>201</b>	<b>809</b>	<b>Defaulted loans</b>	<b>813</b>	<b>201</b>	<b>263</b>
55	42	186	Individual write-downs	186	42	55
<b>208</b>	<b>159</b>	<b>623</b>	<b>Net defaulted loans</b>	<b>627</b>	<b>159</b>	<b>208</b>
<b>0.79%</b>	<b>0.50%</b>	<b>0.78%</b>	<b>Gross defaulted loans &gt; 90 days in % of gross loans</b>	<b>0.57%</b>	<b>0.35%</b>	<b>0.56%</b>
90	107	1 131	Other doubtful loans	1 131	107	90
21	19	426	Individual write-downs	426	19	21
<b>69</b>	<b>88</b>	<b>705</b>	<b>Net doubtful loans</b>	<b>705</b>	<b>88</b>	<b>69</b>

A defaulted loan is the sum of a customer's total loan amount if part of the customer's total loan has been overdrawn or has arrears exceeding NOK 1,000 for more than 30 days.

### 4. CUSTOMER DEPOSITS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
7 919	7 685	22 548	Retail customers	22 548	7 685	7 919
2 271	1 928	4 496	Public administration	4 496	1 928	2 271
48	49	288	Primary industry	288	49	48
1 165	1 121	1 689	Manufacturing	1 689	1 121	1 165
1 318	1 258	2 127	Building and Construction	2 127	1 258	1 318
782	953	940	Transport and communication	940	953	782
677	722	818	Retail trade	818	722	677
49	44	175	Hotel and restaurant	175	44	49
1 708	1 712	3 390	Property management	3 358	1 712	1 708
974	1 244	2 622	Financial/commercial services	2 621	1 244	974
4 338	4 175	7 910	Other industries	7 910	4 175	4 338
15	258	663	Accrued interest	663	258	15
<b>21 264</b>	<b>21 149</b>	<b>47 666</b>	<b>Total deposits from customers</b>	<b>47 633</b>	<b>21 149</b>	<b>21 264</b>

### 5. GROSS LOANS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
11 911	11 726	32 303	Retail customers	53 134	23 168	23 155
3	4	24	Public administration	24	4	3
122	124	657	Primary industry	683	137	133
209	205	822	Manufacturing	835	207	211
2 300	2 189	4 100	Building and Construction	4 186	2 214	2 314
141	170	542	Transport and communication	588	171	141
549	461	1 239	Retail trade	1 285	469	558
79	80	385	Hotel and restaurant	395	81	79
8 321	8 093	14 023	Property management	13 866	8 094	8 322
401	414	1 552	Financial/commercial services	1 603	423	411
2 718	2 724	3 617	Other industries	3 680	2 740	2 735
80	55	134	Accrued interest	158	68	92
<b>26 834</b>	<b>26 245</b>	<b>59 398</b>	<b>TOTAL GROSS LOANS</b>	<b>80 437</b>	<b>37 776</b>	<b>38 154</b>
167	152	800	Write-downs on lending	806	152	167
<b>26 667</b>	<b>26 093</b>	<b>58 598</b>	<b>TOTAL NET LOANS</b>	<b>79 631</b>	<b>37 624</b>	<b>37 987</b>

