

FIRST QUARTER 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.

	1Q 2014	1Q 2014 Pro forma	31.12.2014 Pro forma
Income statement (NOK million)			
Net interest income	379	324	1 443
Net commission income	61	53	252
Net income from financial instruments	101	10	201
Other operating income	5	7	22
Total net income	546	394	1 918
Total expenses	210	195	800
Profit before losses on loans	336	199	1 118
Losses on loans	28	15	126
Profit before taxes	308	184	992
Tax expenses	66	46	219
Profit after taxes	242	138	773
Net income as percentage of average asset			
Net interest income	1,64 %	1,48 %	1,60 %
Net commission income	0,26 %	0,24 %	0,28 %
Net income from financial instruments	0,44 %	0,05 %	0,22 %
Other operating income	0,02 %	0,03 %	0,02 %
Total net income	2,36 %	1,80 %	2,13 %
Total expenses	0,91 %	0,89 %	0,89 %
Profit before losses on loans	1,45 %	0,91 %	1,24 %
Losses on loans	0,12 %	0,07 %	0,14 %
Profit before taxes	1,33 %	0,84 %	1,10 %
Tax expenses	0,29 %	0,21 %	0,24 %
Profit after taxes	1,05 %	0,63 %	0,86 %
Average total assets	93 700	88 700	90 200
Balance sheet			
Total assets	93 691	88 671	93 758
Net loans	78 385	73 650	77 450
Growth in loans as %, last 12 mths.	6,4 %	8,6 %	6,7 %
Customer deposits	44 722	40 596	43 740
Growth in deposits as %, last 12 mths.	10,2 %	15,2 %	8,2 %
Deposits as % of net loans	57,1 %	55,1 %	56,5 %
Equity	6 875	6 023	6 658
Losses on loans as % of net loans, annualised	0,14 %	0,08 %	0,16 %
Net defaulted loans over 90 days and doubtful loans as % of net loans	1,01 %	0,83 %	0,89 %
Other key ratios			
Costs as % of income	38,5 %	49,5 %	41,7 %
Return on equity after tax	14,7 %	9,4 %	12,3 %
Core tier 1 capital ratio	12,3 %	11,9 %	12,8 %
Core capital ratio	13,6 %	13,3 %	14,2 %
Total capital ratio	14,3 %	13,3 %	15,1 %
Total core capital	7 285	6 607	7 076
Total primary capital	7 604	6 607	7 522
Number of branches	40	44	44
Number of man-years in banking activity	478	520	489
Key ratios where history is not pro forma			
Equity certificate ratio	14,1 %	7,5 %	7,1 %
Number of equity certificates issued	4 768 674	1 250 000	1 250 000
Profit/diluted earnings per equity certificate (Parent Bank)	5,2	1,9	10,3
Profit per equity certificate (Group)	7,32	3,1	18,1
Book equity per equity certificate	203	166	187
Price/ book value per equity certificate	0,7	0,9	0,8
Listed price on Oslo Stock Exchange at end of period	148	146	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 during the first quarter of 2014 compared with the pro forma figures, as the Board of Directors believes this provides a better overview of developments 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 Sørmeglereen. 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.

Main features

- Merger process «on track», implementation and integration as planned
- Solid pre-tax profit of NOK 513 million
- Recognition of negative goodwill as a result of the merger of NOK 205 million
- Change in value of Nets of NOK 71 million
- Further strong growth in deposits and loans
- Positive trend in margins and interest income from deposits and loans
- Strong trend in commission income
- Nominal reduction in costs taking into account merger costs and profiling
 - Staff downsizing being carried out as planned and reducing the cost base
- Solid equity and capital adequacy ratio well above the authority requirement.

Financial framework conditions

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

Annual growth in the general public's gross domestic debt (C2) at the end of March was 5.8%. Debt growth for households and industry amounted to 6.9% and 3.5% respectively.

The growth in the Norwegian economy is moderate and house prices has remained largely unchanged in recent months and unemployment has also remained steady during the period.

