

QUARTER 3  
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)	Q3 2015	Q3 2014	30.09.2015	30.09.2014	31.12.2014
Net interest income	387	378	1 135	1 136	1 511
Net commission income	80	73	227	206	284
Net income from financial instruments	-104	48	-67	166	184
Other operating income	8	5	14	14	23
<b>Total net income</b>	<b>371</b>	<b>504</b>	<b>1 309</b>	<b>1 522</b>	<b>2 002</b>
Total expenses	201	183	607	614	834
<b>Profit before losses on loans</b>	<b>170</b>	<b>321</b>	<b>702</b>	<b>908</b>	<b>1 168</b>
Losses on loans and guarantees	17	193	49	249	268
<b>Profit before taxes</b>	<b>153</b>	<b>128</b>	<b>653</b>	<b>659</b>	<b>900</b>
Tax expenses	42	38	178	158	215
<b>Profit for the period</b>	<b>111</b>	<b>90</b>	<b>475</b>	<b>501</b>	<b>685</b>
<b>Income statement as percentage of average assets</b>					
Net interest income	1.55 %	1.58 %	1.56 %	1.61 %	1.60 %
Net commission income	0.32 %	0.31 %	0.31 %	0.29 %	0.30 %
Net income from financial instruments	-0.42 %	0.20 %	-0.09 %	0.23 %	0.20 %
Other operating income	0.03 %	0.02 %	0.02 %	0.02 %	0.02 %
<b>Total net income</b>	<b>1.49 %</b>	<b>2.11 %</b>	<b>1.80 %</b>	<b>2.15 %</b>	<b>2.12 %</b>
Total expenses	0.80 %	0.77 %	0.83 %	0.87 %	0.88 %
<b>Profit before losses on loans</b>	<b>0.68 %</b>	<b>1.34 %</b>	<b>0.97 %</b>	<b>1.28 %</b>	<b>1.24 %</b>
Losses on loans and guarantees	0.07 %	0.81 %	0.07 %	0.35 %	0.28 %
<b>Profit before taxes</b>	<b>0.61 %</b>	<b>0.54 %</b>	<b>0.90 %</b>	<b>0.93 %</b>	<b>0.96 %</b>
Tax expenses	0.17 %	0.16 %	0.24 %	0.22 %	0.23 %
<b>Profit for the period</b>	<b>0.44 %</b>	<b>0.38 %</b>	<b>0.65 %</b>	<b>0.71 %</b>	<b>0.73 %</b>
Average total assets	99 100	94 900	97 200	94 500	94 300
<b>Balance sheet</b>					
Total assets			99 429	93 320	94 062
Net loans to customers			85 364	79 631	80 913
Grows in loans as %, last 12 mths.			7.2 %	4.3 %	4.5 %
Customers deposits			48 931	47 633	48 250
Growth in deposits as %, last 12 mths.			2.7 %	10.7 %	10.3 %
Deposits as % of net loans			57.3 %	59.8 %	59.6 %
Equity			7 569	7 090	7 157
Losses on loans as % of net loans, annualised			0.08 %	0.42 %	0.33 %
Gross defaulted loans over 90 days as % of gross loans			0.57 %	0.57 %	0.71 %
<b>Other key figures</b>					
Cost as % of income			46.4 %	40.3 %	41.7 %
Return on equity after tax			8.6 %	9.9 %	10.1 %
Core tier 1 capital ratio (added share of profit)			12.6 %	13.0 %	13.1 %
Core capital ratio			12.8 %	13.5 %	14.4 %
Total capital ratio			14.8 %	14.2 %	15.1 %
Total core capital			7 574	7 268	7 792
Net total primary capital			8 752	7 646	8 170
Number of branches			40	40	40
Number of man-years in banking activity			446	462	454
<b>Key figures, Equity certificates</b>					
Equity certificate ratio			13.5 %	14.1 %	14.1 %
Number of equity certificates issued			4 768 674	4 768 674	4 768 674
Profit/diluted earnings per equity certificate (Parent bank)			8.3	8.2	12.2
Profit/diluted earnings per equity certificate (Group)			13.4	14.8	20.3
Dividend last year per equity certificate					10.0
Book equity per equity certificate			214	210	214
Price/Book value per equity certificate			0.9	0.9	0.9
Listed price on Oslo Stock Exchange at end of period			188	183	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 in Q3 2015

- Profit improvement of NOK 25 million in the quarter, compared with the same period last year
- Sound growth contributes to increased net interest income
- Net income from financial instruments reduced due to write-down of liquidity portfolio and fixed rate loans
- Low losses on loans in the quarter

Profit before tax of NOK 153 million in Q3 2015, compared with NOK 128 million in Q3 2014. Higher interest income from the banking operations and higher commission income from the real estate business in combination with lower costs and losses on loans contributed to a profit improvement.

## Key features after 9 months 2015

- Positive trend in result from ordinary operations, profit before tax up NOK 65 million compared with last year
- Volume growth compensated for lower margins and contributed to stable net interest income
- Net income from financial instruments reduced due to write-down of liquidity portfolio
- Lower costs in the bank, down 3.8 per cent from the same period last year
- Low losses on loans
- Loan growth of 7.2 per cent, and deposit growth of 2.7 per cent
- Return on equity after tax of 8.6 per cent

Profit before tax was NOK 653 million after the first 9 months of 2015, compared with NOK 588 million after the same period last year, adjusted for the profit from the sale of Nets. Stable net interest, higher commission income and reduced costs and losses on loans contributed to the improvement.

## Financial framework conditions

In September 2015, Norges Bank lowered the key policy interest rate to a historically low 0.75 per cent. Sparebanken Sør also announced an easing in its lending and deposit conditions to meet the competition in the market.

Annual growth in the general public's gross domestic debt (C2) at the end of September was 5.6 per cent. Debt growth for households and industry amounted to 6.4 per cent and 3.8 per cent respectively.

### Income statement and balance sheet after the first 9 months 2015

Profit before tax was NOK 653 million after the first nine months of the year, compared with NOK 659 million in the same period last year. Adjusted for profit on the sale of Nets, the total last year was NOK 588 million, which gave an underlying profit improvement of NOK 65 million, or 11.1 per cent.