## 6. PRIMARY CAPITAL AND CAPITAL ADEQUACY

PARENT BANK			NOK million	GROUP		
31.12.13	30.09.13	30.09.14		30.09.14	30.09.13	31.12.13
125	125	474	Equity certificates	474	125	125
34	34	175	Premium fund	175	34	34
2 635	2 580	5 418	Primary capital	5 418	2 753	2 876
31	24	29	Gift fund	29	24	31
44	44	245	Equalisation fund	245	44	44
			Other equity	252		
0	0	-22	- Deduction for intangible assets and deferred tax assets	-25	0	0
<b>2 869</b>	<b>2 807</b>	<b>6 319</b>	<b>Total core Tier 1 capital</b>	<b>6 568</b>	<b>2 980</b>	<b>3 110</b>
500	500	700	Hybrid capital	700	500	500
-15	0	0	- Deduction for intangible assets and deferred tax assets	0	0	-15
<b>3 354</b>	<b>3 307</b>	<b>7 019</b>	<b>Total core capital</b>	<b>7 268</b>	<b>3 480</b>	<b>3 595</b>
			<b>Additional capital over core capital:</b>			
400	0	400	Subordinated loan capital	400	0	400
<b>400</b>	<b>0</b>	<b>400</b>	<b>Total additional core capital</b>	<b>400</b>	<b>0</b>	<b>400</b>
-21	-21	-22	- Deduction from core and additional capital	-22	-21	-21
<b>3 733</b>	<b>3 286</b>	<b>7 397</b>	<b>Total primary capital</b>	<b>7 646</b>	<b>3 459</b>	<b>3 974</b>
			<b>Minimum requirement for subordinated capital Basel II calculated according to the standard method:</b>			
3	2	5	Engagements with local and regional authorities	5	2	3
199	186	439	Engagements with institutions	82	23	18
770	784	1 265	Engagements with enterprises	1 265	783	770
338	326	767	Engagements with the mass market	874	327	341
414	408	1 021	Engagements secured in property	1 615	754	753
23	19	88	Engagements which have fallen due	88	19	23
2	2	0	Engagements which are high-risk	0	2	2
38	46	67	Engagements in covered bonds	56	24	23
0	2	0	Engagements in collective investment funds	0	2	0
51	51	63	Engagements, other	63	51	51
<b>1 838</b>	<b>1 826</b>	<b>3 715</b>	<b>Capital requirements for credit and counterparty risk</b>	<b>4 048</b>	<b>1 987</b>	<b>1 984</b>
<b>0</b>	<b>0</b>	<b>2</b>	<b>Capital requirements for position, currency and product risk</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>81</b>	<b>81</b>	<b>193</b>	<b>Capital requirements for operational risk</b>	<b>232</b>	<b>93</b>	<b>93</b>
		<b>1</b>	<b>CVA addition</b>	<b>12</b>		
<b>-9</b>	<b>-9</b>	<b>0</b>	<b>Deduction from the capital requirement</b>	<b>0</b>	<b>-9</b>	<b>-9</b>
<b>1 910</b>	<b>1 898</b>	<b>3 911</b>	<b>Total minimum requirement for primary capital</b>	<b>4 294</b>	<b>2 071</b>	<b>2 068</b>
23 875	23 725	48 888	Risk-weighted balance (calculation basis)	53 675	25 888	25 850
11.9 %	11.7 %	12.9 %	Core tier 1 capital ratio, %	12.2 %	11.4 %	11.9 %
14.0 %	13.9 %	14.4 %	Core capital ratio, %	13.5 %	13.4 %	13.8 %
15.6 %	13.9 %	15.1 %	Total capital ratio, %	14.2 %	13.4 %	15.4 %



## 7. SEGMENT REPORTING

Reporting per segment	Group 30.09.2014				Group 30.09.2013			
	RM	CM	Undistrib. and elimin.	Total	RM	CM	Undistrib. and elimin.	Total
<b>Income statement (NOK million)</b>								
Net interest (and credit commission income)	717	386	33	1 136	352	163	-73	442
Net other operating income	114	43	229	386	120	17	-62	75
Operating expenses	256	67	91	414	88	20	94	202
<b>Profit before losses per segment</b>	<b>575</b>	<b>362</b>	<b>171</b>	<b>1 108</b>	<b>384</b>	<b>160</b>	<b>-229</b>	<b>315</b>
Losses on loans, guarantees	4	245	0	249	10	2	5	17
<b>Profit before tax per segment</b>	<b>571</b>	<b>117</b>	<b>171</b>	<b>859</b>	<b>374</b>	<b>158</b>	<b>-234</b>	<b>298</b>
Net loans to customers	53 019	26 504	108	79 631	25 255	11 308	1 061	37 624
Other assets			13 689	13 689	543	218	6 088	6 849
<b>Total assets per segment</b>	<b>53 019</b>	<b>26 504</b>	<b>13 797</b>	<b>93 320</b>	<b>25 798</b>	<b>11 526</b>	<b>7 149</b>	<b>44 473</b>
Deposits from customers	24 376	19 103	4 154	47 633	10 917	6 415	3 817	21 149
Other liabilities	28 643	7 401	2 553	38 597	14 881	5 111	289	20 281
<b>Total liabilities per segment</b>	<b>53 019</b>	<b>26 504</b>	<b>6 707</b>	<b>86 230</b>	<b>25 798</b>	<b>11 526</b>	<b>4 106</b>	<b>41 430</b>
Equity			7 090	7 090			3 043	3 043
<b>Total liabilities and equity per segment</b>	<b>53 019</b>	<b>26 504</b>	<b>13 797</b>	<b>93 320</b>	<b>25 798</b>	<b>11 526</b>	<b>7 149</b>	<b>44 473</b>