Results as of the first quarter

During the first quarter of 2014, Sparebanken Sør achieved a pre-tax profit (excluding negative goodwill) of NOK 308 million, compared with NOK 184 million in 2013 (pro forma). This represents an increase in profit of NOK 124 million, of which NOK 71 million can be attributed to the adjustment in the value of Nets Holding.

After the first quarter, return on equity after tax, corrected for negative goodwill, amounted to 14.7%; corrected for the change in the value of Nets, it amounted to 10.4%.

Total net income during the first quarter amounted to NOK 546 million, compared with NOK 394 million as of the first quarter of 2013 (pro forma). This primarily relates to an increase in net interest and the adjustment in the value of Nets.

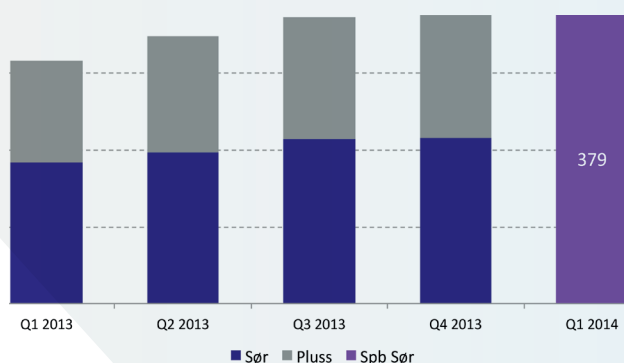
Total expenses (adjusted for negative goodwill) amounted to NOK 210 million during the first quarter of 2014, compared with NOK 195 million as of the first quarter of 2013 (pro forma).

Losses on loans totalled NOK 28 million during the first quarter of 2014, compared with NOK 15 million during the first quarter of 2013 (pro forma).

Growth in lending and deposits on a 12-month basis as of the first quarter of 2014 (pro forma) amounted to 6.4% and 10.2% respectively.

Core tier 1 capital ratio as at 31 March 2014 was 12.3%. Sparebanken Sør is currently well-capitalised and is one of the largest banks in Norway with the highest total capital adequacy ratio.

Net interest



During the first quarter, net interest income amounted to NOK 379 million, compared with NOK 324 million during the first quarter of 2013 (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 on 14 April 2014. This reduction will take effect from mid-June for existing loans. For mortgages, the reduction is up to 0.25 percentage points. Following the changes, the best mortgage interest rate will be 3.65% and 3.40% for mortgages for young people 3.40%.

At the same time as reducing the 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

Commission income	Q1 2014	Q1 2013	Change
Payment transfers	34	34	0
Real estate agency	17	9	8
Other product companies	10	10	0
Total	61	53	8

Net commission income amounted to NOK 61 million during the first quarter of 2014, compared with NOK 53 million during the first quarter of 2013 (pro forma), primarily as a result of an increase in income from real estate brokerage.

Financial instruments

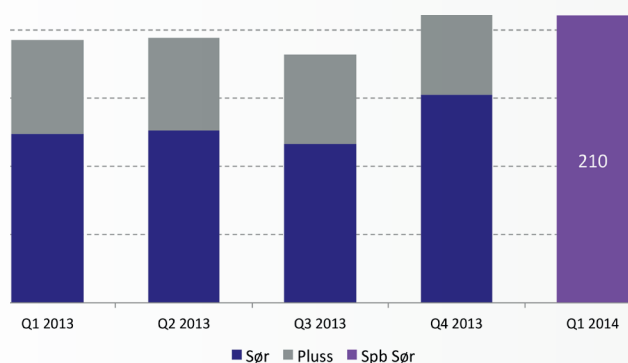
The total return on financial investments was NOK 101 million during the first quarter of 2014, compared with NOK 10 million during the first quarter of 2013 (pro forma). The total return breaks down as follows:

- Return on the Group's shares totalled NOK 78 million, including Nets (NOK 6 million).
- Net income from other financial instruments totalled NOK 23 million (NOK 4 million).