Total net income amounted to NOK 1 309 million compared with NOK 1 522 million in the same period last year. Adjusted for profit on the sale of Nets, the total last year was NOK 1,451 million. In line with regulatory requirements, the bank maintains a significant liquidity portfolio. For accounting purposes, the portfolio is kept at fair value. Due to turbulence in the financial markets, the spreads have increased through Q3, which has resulted in an unrealised negative value change in the bank's liquidity portfolio. This contributed to negative net income from financial instruments in the period. Net interest income has been maintained at the same level as last year through lending growth. Continued higher commission income from the bank's real estate business contributed to growth in income from ordinary operations.

In the first 9 months 2015, operating expenses amounted to NOK 607 million, compared with NOK 614 million in the same period last year. The reduction in operating expenses was 1.1 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 446 FTE in the banking operations, down 16 FTE from the same period last year.

Losses on loans totalled NOK 49 million, compared with NOK 249 million the year before. As a percentage of net loans, the losses are 0.08 per cent, compared with 0.42 per cent in the same period last year. The losses year-to-date reflect the quality of the bank's loan portfolio and continued moderate write-downs are anticipated in Q4.

After the first 9 months of 2015, return on equity after tax was 8.6 per cent compared with 8.5 per cent the previous year (excl. Nets).

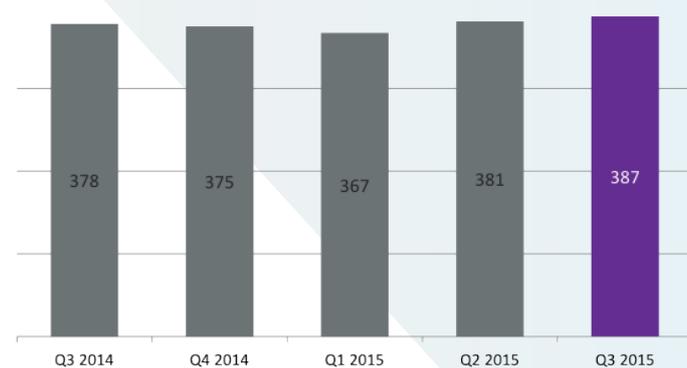
Growth in lending and deposits on a 12-month basis as at 30.09.2015 amounted to 7.2% and 2.7% respectively.

The core tier 1 capital ratio was 12.0 per cent and the total capital ratio was 14.8 per cent as at 30 September 2015. The Group thus met the new capital requirements for financial institutions of 11 per cent for core tier 1 capital and 14.5 per cent for total capital respectively.

Added to the share of the profit for this year, the core tier 1 capital ratio was 12.6% and the total capital ratio was 15.5%.

### Net interest

Net interest per quarter in NOK million



In the quarter, net interest income amounted to NOK 387 million, compared with NOK 378 million in the same period last year. Through 2015, lending margins have been under pressure, but through the year, interest income has been compensated through lending growth. The bank is considered to have competitive terms, and the influx of new customers is satisfactory.

In September 2015, the bank announced a reduction in interest rates to meet the competition in the market. This reduction was effective from 28 September for new loans and 1st December for existing loans. For mortgages, the reduction is up to 0.30 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.

### Commission income

NOK million	Q3 2015	Q3 2014	Changes	Q1-Q3 2015	Q1-Q3 2014	Changes
Payment transfers	45	44	1	120	118	2
Real estate agency	27	22	5	79	61	18
Other product companies	20	20	0	62	62	0
<b>Total</b>	<b>92</b>	<b>86</b>	<b>6</b>	<b>261</b>	<b>241</b>	<b>20</b>

After the third quarter 2015, gross commission income totalled NOK 261 million, compared with NOK 241 million after the same period last year. The increase is mainly due to increased activity in the estate agency business.

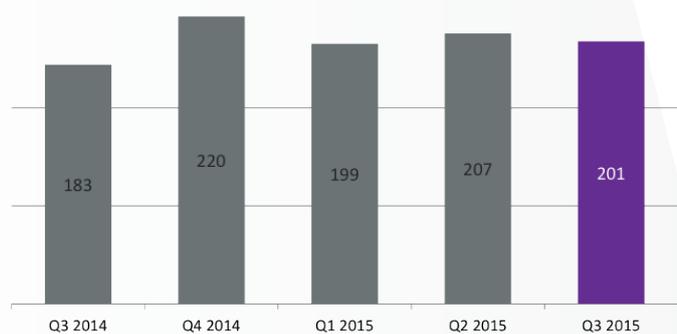
### Financial instruments

Net income on financial investments was minus NOK 67 million after Q3 2015, compared with plus NOK 166 million in the same period last year. The main reasons for the reduction in 2015 are losses and value changes in the liquidity portfolio due to spreads in the bank's securities, which are reported at fair value, having increased through 2015. The 2014 figures were also affected by the sale of Nets, which on its own was a gain of 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 607 million after the third quarter 2015, compared with NOK 614 million during the same period last year. The cost reduction represents a decrease of 1.1 per cent for the Group.

For the banking operations alone, expenses amounted to NOK 538 million, compared with NOK 559 million in the same period last year. The reduction in expenses was NOK 21 million or 3.8 per cent.

Withdrawal of merger benefits through downsizing is ahead of schedule, and together with adjustments to the office structure, the bank's cost base has been reduced in 2015. Meanwhile, the bank is making ongoing adjustments to its IT platform to meet changes in customer behaviour. Digitalisation of the bank contributes to higher costs in the quarter.

Total operating expenses as a percentage of average assets amounted to 0.83 per cent (0.87 per cent). The ratio between expenses and income in the Group was 46.4 per cent (40.3 per cent, 42.3 per cent excl. Nets). The increase in cost percentage is due to lower income from financial instruments.

### Losses and defaulted loans

Losses on loans were charged to the financial statements with the net amount of NOK 49 million, equivalent to 0.08 per cent of net loans. The corresponding figures last year were NOK 249 million and 0.42 per cent of net loans.

The bank's individual write-downs as at 30 September 2015 amounted to NOK 501 million. Total individual write-downs amount to 0.58 per cent of gross loans at the end of the third quarter of 2015.

Gross defaulted loans over 90 days amounted to NOK 488 million. As a percentage of gross loans, this is equivalent to 0.57 per cent, the corresponding figure last year was also 0.57 per cent. The bank expects the future loss level to be moderate.