## 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 uncorrected 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 30 Fair value of financial instruments in the 2013 annual financial statements.

## Notes

PARENT BANK				NOK million	GROUP			
Recognised value	Fair value			30.09.2014	Recognised value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognised at amortised cost</b>								
51 805				51 805	72 838			72 838
<b>Assets recognised at fair value</b>								
6 793				6 793	6 793			6 793
12 463		12 463			11 123		11 123	
410	45			365	410	45		365
528		528			622		622	
16		16			16		16	
<b>72 015</b>	<b>45</b>	<b>13 007</b>	<b>58 963</b>	<b>Total financial assets</b>	<b>91 802</b>	<b>45</b>	<b>11 761</b>	<b>79 996</b>
<b>Liabilities recognised at amortised cost</b>								
756		756			639		639	
47 666			47 666		47 633			47 633
18 915		19 231			35 883		36 398	
1 100		1 113			1 100		1 113	
<b>Liabilities recognised at fair value</b>								
393		393			396		396	
16		16			16		16	
<b>68 846</b>	<b>0</b>	<b>21 509</b>	<b>47 666</b>	<b>Total financial liabilities</b>	<b>85 667</b>	<b>0</b>	<b>38 562</b>	<b>47 633</b>

PARENT BANK				NOK million	GROUP			
Recognised value	Fair value			31.12.2013	Recognised value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognised at amortised cost</b>								
21 194				21 194	32 514			32 514
1 261		1 271						
<b>Assets recognised at fair value</b>								
5 473				5 473	5 473			5 473
6 360		6 360			5 783		5 783	
98	7			92	98	7		92
203		203			203		203	
16		16			16		16	
<b>34 605</b>	<b>7</b>	<b>7 850</b>	<b>26 759</b>	<b>Total financial assets</b>	<b>44 087</b>	<b>7</b>	<b>6 002</b>	<b>38 079</b>
<b>Liabilities recognised at amortised cost</b>								
2 027		2 027			2 027		2 027	
21 264			21 264		21 264			21 264
9 799		9 882			17 935		18 063	
899		894			899		894	
<b>Liabilities recognised at fair value</b>								
241		241			241		241	
16		16			16		16	
<b>34 246</b>	<b>0</b>	<b>13 060</b>	<b>21 264</b>	<b>Total financial liabilities</b>	<b>42 382</b>	<b>0</b>	<b>21 241</b>	<b>21 264</b>

PARENT BANK				NOK million	GROUP			
Recognised value	Fair value			30.09.2013	Recognised value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognised at amortised cost</b>								
20 546				20 546	32 077			32 077
1 562		1 573						
<b>Assets recognised at fair value</b>								
5 547				5 547	5 547			5 547
6 858		6 858			5 585		5 585	
215	5	120	90		215	5	120	90
201		201			202		202	
17		17			17		17	
<b>34 946</b>	<b>5</b>	<b>8 769</b>	<b>26 183</b>	<b>Total financial assets</b>	<b>43 643</b>	<b>5</b>	<b>5 924</b>	<b>37 714</b>
<b>Liabilities recognised at amortised cost</b>								
2 032		2 032			2 032		2 032	
21 149			21 149		21 149			21 149
9 873		9 947			17 209		17 351	
498		507			498		507	
<b>Liabilities recognised at fair value</b>								
234		234			236		236	
17		17			17		17	
<b>33 803</b>	<b>0</b>	<b>12 737</b>	<b>21 149</b>	<b>Total financial liabilities</b>	<b>41 141</b>	<b>0</b>	<b>20 143</b>	<b>21 149</b>