Sparebanken Sør has entered into an agreement concerning the sale of its shares in Nets Holding A/S to a consortium consisting of Advent International, ATP and Bain Capital. The fee results in an increase in the value of Sparebanken Sør's stake during the first quarter of 2014 of approx. NOK 71 million. The transaction is subject to authority approval and is expected to be completed during the second quarter of 2014.

Operating expenses

During the first quarter of 2014, NOK 205 million was recognised as negative goodwill in the form of a cost reduction. Negative goodwill has arisen as a result of the merger, with equity certificate owners in the former Sparebanken Sør receiving a fee in the form of equity certificates in Sparebanken Pluss (now renamed Sparebanken Sør). This arises as the value of net assets identified in the merger is higher than the fee. Reference is also made to the separate note on the merger.



Total expenses (excluding the recognition of negative goodwill) amounted to NOK 210 million in the first quarter of 2014, compared with NOK 195 million during the first quarter of 2013 (pro forma). Excluding expenses relating to the merger, 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 second half of 2014.

Total operating expenses as a percentage of average asset amounted to 0.91% (0.89%). The ratio between expenses and income within the Group was 38.5% (49.5%).

Losses and defaulted loans

Losses on loans were charged to the financial statements in the net amount of NOK 28 million, equivalent to 0.04% of net loans. The corresponding figures last year were NOK 15 million and 0.02% of net loans. The increase in net losses can largely be attributed to the corporate market portfolio and concerns a number of smaller loans. The bank's individual write-downs as of 31 March 2014 amounted to NOK 420 million. Total individual write-downs amount to 0.53% of gross loans at the end of the quarter.

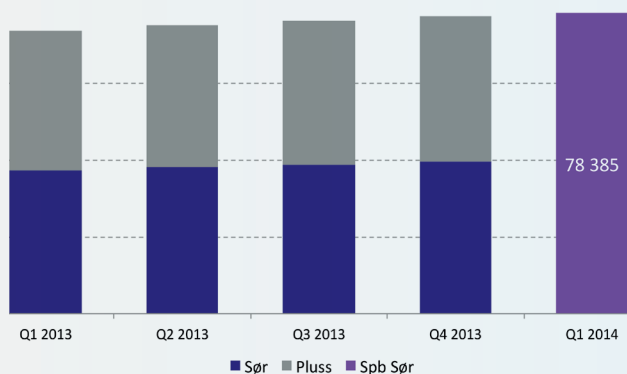
Net defaulted loans over 90 days and doubtful loans amounted to NOK 789 million. As a percentage of loans, this is equivalent to 1.01%. The corresponding figures at the year-end were NOK 689 million and 0.89%. The credit quality of the bank's loan portfolio is satisfactory and the level of losses and defaulted loans are considered to be moderate.

Loans

During the past 12 months, total loans increased by NOK 4.7 billion, to NOK 78.4 billion. This corresponds to 6.4%.

Loans to retail customers during the past 12 months increased by NOK 2.8 billion to NOK 51.6 billion. This corresponds to a growth of 5.8%.

Loans to corporate customers during the past 12 months increased by NOK 2.0 billion to NOK 27.4 billion. This corresponds to a growth of 7.9%.



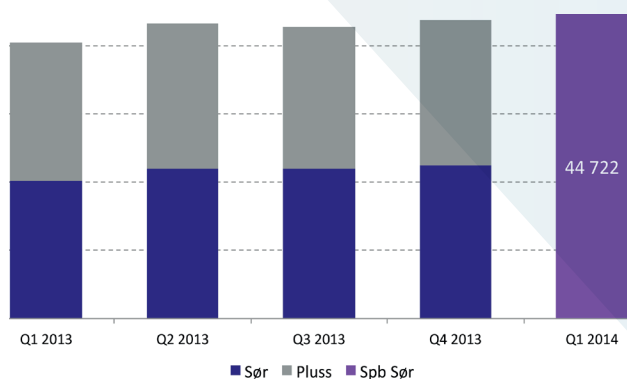
Loans to retail customers amounted to 66% (66%) of total loans at the end of the first quarter of 2014.