## Loans

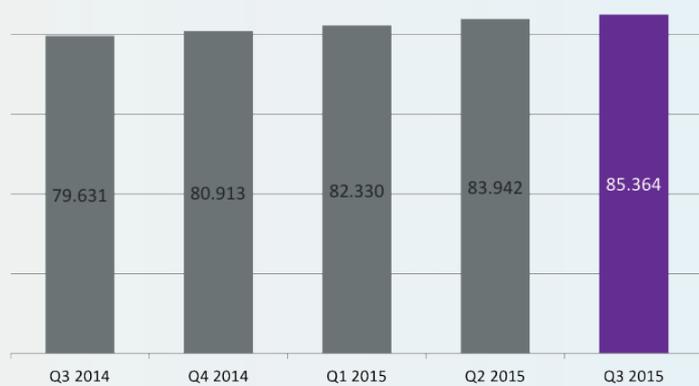
During the past 12 months, total loans increased by NOK 5.7 billion, to NOK 85.4 billion. This corresponds to an annual growth of 7.2 per cent.

Gross loan to retail customers during the past 12 months has increased by NOK 4.1 billion to NOK 57.2 billion. This corresponds to a growth of 7.7 per cent.

Gross loan to corporate customers during the past 12 months has increased by NOK 1.5 billion to NOK 28.7 billion. This corresponds to a growth of 5.7 per cent.

Loans to retail customers amounted to 67 per cent (66 per cent) of total loans at the end of the third quarter of 2015.

### Loans in NOK million



## Deposits

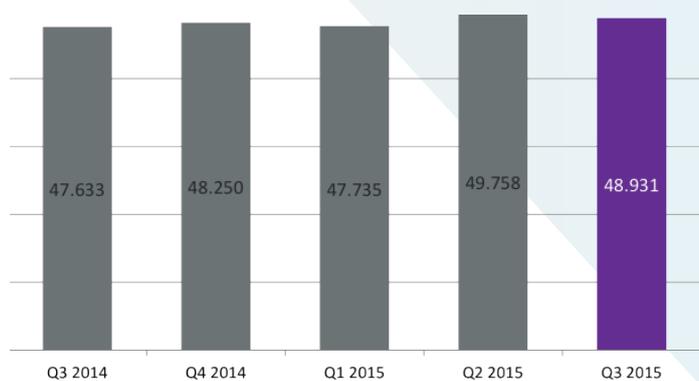
During the past 12 months, customer deposits increased by NOK 1.3 billion to NOK 48.9 billion. This corresponds to a growth of 2.7 per cent.

Deposits from retail customers have increased by NOK 1.0 billion to NOK 23.5 billion. This corresponds to a growth of 4.4 per cent.

Deposits from corporate customers increased by NOK 0.5 billion to NOK 24.9 billion. This corresponds to a growth of 1.8 per cent.

Sparebanken Sør's deposit as a percentage of net loans was 57.3 per cent as at 30 September 2015, down from 59.8 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 borrowings is well-adjusted to the needs of the business. New long-term borrowings are established through the issuing of covered bonds and senior debt.

As at 30 September 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 8.8 billion. Hybrid capital amounted to NOK 0.5 billion and subordinated loans to NOK 1.2 billion. At the end of the third quarter of 2015, the core tier 1 capital ratio was 12.0 per cent. The core capital ratio is 12.8 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 12.6 per cent and the total capital ratio was 15.5 per cent. The Group thus fulfilled the new capital requirements for financial institutions with effect from 30 June 2015 of 11 per cent for core tier 1 capital and 14.5 per cent for total capital ratio.

For the Parent Bank, the respective figures are 12.8 per cent core tier 1 capital, 13.8 per cent core capital ratio and 16.0 per cent (total) capital ratio at the end of the third quarter of 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 14.0 per cent.

The bank's financial strength is considered to be satisfactory in light of the current regulatory requirements. Further total capital ratio adjustments will be made on an ongoing basis.

## The bank's equity certificates

As at 30 September 2015, 4,768,674 equity certificates have been issued. After the first 9 months the profit (Group) per equity certificate was NOK 13.40 per certificate.

## 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, Sparebanken Sør'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

**Sørmeqleren**, the bank's own estate agency, has now operated for almost two years after the merger between ABCenter and Plussmeqleren was completed.

Sørmeqleren has had a good start. In the Agder counties, Sørmeqleren has become, during last year, the market-leading real estate agency, and the positive trend has continued in 2015.

**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 30 September 2015, the bank had transferred NOK 24.4 billion to Sparebanken Sør Boligkreditt AS, equivalent to 42.7 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, and the results are developing in line with expectations.

**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 has continued the good trend and delivered positive development and profitable growth.

**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 A1 rating from Moody's. 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 financial performance after the third quarter of 2015. The bank has delivered an improved profit from ordinary operations through good growth, stable net interest income, higher commission income and lower costs and losses on loans.

There is strong competition in the bank's market area. However, the bank still has competitive conditions and the influx of new low risk loans is still good. Lending growth is also expected to continue in the fourth quarter of 2015.

The region is now starting to feel the effects of the fall in the oil price and downsizing in the oil service sector. Unemployment is expected to rise and we see that house prices are levelling off. At the other end, a low exchange rate has helped strengthen the competitiveness of the export industry, which is also very important to the region. Together with low interest rate, this will curb the negative impact somewhat. Sparebanken Sør has a low direct exposure to the oil and oil service sector, but as the largest bank in the region will be affected by the general economic development in the region. The Board of Directors will continue to keep a close eye on the developments.

In line with the bank's recently adopted strategy, the challenges will be met with strong focus on costs and long-term value creation. The bank's investments in technology will continue and will contribute to cost-effective operations and enable improvement in the efficiency of the office structure. This, together with good quality credit work, will ensure continued profitable growth and development for Sparebanken Sør.

## Events since the end of the quarter

There have been no events reported after 30 September 2015 which affect the presented interim accounts.