### Movement category 3

GROUP / PARENT BANK

NOK million	Loan to customers	Of which, credit risk	Shares	Of which, credit risk
<b>Recognised value as at 01.01.2013</b>	<b>5 471</b>	<b>-93</b>	<b>88</b>	<b>0</b>
Acquisitions during quarter 1-3 2013	492			
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	-54	-7	2	0
Disposals during quarter 1- 3 2013	-362			
<b>Recognised value as at 30.09.2013</b>	<b>5 547</b>	<b>-100</b>	<b>90</b>	<b>0</b>
Acquisitions, quarter 4 2013	42			
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	6	-5	22	0
Disposals, quarter 4 2013	-122		-21	
<b>Recognised value as at 31.12.2013</b>	<b>5 473</b>	<b>-105</b>	<b>92</b>	<b>0</b>
Acquisitions during quarter 1 -3 2014 (incl. acquisitions, merger)	2 358	-54	514	
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	92	54	77	0
Disposals during quarter 1 - 3 2014	-1 130		-318	
<b>Recognised value as at 30.09.2014</b>	<b>6 793</b>	<b>-105</b>	<b>365</b>	<b>0</b>

### Sensitivity analysis

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

GROUP / PARENT BANK

NOK million	30.09.2014	30.09.2013	31.12.2013
Loan to customers	22	22	21
- of which, loans to the corporate market (CM)	9	11	11
- of which, loans to the retail market (RM)	13	11	10

## 9. OFFSETTING

NOK million	GROUP					
	30.09.2014	30.09.2014 (1) presented net	30.09.2013	30.09.2013 (1) presented net	31.12.2013	31.12.2013 (1) presented net
Assets						
Financial derivatives	622	266	202	92	203	99
Liabilities						
Financial derivatives	396	40	236	126	241	137
Morbank						
NOK million	30.09.2014	30.09.2014 (1) presented net	30.09.2013	30.09.2013 (1) presented net	31.12.2013	31.12.2013 (1) presented net
Assets						
Financial derivatives	528	175	201	92	203	99
Liabilities						
Financial derivatives	393	40	234	125	241	137

(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 counterparty.

The bank and the Group's counter-claim rights adhere to common Norwegian law. The Bank and 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	30.09.2014	30.09.2013	31.12.2013
Bonds, nominal value	18 300	9 667	9 600
Value adjustments	422	108	104
Accrued interest	193	98	95
<b>Debt incurred due to issue of securities</b>	<b>18 915</b>	<b>9 873</b>	<b>9 799</b>

### Change in debt securities – parent bank

NOK million	31.12.2013	Supplied in the merger	Issued	Matured/ Redeemed	Other changes during the period	30.09.2014
Bonds, nominal value	9 600	10 328	2 150	-3 778		18 300
Value adjustments	104	339			-21	422
Accrued interest	95	194			-96	193
<b>Debt incurred due to issue of securities</b>	<b>9 799</b>	<b>10 861</b>	<b>2 150</b>	<b>-3 778</b>	<b>-117</b>	<b>18 915</b>

### Debt securities – group

NOK million	30.09.2014	30.09.2013	31.12.2013
Bonds, nominal value	35 144	16 995	17 728
Value adjustments	502	104	100
Accrued interest	237	110	107
<b>Debt incurred due to issue of securities</b>	<b>35 883</b>	<b>17 209</b>	<b>17 935</b>

### Change in debt securities – group

NOK million	31.12.2013	Supplied in the merger	Issued	Matured/ Redeemed	Other changes during the period	30.09.2014
Bonds, nominal value	17 728	19 353	3 650	-5 587		35 144
Value adjustments	100	365			37	502
Accrued interest	107	240			-110	237
<b>Debt incurred due to issue of securities</b>	<b>17 935</b>	<b>19 958</b>	<b>3 650</b>	<b>-5 587</b>	<b>-73</b>	<b>35 883</b>

### Change in subordinated loan capital and hybrid capital – parent bank and group

NOK million	31.12.2013	Supplied in the merger	Issued	Matured/ Redeemed	Other changes during the period	30.09.2014
Subordinated loans	400					400
Hybrid capital	500	200				700
Value adjustments	-1	1				0
<b>Total subordinated loan capital</b>	<b>899</b>	<b>201</b>				<b>1 100</b>