Deposits

During the past 12 months, customer deposits increased by NOK 4.1 billion to NOK 44.7 billion. This corresponds to a growth of 10.2%.

During the past 12 months, deposits from retail customers increased by NOK 1.6 billion to NOK 21.0 billion. This corresponds to a growth of 8.2%.

During the past 12 months, deposits from corporate customers increased by NOK 2.6 billion to NOK 23.7 billion. This corresponds to a growth of 12.5%.



Sparebanken Sør's deposit as a percentage of net loans was 57.1% as of 31 March 2014, up from 55.1% for the same period last year.

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 11.7 billion, compared with NOK 12.0 billion at the same time last year. At the end of the quarter, the Group's liquidity indicator for long-term financing was 106.7%.

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 first quarter, the core Tier 1 capital ratio was 12.3%. The core capital ratio is 13.6% and the capital ratio 14.3, 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.

For the Parent Bank, the respective figures are 13.3% core Tier 1 capital, 14.7% core capital ratio and 15.6% capital ratio.

The bank's equity certificates

As of 31 March 2014, 4,768,674 equity certificates have been issued. During the first quarter, the profit (Group) per equity certificate was NOK 7.32 per certificate (excluding the recognition of negative goodwill).

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

Subsidiaries and collaborating companies

Sørmegleren, the bank's own estate agency, has now been operating for almost four months since the merger between ABCenter and Plussmegleren was completed.

Sørmegleren has had a good start and income during the early months was higher than expected. Market share has been increased in a number of areas. Market share in Kristiansand has risen by two to three percentage points so far, and in Arendal, Sørmegleren has strengthened its position considerably. Along the south coast of Norway, Sørmegleren has become 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 of 31 March 2014, the bank had transferred NOK 22.2 billion to Sør Boligkreditt, equivalent to 43% 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 31 million during the first quarter of 2014.

Norne Securities (holding 17.6%) has continued its positive development and delivered a profit of NOK 2.5 million during the first quarter of 2014. The improvement in results is largely due to a higher level of activity within Corporate Finance. A higher level of activity is also anticipated within all business areas 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 4million during the first quarter.

The merger

During the first quarter of 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.

During the quarter, systems have been integrated, staff have been co-located and extensive training has been provided to ensure a common platform for the new bank. A major marketing campaign, under the name of «Vi spanderer ditt bryllup» («We'll pay for your wedding») has been carried out and concluded, and a new profile has been launched and is being rolled out at all offices.

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. 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 for the first quarter of 2014 are also very satisfactory. The Group has robust financing in line with the ambitions of the Board of Directors.

Going forward, the Board of Directors will devote much attention to measures to further strengthen the bank's solvency, to ensure that the bank meets its own future targets concerning solvency and capital adequacy ratio.

Because of the bank's size in the region, the Financial Supervisory Authority of Norway has proposed that Sparebanken Sør be defined as system-critical, meaning that the bank will be made subject to additional capital requirements. The bank is well-capitalised, but with the new capital requirements that are being introduced, Sparebanken Sør must continue to expect further strengthening of core capital and primary capital. The new capital requirements will be taken into consideration in the capital plan which is in the process of being drawn up. The plan will be considered by the Board of Directors during the second quarter of 2014.

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

Like its competitors, Sparebanken Sør has adapted its deposit and lending interest rates to the prevailing market conditions. The change in interest rate was announced on 14 April and will have an impact in terms of financial results in forthcoming periods.