### Arendal, 03 November 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.	30.9.	30.9.	Q3	Q3		Q3	Q3	30.9.	30.9.	31.12.
2014	2014	2015	2014	2015	Notes	2015	2014	2015	2014	2014
2 798	2 115	1 830	715	596	Interest income	775	908	2 381	2 716	3 593
1 714	1 307	985	435	302	Interest expenses	388	530	1 246	1 580	2 082
<b>1 084</b>	<b>808</b>	<b>845</b>	<b>280</b>	<b>294</b>	<b>Net interest income</b>	<b>387</b>	<b>378</b>	<b>1 135</b>	<b>1 136</b>	<b>1 511</b>
284	205	218	78	78	Commission income	92	86	261	241	331
46	34	34	13	12	Commission expenses	12	13	34	35	47
<b>238</b>	<b>171</b>	<b>184</b>	<b>65</b>	<b>66</b>	<b>Net commission income</b>	<b>80</b>	<b>73</b>	<b>227</b>	<b>206</b>	<b>284</b>
11	9	9	1		Dividend		1	2	9	11
204	178	-61	44	-103	Net income from other financial instruments	-104	47	-69	157	173
<b>215</b>	<b>187</b>	<b>-52</b>	<b>45</b>	<b>-103</b>	<b>Net income from financial instruments</b>	<b>-104</b>	<b>48</b>	<b>-67</b>	<b>166</b>	<b>184</b>
15	11	12	4	6	Other operating income	8	5	14	14	23
<b>1 552</b>	<b>1 177</b>	<b>989</b>	<b>394</b>	<b>263</b>	<b>Total net income</b>	<b>371</b>	<b>504</b>	<b>1 309</b>	<b>1 522</b>	<b>2 002</b>
380	283	287	89	97	Wages and other personal expenses	114	103	340	325	438
48	25	25	9	9	Depreciation and write-down of fixed assets and intangible assets	9	10	25	28	52
-200	-200				Negative goodwill	13			-200	-200
332	251	226	67	73	Other operating expenses	78	70	242	261	344
<b>560</b>	<b>359</b>	<b>538</b>	<b>165</b>	<b>179</b>	<b>Total operating expenses</b>	<b>201</b>	<b>183</b>	<b>607</b>	<b>414</b>	<b>634</b>
<b>992</b>	<b>818</b>	<b>451</b>	<b>229</b>	<b>84</b>	<b>Profit before losses on loans</b>	<b>170</b>	<b>321</b>	<b>702</b>	<b>1 108</b>	<b>1 368</b>
268	249	49	193	17	Losses on loans and guarantees	2	17	193	249	268
<b>724</b>	<b>569</b>	<b>402</b>	<b>36</b>	<b>67</b>	<b>Profit before taxes</b>	<b>7</b>	<b>153</b>	<b>128</b>	<b>653</b>	<b>1 100</b>
113	81	109	13	19	Tax expenses	12	42	178	158	215
<b>611</b>	<b>488</b>	<b>293</b>	<b>23</b>	<b>48</b>	<b>Profit for the period</b>	<b>111</b>	<b>90</b>	<b>475</b>	<b>701</b>	<b>885</b>
					Minority interests					
<b>611</b>	<b>488</b>	<b>293</b>	<b>23</b>	<b>48</b>	<b>Majority interests</b>	<b>111</b>	<b>90</b>	<b>475</b>	<b>701</b>	<b>885</b>
12,2	8,2	8,3	0,7	1,4	The equity certificates' share of the profit divided by the number of equity certificates (in whole NOK)	3,1	2,7	13,4	14,8	20,3
					<b>Other comprehensive income</b>					
<b>611</b>	<b>488</b>	<b>293</b>	<b>23</b>	<b>48</b>	<b>Profit for the period</b>	<b>111</b>	<b>90</b>	<b>475</b>	<b>701</b>	<b>885</b>
					<i>Items that will not be reclassified to profit and loss account</i>					
-127					Recognised estimate deviation, pensions					-127
34					Tax effect of recognised estimate deviation, pensions					34
<b>518</b>	<b>488</b>	<b>293</b>	<b>23</b>	<b>48</b>	<b>Total income for the period</b>	<b>111</b>	<b>90</b>	<b>475</b>	<b>701</b>	<b>792</b>

PARENT BANK			NOK Million		GROUP		
31.12 2014	30.09 2014	30.09 2015			30.09 2015	30.09 2014	31.12 2014
			<b>ASSETS</b>	<b>Notes</b>			
595	465	816	Cash and receivables from central banks		816	465	595
1 510	1 520	1 755	Loans to and receivables from credit institutions		142	213	180
60 880	58 598	61 013	Net loans to customers	2,3,5,7,8	85 364	79 631	80 913
10 059	12 463	11 435	Bonds and certificates	8	11 269	11 123	10 359
445	410	420	Shares	8	420	410	445
751	528	597	Financial derivatives	8,9	739	622	906
1 258	1 284	1 258	Shareholdings in group companies		0	0	0
12	12	12	Shareholdings in associated companies		12	12	12
17	22	19	Intangible assets		22	25	20
11	0	17	Deferred tax assets		21	6	17
477	511	464	Fixed assets		492	682	505
71	87	82	Other assets		132	131	110
<b>76 086</b>	<b>75 900</b>	<b>77 888</b>	<b>TOTAL ASSETS</b>	<b>7,8</b>	<b>99 429</b>	<b>93 320</b>	<b>94 062</b>
			<b>LIABILITIES AND EQUITY CAPITAL</b>				
627	756	454	Debts to credit institutions		413	639	614
48 269	47 666	48 953	Deposits from customers	4,7,8	48 931	47 633	48 250
18 414	18 915	18 814	Debt incurred due to issue of securities	8, 10	39 565	35 883	35 775
517	393	489	Financial derivatives	8,9	492	396	521
83	52	129	Payable taxes		242	147	178
194	295	279	Other liabilities		323	340	231
236	92	194	Provisions for commitments		194	92	236
	2		Deferred tax				
1 100	1 100	1 700	Subordinated loan capital	8, 10	1 700	1 100	1 100
<b>69 440</b>	<b>69 271</b>	<b>71 012</b>	<b>Total liabilities</b>		<b>91 860</b>	<b>86 230</b>	<b>86 905</b>
891	894	891	Equity certificate capital	11	891	894	891
5 755	5 735	5 985	Other equity		6 678	6 196	6 266
<b>6 646</b>	<b>6 629</b>	<b>6 876</b>	<b>Total equity capital</b>	<b>6</b>	<b>7 569</b>	<b>7 090</b>	<b>7 157</b>
<b>76 086</b>	<b>75 900</b>	<b>77 888</b>	<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>7,8</b>	<b>99 429</b>	<b>93 320</b>	<b>94 062</b>