## 11. EQUITY CERTIFICATE OWNERS

The twenty largest equity certificate owners as at 30.09.2014

	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. MP Pensjon PK	26 900	0.56
2. Pareto AS	124 150	2.60	12. Spareskillingsbanken	26 600	0.56
3. Glastad Invest AS	91 250	1.91	13. Allumgården	25 179	0.53
4. Verdipapirfondet EIKA	65 750	1.38	14. Birkenes Sparebank	20 000	0.42
5. Sparebankstiftelsen DNB	62 300	1.31	15. Flekkefjord Sparebank	15 800	0.33
6. Brøvig Holding AS	34 800	0.73	16. Albert Alf	15 000	0.31
7. Harald Espedal AS	34 542	0.72	17. Apriori Holding AS	13 900	0.29
8. Varodd AS	32 800	0.69	18. Strømme Leif Eieendom	13 400	0.28
9. Gumpen Bileiendom AS	32 350	0.68	19. Lund Hans Arvid	12 175	0.26
10. Sparebanken Sør	31 600	0.66	20. Spectatio Invest	11 900	0.25
<b>Total – 10 largest owners</b>	<b>4 028 216</b>	<b>84.47</b>	<b>Total – 20 largest owners</b>	<b>4 209 070</b>	<b>88.25</b>

As at 30.09.2014, Sparebanken Sør owns 31,600 of its own equity certificates. Equity certificate ratio as at 31.12.2013 was 713.

The equity certificate ratio in the merging bank is 14.1%, cf. note 13.

As at 30.09.2014, 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% has been used as a basis. The tax expense as at the third quarter of 2014 is low due to the recognised negative goodwill and realised gain of Nets shares.

## 13. MERGER

The merger of Sparebanken Pluss and Sparebanken Sør took place on 1 January 2014. Sparebanken Pluss is the takeover bank in the merger and has changed its name to Sparebanken Sør. In accounting terms, the merger has been carried out according to the acquisition method, in line with IFRS 3. The bank has its head office in Kristiansand.

On 12 March 2013, the Boards of Directors of the banks confirmed a Letter of Intent regarding the merger. On 15 May 2013, the merger plan was accepted by the Boards of Directors of the banks and the merger was finally ratified by the banks' Board of Trustees on 20 June 2013. On 17 December 2013, the Boards of Directors of the two banks confirmed the implementation of the merger as of 1 January 2014, after authorisation had been obtained from the Financial Supervisory Authority and the Ministry of Finance. In the final merger plan, the exchange ratio was determined and a decision was made to increase the capital in Sparebanken Pluss by 3,518,674 new equity certificates that were to represent remuneration to the equity certificate holders in Sparebanken Sør.

The fair value of the 3,518,674 equity certificates issued as remuneration to the equity certificate holders in Sparebanken Sør was set at NOK 140 per equity certificate. The value used is the final quoted price before the merger was implemented on 1 January 2014, adjusted because the fee certificates were not entitled to dividends for 2013. In addition, dividends approved for distribution to equity certificate owners in the «old» Sparebanken Sør have been treated as a cash fee.

The Sparebanken's primary capital was adjusted up to the stake of net assets, in accordance with the acquisition analysis. Negative goodwill was calculated and determined as the difference between the fair value of the issued equity certificates and their stake of the net assets at the point of acquisition. The table below shows the remuneration, fair value of assets and liabilities from Sparebanken Sør, and also the calculation of negative goodwill at the point of implementation.