## Cash flow statement

PARENT BANK			NOK Million	GROUP		
31.12. 2014	30.09. 2014	30.09. 2015		30.09. 2015	30.09. 2014	31.12. 2014
2 791	2 138	1 918	Interest payment received	2 480	2 803	3 575
-1 774	-1 331	-1 107	Interest payment made	-1 385	-1 699	-2 147
399	291	215	Other payments received	253	310	435
-695	-510	-572	Operating payments	-642	-541	-784
5	3	6	Established on confirmed losses	6	3	5
-135	-135	-70	Period tax paid	-118	-211	-211
-32	-23	-16	Gifts paid	-16	-23	-32
-6	-6		Paid group contribution			
4 524	3 910	684	Change in customers deposits	681	3 893	4 521
-6 591	-4 395	-179	Change in loans to customers	-4 499	-2 373	-3 572
<b>-1 514</b>	<b>-58</b>	<b>879</b>	<b>Net cash flow from operational activities</b>	<b>-3 240</b>	<b>2 162</b>	<b>1 790</b>
18 216	11 851	6 948	Payments received regarding securities	4 278	8 565	11 188
-12 002	-8 002	-8 393	Payments made regarding securities	-5 258	-7 424	-9 111
28			Payments received regarding sale of group companies			
32	30	24	Payments received regarding sale of fixed assets	24	30	178
-42	-31	-11	Payments made regarding purchase of fixed assets	-11	-31	-44
34	0	105	Change in other assets	101	76	-10
<b>6 266</b>	<b>3 848</b>	<b>-1 327</b>	<b>Net cash flow from investment activities</b>	<b>-866</b>	<b>1 216</b>	<b>2 201</b>
554	528	-245	Change in loans to credit institutions	38	102	155
-4 031	-3 906	-173	Change in deposits from credit institutions	-201	-2 858	-2 879
3 990	2 150	4 200	Payments received, bond debt	10 200	3 650	7 240
-6 331	-3 778	-3 614	Payments made, bond debt	-6 198	-5 587	-9 573
		800	Payments received, subordinated loan capital	800		
		-200	Payments made, subordinated loan capital	-200		
-42	-42	-47	Dividend payment	-47	-42	-42
-18	2	-52	Change in other liabilities	-65	101	-18
<b>-5 878</b>	<b>-5 046</b>	<b>669</b>	<b>Net cash flow from financing activities</b>	<b>4 327</b>	<b>-4 634</b>	<b>-5 117</b>
<b>-1 126</b>	<b>-1 256</b>	<b>221</b>	<b>Net change in liquid assets</b>	<b>221</b>	<b>-1 256</b>	<b>-1 126</b>
1 721	1 721	595	Cash and cash equivalents as at 01.01.	595	1 721	1 721
<b>595</b>	<b>465</b>	<b>816</b>	<b>Cash and cash equivalents at end of period</b>	<b>816</b>	<b>465</b>	<b>595</b>

GROUP	Equity	Premium	Dividend	Primary	Gift	Other	Minority	
NOK Million	certificates	fund	eq. fund	capital	fund	equity	interests	TOTAL
<b>Balance 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 by gift fund					-16			-16
<b>Balance 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>
Profit 1.10-31.12 2014			10	329	25	-180		184
Recognised estimate deviations, pension			-18	-109				-127
Tax effect estimate deviations, pension			5	29				34
Other changes						-4	-7	-11
Distributed by gift fund					-13			-13
<b>Balance 31.12.2014</b>	<b>474</b>	<b>175</b>	<b>242</b>	<b>5 667</b>	<b>41</b>	<b>558</b>	<b>0</b>	<b>7 157</b>
Dividend distributed for 2014						-47		-47
Profit 1.1-30.09.2015						475		475
Distributed by gift fund					-16			-16
<b>Balance 30.09.2015</b>	<b>474</b>	<b>175</b>	<b>242</b>	<b>5 667</b>	<b>25</b>	<b>986</b>	<b>0</b>	<b>7 569</b>
PARENT BANK								
<b>Balance 01.01.2014</b>	<b>474</b>	<b>175</b>	<b>45</b>	<b>5 418</b>	<b>45</b>	<b>13</b>		<b>6 170</b>
Dividend distributed for 2013						-13		-13
Profit 1.1-30.09.2014			200			288		488
Distributed by gift fund					-16			-16
<b>Balance 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>
Profit 1.10-31.12 2014			10	329	25	-241		123
Recognised estimate deviations, pension			-18	-109				-127
Tax effect estimate deviations, pension			5	29				34
Distributed by gift fund					-13			-13
<b>Balance 31.12.2014</b>	<b>474</b>	<b>175</b>	<b>242</b>	<b>5 667</b>	<b>41</b>	<b>47</b>	<b>0</b>	<b>6 646</b>
Dividend distributed for 2014						-47		-47
Profit 1.1-30.9 2015						293		293
Distributed by gift fund					-16			-16
<b>Balance 30.09.2015</b>	<b>474</b>	<b>175</b>	<b>242</b>	<b>5 667</b>	<b>25</b>	<b>293</b>	<b>0</b>	<b>6 876</b>

## 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.

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

## 2. LOSSES ON LOANS AND GUARANTEES

PARENT BANK			NOK Million	GROUP		
31.12.14	30.09.14	30.09.15	Individual write-downs	30.09.15	30.09.14	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	65	65	- Period's confirmed loss where individual write-down has been performed previously	65	65	142
57	64	27	+ Increased individual write-downs during the period	27	64	57
180	184	57	+ New individual write-downs during the period	57	184	180
24	20	39	- Reversal of individual write-downs during the period	39	20	24
<b>521</b>	<b>612</b>	<b>501</b>	<b>= Individual write-downs at end of period</b>	<b>501</b>	<b>612</b>	<b>521</b>

PARENT BANK				GROUP		
31.12.14	30.09.14	30.09.15	Collective write-downs on loans	30.09.15	30.09.14	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
<b>188</b>	<b>188</b>	<b>188</b>	<b>= Collective write-downs of loans at end of period</b>	<b>194</b>	<b>194</b>	<b>194</b>

PARENT BANK				GROUP		
31.12.14	30.09.14	30.09.15	Loss expense on loans during the period	30.09.15	30.09.14	31.12.14
72	163	-17	Change in individual write downs during the period	-17	163	72
0	0	0	+ Change in collective write-downs during the period	0	0	0
142	65	65	+ Period's confirmed loss where individual write-downs has been performed previously	65	65	142
55	18	4	+ Period's confirmed loss where no individual write-downs has been performed previously	4	18	55
4	6	3	+ Recognised as interest income	3	6	4
5	3	6	- Period's recoveries relating to previous losses	6	3	5
<b>268</b>	<b>249</b>	<b>49</b>	<b>= Loss expenses during the period</b>	<b>49</b>	<b>249</b>	<b>268</b>