Fee	Quantity	Value per equity certificate	Fee, NOK million
Equity instruments (3,518,674 ordinary equity certificates)	3 518 674	140,0	493
Dividend/cash fee to equity capital certificate owners			30
<b>Total fees</b>			<b>522</b>
<b>Identifiable assets and liabilities in the balance sheet</b>		Parent Bank	Group
Cash and receivables from central banks		381	381
Loans to and receivables from credit institutions		1 485	285
Gross loans, customers		28 144	39 885
Provisions for losses		-472	-478
Repossessed properties		2	2
Bonds and certificates		8 464	6 445
Shares		536	536
Financial derivatives		363	400
Shareholding in group companies		757	
Intangible assets		4	7
Goodwill			
Deferred tax asset		24	11
Fixed assets		266	432
Other assets		34	55
Debts to credit institutions		-2 630	-1 465
Deposits from customers		-22 492	-22 476
Debt incurred due to issue of securities		-10 861	-19 958
Financial derivatives		-61	-66
Other liabilities		-106	-137
Obligations associated with period tax		-64	-111
Provisions for obligations		-38	-34
Hybrid capital		-201	-201
<b>Net assets</b>		<b>3 532</b>	<b>3 532</b>
Sparebanken's primary capital (owner ratio 79.54)		2 809	2 809
Equity certificate capital's share of identifiable net assets (owner ratio 20.46)		723	723
<b>Total fees</b>		<b>522</b>	<b>522</b>
Negative goodwill (fee - value-adjusted equity certificate capital)		-200	-200

Negative goodwill of NOK 200 million has been entered as revenue in its entirety in 2014, in the income statement, and will be transferred to the bank's equalisation fund to prevent equity dilution. In the calculation of net assets included in the merger, the dividend for 2013 (paid to equity certificate owners in the transferring company) and appropriated gifts have been excluded. These could have been included as part of the fee in connection with the merger, as they went to the bank's owners at the time of the merger.

If the merger had been carried out with effect from 1 January 2013, the income statement would have shown net interest income of NOK 1,018 million (parent bank) and NOK 1,443 million (Group). The annual result would have been NOK 716 million (parent bank) and NOK 977 million (Group).

The equity certificate ratio in the merging bank is 14.1%. This amounted to 7.1% in Sparebanken Pluss and 20.5% in Sparebanken Sør before the merger was implemented.

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 include 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 the first quarter of 2014 has been excluded from the statement)

Group NOK million	3 quarter 2014	2 quarter 2014	1 quarter 2014	*4 quarter 2013	*3 quarter 2013
Net interest income	378	379	379	384	380
Net commission income	73	72	61	74	65
Net income from financial instruments	48	17	101	176	17
Other operating income	5	4	5	3	7
<b>Total income</b>	<b>504</b>	<b>472</b>	<b>546</b>	<b>637</b>	<b>469</b>
Total expenses	183	221	210	223	185
<b>Profit before losses on loans</b>	<b>321</b>	<b>251</b>	<b>336</b>	<b>414</b>	<b>284</b>
Losses on loans and guarantees	193	28	28	57	20
<b>Profit before taxes</b>	<b>128</b>	<b>223</b>	<b>308</b>	<b>357</b>	<b>264</b>
Tax expenses	38	54	66	48	75
<b>Profit for the period</b>	<b>90</b>	<b>169</b>	<b>242</b>	<b>309</b>	<b>189</b>

Group as percentage of average asset	3 quarter 2014	2 quarter 2014	1 quarter 2014	*4 quarter 2013	*3 quarter 2013
Net interest income	1.58	1.60	1.64	1.65	1.65
Net commission income	0.31	0.30	0.26	0.32	0.28
Net income from financial instruments	0.20	0.07	0.44	0.75	0.07
Other operating income	0.02	0.02	0.02	0.01	0.03
<b>Total income</b>	<b>2.11</b>	<b>1.99</b>	<b>2.36</b>	<b>2.73</b>	<b>2.03</b>
Total expenses	0.77	0.93	0.91	0.96	0.80
<b>Profit before losses on loans</b>	<b>1.34</b>	<b>1.06</b>	<b>1.45</b>	<b>1.77</b>	<b>1.23</b>
Losses on loans and guarantees	0.81	0.12	0.12	0.24	0.09
<b>Profit before taxes</b>	<b>0.53</b>	<b>0.94</b>	<b>1.33</b>	<b>1.53</b>	<b>1.14</b>
Tax expenses	0.16	0.23	0.29	0.21	0.32
<b>Profit for the period</b>	<b>0.37</b>	<b>0.71</b>	<b>1.04</b>	<b>1.32</b>	<b>0.82</b>

\*Pro forma figures



# SPAREBANKEN SØR