### 3. DEFAULTED AND DOUBTFUL LOANS

PARENT BANK			NOK Million	GROUP		
31.12.14	30.09.14	30.09.15		30.09.15	30.09.14	31.12.14
147	289	97	Gross defaulted loans 31-60 days	100	292	147
58	63	28	Gross defaulted loans 61-90 days	28	64	58
576	457	488	Gross defaulted loans > 90 days	488	457	576
<b>781</b>	<b>809</b>	<b>613</b>	<b>Defaulted loans</b>	<b>616</b>	<b>813</b>	<b>781</b>
180	186	158	Individual write-downs	158	186	180
<b>602</b>	<b>623</b>	<b>455</b>	<b>Net defaulted loans</b>	<b>458</b>	<b>627</b>	<b>602</b>
<b>0,94 %</b>	<b>0,78 %</b>	<b>0,79 %</b>	<b>Gross defaulted loans &gt; 90 days in % of gross loans</b>	<b>0,57 %</b>	<b>0,57 %</b>	<b>0,71 %</b>
870	1 131	818	Other doubtful loans	818	1 131	870
341	426	343	Individual write-downs	343	426	341
<b>529</b>	<b>705</b>	<b>475</b>	<b>Net doubtful loans</b>	<b>475</b>	<b>705</b>	<b>529</b>

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	30.09.14	30.09.15		30.09.15	30.09.14	31.12.14
23 233	22 548	23 540	Retail customers	23 540	22 548	23 233
4 278	4 496	4 422	Public administration	4 422	4 496	4 278
256	288	310	Primary industry	310	288	256
2 015	1 689	2 026	Manufacturing industry	2 026	1 689	2 015
2 206	2 127	2 128	Building and construction	2 128	2 127	2 206
1 265	940	1 232	Transport and communication	1 232	940	1 265
931	818	795	Retail trade	795	818	931
149	175	172	Hotel and restaurant	172	175	149
3 417	3 390	3 452	Property management	3 430	3 358	3 399
2 382	2 622	3 250	Financial/commercial services	3 250	2 621	2 381
8 124	7 910	7 105	Other industries	7 105	7 910	8 124
13	663	521	Accrued interests	521	663	13
<b>48 269</b>	<b>47 666</b>	<b>48 953</b>	<b>Total deposits from customers</b>	<b>48 931</b>	<b>47 633</b>	<b>48 250</b>

### 5. LOANS TO CUSTOMERS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK Million	GROUP		
31.12.14	30.09.14	30.09.15		30.09.15	30.09.14	31.12.14
34 268	32 303	32 999	Retail customers	57 222	53 134	54 076
22	24	25	Public administration	25	24	22
688	657	687	Primary industry	696	683	709
808	822	834	Manufacturing industry	841	835	819
4 217	4 100	4 477	Building and construction	4 522	4 186	4 283
548	542	569	Transport and communication	576	588	579
1 001	1 239	972	Retail trade	984	1 285	1 037
370	385	392	Hotel and restaurant	393	395	378
14 186	14 023	14 948	Property management	14 914	13 866	14 152
1 506	1 552	1 618	Financial/commercial services	1 649	1 603	1 537
3 832	3 617	4 055	Other industries	4 088	3 680	3 868
143	134	126	Accrued interests	149	158	168
<b>61 589</b>	<b>59 398</b>	<b>61 702</b>	<b>Total gross loans</b>	<b>86 059</b>	<b>80 437</b>	<b>81 628</b>
709	800	689	Write-downs on lending	695	806	715
<b>60 880</b>	<b>58 598</b>	<b>61 013</b>	<b>Total net loans</b>	<b>85 364</b>	<b>79 631</b>	<b>80 913</b>

## 6. PRIMARY CAPITAL AND CAPITAL ADEQUACY

PARENT BANK			NOK Million	GROUP		
31.12.14	30.09.14	30.09.15		30.09.15	30.09.14	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	29	25	Gift fund	25	29	41
242	245	242	Equalisation fund	242	245	242
47			Other equity	510	252	558
-48			- Deduction for dividends included under other equity			-48
-17	-22	-19	- Deduction for intangible assets and deferred tax assets	-19	-25	-17
<b>6 581</b>	<b>6 319</b>	<b>6 564</b>	<b>Total core tier 1 capital</b>	<b>7 074</b>	<b>6 568</b>	<b>7 092</b>
700	700	500	Hybrid capital	500	700	700
0	0	0	- Deduction for intangible assets and deferred tax assets		0	0
<b>7 281</b>	<b>7 019</b>	<b>7 064</b>	<b>Total core capital</b>	<b>7 574</b>	<b>7 268</b>	<b>7 792</b>
			<b>Additional capital over core capital:</b>			
400	400	1 200	Subordinated loan capital	1 200	400	400
<b>400</b>	<b>400</b>	<b>1 200</b>	<b>Total additional core capital</b>	<b>1 200</b>	<b>400</b>	<b>400</b>
-22	-22	-22	- Deduction from core and additional capital	-22	-22	-22
<b>7 659</b>	<b>7 397</b>	<b>8 242</b>	<b>Net primary capital</b>	<b>8 752</b>	<b>7 646</b>	<b>8 170</b>
			<b>Minimum requirement for subordinated capital Basel II calculated according to the standard method:</b>			
3	5	8	Engagements with local and regional authorities	8	5	3
181	439	83	Engagements with institutions	61	82	62
1 192	1 265	1 334	Engagements with enterprises	1 334	1 265	1 192
810	767	887	Engagement with mass market	1 113	874	947
1 087	1 021	1 030	Engagement with secured in property	1 650	1 615	1 618
91	88	79	Engagement which have fallen due	79	88	91
0	0	0	Engagement which are high risk	0	0	0
200	67	233	Engagement in covered bonds	68	56	62
0	0	133	Engagement in collective investment funds	34	0	0
62	63	64	Engagement. other	64	63	62
<b>3 626</b>	<b>3 715</b>	<b>3 851</b>	<b>Capital requirements for credit- and counterparty risk</b>	<b>4 411</b>	<b>4 048</b>	<b>4 037</b>
<b>4</b>	<b>2</b>	<b>4</b>	<b>Capital requirements for position-, currency- and product risk</b>	<b>4</b>	<b>2</b>	<b>4</b>
<b>193</b>	<b>193</b>	<b>196</b>	<b>Capital requirements for operational risk</b>	<b>272</b>	<b>232</b>	<b>233</b>
<b>27</b>	<b>1</b>	<b>26</b>	<b>CVA addition</b>	<b>35</b>	<b>12</b>	<b>45</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>Deduction from the capital requirement</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>3 850</b>	<b>3 911</b>	<b>4 078</b>	<b>Total minimum requirement for primary capital</b>	<b>4 722</b>	<b>4 294</b>	<b>4 319</b>
48 125	48 888	50 973	Risk-weighted balance (calculation basis)	59 025	53 675	53 988
13.67 %	12.90 %	12.88 %	Core tier 1 capital ratio. %	11.98 %	12.22 %	13.14 %
15.13 %	14.36 %	13.86 %	Core capital ratio. %	12.83 %	13.54 %	14.43 %
15.91 %	15.13 %	16.17 %	Total capital ratio. %	14.83 %	14.24 %	15.13 %

## 7. SEGMENT REPORTING

Report per segment	GROUP 30.09.2015				GROUP 30.09.2014			
	RM	CM	Undistrib. and elimin.	Total	RM	CM and elimin.	Undistrib.	Total
<b>Income statement (NOK million)</b>								
Net interest	726	395	14	1 135	716	379	41	1 136
Net other operating income	112	44	18	174	114	42	230	386
Operating expenses	257	62	288	607	256	62	96	414
<b>Profit before losses per segment</b>	<b>581</b>	<b>377</b>	<b>-256</b>	<b>702</b>	<b>574</b>	<b>359</b>	<b>175</b>	<b>1 108</b>
Losses on loans and guarantees	0	49	0	49	4	242	3	249
<b>Profit before tax per segment</b>	<b>581</b>	<b>328</b>	<b>-256</b>	<b>653</b>	<b>570</b>	<b>117</b>	<b>172</b>	<b>859</b>
Net loans to customers	56 999	28 183	182	85 364	53 089	26 506	36	79 633
Other assets			14 065	14 065			13 689	13 689
<b>Total assets per segment</b>	<b>56 999</b>	<b>28 183</b>	<b>14 247</b>	<b>99 429</b>	<b>53 089</b>	<b>26 506</b>	<b>13 725</b>	<b>93 320</b>
Deposits from customers	25 583	18 376	4 972	48 931	24 491	19 103	4 039	47 633
Other liabilities	31 416	9 807	1 706	42 929	28 598	7 403	2 596	38 597
<b>Total liabilities per segment</b>	<b>56 999</b>	<b>28 183</b>	<b>6 678</b>	<b>91 860</b>	<b>53 089</b>	<b>26 506</b>	<b>6 635</b>	<b>86 230</b>
Equity			7 569	7 569			7 090	7 090
<b>Total liabilities and equity per segment</b>	<b>56 999</b>	<b>28 183</b>	<b>14 247</b>	<b>99 429</b>	<b>53 089</b>	<b>26 506</b>	<b>13 725</b>	<b>93 320</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 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			30.09.2015	Recognised value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
				<b>Assets recognised at amortised cost</b>				
52 494			52 494	Net loans to customers (floating interest rate)	76 845			76 845
				<b>Assets recognised at fair value</b>				
8 519			8 519	Net loans to customers (fixed interest rate)	8 519			8 519
11 435		11 435		Bonds and certificates	11 269		11 269	
420	24		396	Shares	420	24		396
597		597		Financial derivatives	739		739	
<b>73 465</b>	<b>24</b>	<b>12 032</b>	<b>61 409</b>	<b>Total financial assets</b>	<b>97 792</b>	<b>24</b>	<b>12 008</b>	<b>85 760</b>
				<b>Liabilities recognised at amortised cost</b>				
454		454		Debt to credit institutions	413		413	
48 953			48 953	Deposit from customers	48 931			48 931
18 814		19 001		Debt incurred due to issue of securities	39 565		39 703	
1 700		1 691		Subordinated loan capital	1 700		1 691	
				<b>Liabilities recognised at fair value</b>				
489		489		Financial derivatives	492		492	
<b>70 410</b>	<b>0</b>	<b>21 635</b>	<b>48 953</b>	<b>Total financial liabilities</b>	<b>91 101</b>	<b>0</b>	<b>42 299</b>	<b>48 931</b>

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
				<b>Assets recognised at amortised cost</b>				
54 111			54 111	Net loans to customers (floating interest rate)	74 144			74 144
				<b>Assets recognised at fair value</b>				
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	
<b>72 134</b>	<b>50</b>	<b>10 810</b>	<b>61 274</b>	<b>Total financial assets</b>	<b>92 622</b>	<b>50</b>	<b>11 265</b>	<b>81 307</b>
				<b>Liabilities recognised at amortised cost</b>				
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	
				<b>Liabilities recognised at fair value</b>				
517		517		Financial derivatives	521		521	
<b>68 927</b>	<b>0</b>	<b>20 953</b>	<b>48 269</b>	<b>Total financial liabilities</b>	<b>86 259</b>	<b>0</b>	<b>38 458</b>	<b>48 250</b>

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	Net loans to customers (floating interest rate)	72 838			72 838
				<b>Assets recognised at fair value</b>				
6 793			6 793	Net loans to customers (fixed interest rate)	6 793			6 793
12 463		12 463		Bonds and certificates	11 123		11 123	
410	45		365	Shares	410	45		365
528		528		Financial derivatives	622		622	
16		16		Other assets	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		Debt to credit institutions	639		639	
47 666			47 666	Deposit from customers	47 633			47 633
18 915		19 231		Debt incurred due to issue of securities	35 883		36 398	
1 100		1 113		Subordinated loan capital	1 100		1 113	
				<b>Liabilities recognised at fair value</b>				
393		393		Financial derivatives	396		396	
16		16		Other liabilities	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>

### Movement level 3

GROUP / PARENT BANK

NOK million	Loans to customers	Of which credit risk	Shares	Of which credit risk
<b>Recognised value as at 01.01.2014</b>	<b>5 473</b>	<b>-105</b>	<b>92</b>	<b>0</b>
Acquisitions Q1 - Q3 2014 (incl. acquisition 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 Q1 - Q3 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>
Acquisitions Q4 2014	297			
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	137	-5	31	0
Disposals Q4 2014	-458		-2	
<b>Recognised value as at 31.12.2014</b>	<b>6 769</b>	<b>-110</b>	<b>394</b>	<b>0</b>
Acquisitions Q1 - Q3 2015	2 984			
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	45	60	2	0
Disposals Q1 - Q3 2015	-1 279			
<b>Recognised value as at 30.09.2015</b>	<b>8 519</b>	<b>-50</b>	<b>396</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	30.09.2015	30.09.2014	31.12.2014
Loan to customers	29	22	22
- of which, loans to corporate market (CM)	9	9	9
- of which, loans to retail market (RM)	20	13	13

## 9. OFFSETTING

NOK million	GROUP					
	30.09.2015	30.09.2015 (1) presented net	30.09.2014	30.09.2014 (1) presented net	31.12.2014	31.12.2014 (1) presented net
Assets						
Financial derivatives	739	352	622	311	906	478
Liabilities						
Financial derivatives	492	105	396	85	521	93
PARENT BANK						
NOK million	30.09.2015	30.09.2015 (1) presented net	30.09.2014	30.09.2014 (1) presented net	31.12.2014	31.12.2014 (1) presented net
Assets						
Financial derivatives	597	213	528	218	751	327
Liabilities						
Financial derivatives	489	105	393	83	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	30.09.2015	30.09.2014	31.12.2014
Bonds, nominal value	18 173	18 300	17 587
Value adjustments	441	422	542
Accrued interest	200	193	285
<b>Debt incurred due to issue of securities</b>	<b>18 814</b>	<b>18 915</b>	<b>18 414</b>

### Change in debt securities – Parent bank

NOK million	31.12.2014	Issued	Matured/ Redeemed	Other changes during the period	30.09.2015
Bonds, nominal value	17 587	4 200	-3 614		18 173
Value adjustments	542			-101	441
Accrued interest	285			-85	200
<b>Debt incurred due to issue of securities</b>	<b>18 414</b>	<b>4 200</b>	<b>-3 614</b>	<b>-186</b>	<b>18 814</b>

### Debt securities – Group

NOK million	30.09.2015	30.09.2014	31.12.2014
Bonds, nominal value	38 750	35 144	34 748
Value adjustments	578	502	692
Accrued interest	237	237	335
<b>Debt incurred due to issue of securities</b>	<b>39 565</b>	<b>35 883</b>	<b>35 775</b>

### Change in debt securities - Group

NOK million	31.12.2014	Issued	Matured/ Redeemed	Other changes during the period	30.09.2015
Bonds, nominal value	34 748	10 200	-6 198		38 750
Value adjustments	692			-114	578
Accrued interest	335			-98	237
<b>Debt incurred due to issue of securities</b>	<b>35 775</b>	<b>10 200</b>	<b>-6 198</b>	<b>-212</b>	<b>39 565</b>

### 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	30.09.2015
Subordinated loans	400	800			1 200
Hybrid capital	700		-200		500
Value adjustments	0				0
<b>Total subordinated loan capital</b>	<b>1 100</b>	<b>800</b>	<b>-200</b>		<b>1 700</b>

## 11. EQUITY CERTIFICATE OWNERS

The twenty largest equity certificate owners as at 30.09.2015

NAME	NUMBER OF EC	SHARE OF EC-CAP. %	NAME	NUMBER OF EC	SHARE OF EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	2 432 024	51.00	11. Wenaasgruppen AS	53 760	1.13
2. Holta Invest AS	134 410	2.82	12. Sparebanken Vest	50 000	1.05
3. Arendal Kom. Pensjonskasse	130 000	2.73	13. Bergen Kom. Pensjonskasse	46 880	0.98
4. Pareto AS	124 150	2.60	14. Allumgården	45 179	0.95
5. Verdipapirfondet EIKA	121 836	2.55	15. NorgesInvestor Proto AS	44 960	0.94
6. Glastad Invest AS	100 000	2.10	16. Gumpen Bileiendom AS	37 730	0.79
7. SEB London branch	80 650	1.69	17. Brøvig Holding AS	34 800	0.73
8. Sparebankstiftelsen DNB	62 300	1.31	18. Varodd AS	32 800	0.69
9. MP Pensjon PK	56 900	1.19	19. Sparebanken Sør	31 600	0.66
10. Gustav Pedersen AS	53 760	1.13	20. Wenaas Kapital AS	26 880	0.56
<b>Total - 10 largest owners</b>	<b>3 296 030</b>	<b>69.12</b>	<b>Total - 20 largest owners</b>	<b>3 700 619</b>	<b>77.60</b>

As at 30.09.2015, Sparebanken Sør owns 31 600 of its own equity certificates. Equity certificate ratio as at 01.01.2015 was 13.5 %.

As at 30.09.2015, 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.

<b>GROUP</b>					
<b>NOK million</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q1 2015</b>	<b>Q4 2014</b>	<b>Q3 2014</b>
Net interest income	387	381	367	375	378
Net commission income	80	79	68	78	73
Net income from financial instruments	-104	8	29	18	48
Other operating income	8	3	3	9	5
<b>Total net income</b>	<b>371</b>	<b>471</b>	<b>467</b>	<b>480</b>	<b>504</b>
Total operating expenses	201	207	199	220	183
<b>Profit before losses</b>	<b>170</b>	<b>264</b>	<b>268</b>	<b>260</b>	<b>321</b>
Losses on loans and guarantees	17	18	14	19	193
<b>Profit before taxes</b>	<b>153</b>	<b>246</b>	<b>254</b>	<b>241</b>	<b>128</b>
Tax expenses	42	67	69	57	38
<b>Profit for the period</b>	<b>111</b>	<b>179</b>	<b>185</b>	<b>184</b>	<b>90</b>

<b>GROUP</b>					
<b>% of average assets</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q1 2015</b>	<b>Q4 2014</b>	<b>Q3 2014</b>
Net interest income	1.55	1.57	1.57	1.59	1.58
Net commission income	0.32	0.33	0.29	0.33	0.31
Net income from financial instruments	-0.42	0.03	0.12	0.08	0.20
Other operating income	0.03	0.01	0.01	0.04	0.02
<b>Total net income</b>	<b>1.48</b>	<b>1.94</b>	<b>1.99</b>	<b>2.04</b>	<b>2.11</b>
Total operating expenses	0.80	0.85	0.85	0.93	0.77
<b>Profit before losses</b>	<b>0.68</b>	<b>1.09</b>	<b>1.14</b>	<b>1.11</b>	<b>1.34</b>
Losses on loans and guarantees	0.07	0.07	0.06	0.08	0.81
<b>Profit before taxes</b>	<b>0.61</b>	<b>1.02</b>	<b>1.08</b>	<b>1.03</b>	<b>0.53</b>
Tax expenses	0.17	0.28	0.29	0.24	0.16
<b>Profit for the period</b>	<b>0.44</b>	<b>0.74</b>	<b>0.79</b>	<b>0.79</b>	<b>0.37</b>

# SPAREBANKEN SØR