Kristiansand, 9. May 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	Notes	GROUP		
31.12.13	31.03.13	31.03.14			31.03.14	31.03.13	31.12.13
1 294	322	692	Interest income		898	399	1 657
905	235	433	Interest expenses		519	267	1 055
389	87	259	Net interest income		379	132	602
96	23	56	Commission income and income from banking services		71	22	91
11	3	9	Commission expenses and expenses from banking services		10	3	11
85	20	47	Net commission income		61	19	80
9		7	Dividend		7		9
28	10	112	Net income from other financial instruments		94		10
37	10	119	Net income from financial instruments		101	-	19
15	4	4	Other operating income		5	3	11
526	121	429	Total income		546	154	712
142	35	95	Wages and other personnel expenses		109	36	142
14	3	8	Depreciation and write-down of fixed assets and intangible assets		9	4	15
		-205	Negative goodwill	12	-205		
109	27	87	Other operating expenses		92	28	114
265	65	-15	Total expenses		5	68	271
261	56	444	Profit before losses on loans		541	86	441
28	9	28	Losses on loans, guarantees, etc.	2	28	9	28
233	47	416	Profit before taxes	7	513	77	413
60	13	39	Tax expenses	11	66	25	111
173	34	377	Profit for the period		447	52	302
			Minority interests				
173	34	377	Majority interests		447	52	302
			Other comprehensive income				
173	34	377	Items that are not to be reversed via profit and loss		447	52	302
-25			Recognised estimate deviations, pensions				-25
7			Tax effect of recognised estimate deviations, pensions				7
155	34	377	Total comprehensive income for the period		447	52	284

PARENT BANK			NOK million		GROUP		
31.12.13	31.03.13	31.03.14	ASSETS	Notes	31.03.14	31.03.13	31.12.13
1 340	511	801	Cash and receivables from central banks		801	511	1 340
579	534	1 849	Loans to and receivables from credit institutions		649	27	50
26 667	24 754	56 335	Net loans to customers	2 3 5 7 8	78 385	36 305	37 987
		2	Repossessed properties		2		
7 620	10 452	13 754	Bonds and certificates	8	11 733	6 113	5 783
100	218	708	Shares	8	708	218	100
203	261	521	Financial derivatives	8 9	544	262	203
525	450	1 269	Shareholdings in group companies				
		14	Shareholdings in associated companies		14		
		21	Intangible assets		24		
2		4	Deferred tax asset		17		2
264	269	521	Fixed assets		696	269	264
30	33	78	Other assets		118	34	30
37 330	37 482	75 877	TOTAL ASSETS	8	93 691	43 739	45 759
			LIABILITIES AND EQUITY				
2 027	3 304	1 885	Debts to credit institutions		2 043	3 305	2 027
21 264	20 431	44 740	Deposits from and debts to customers	4 7 8	44 722	20 431	21 264
9 799	9 976	20 792	Debt incurred due to issue of securities	8	37 993	16 061	17 935
241	295	332	Financial derivatives	8 9	335	297	241
71	56	94	Payable taxes		189	97	123
83	92	285	Other liabilities		334	90	84
76	70	101	Provisions for commitments		101	70	76
899	498	1 099	Subordinated loan capital	8	1 099	498	899
34 460	34 722	69 328	Total liabilities		86 816	40 849	42 649
203	204	898	Equity certificate capital	10	898	204	203
2 667	2 556	5 651	Other equity		5 977	2 686	2 907
2 870	2 760	6 549	Total equity	6	6 875	2 890	3 110
37 330	37 482	75 877	TOTAL LIABILITIES AND EQUITY	8	93 691	43 739	45 759

Cash flow statement

PARENT BANK				GROUP		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
1 254	341	703	Interest payments received	932	416	1 614
-921	-130	-469	Interest payments made	-572	-162	-1 072
119	26	77	Other payments received	80	24	111
-266	-56	-177	Operating payments	-198	-58	-272
2	1	2	Recoveries on previously confirmed losses	2	1	2
-82	-41	-68	Period tax paid	-107	-44	-115
-10	-4	-4	Gifts paid	-4	-4	-10
1 870	952	984	Change in customer deposits	982	952	1 870
-1 608	331	-1 943	Change in loans to customers	-942	-656	-2 365
358	1 420	-895	Net cash flow from operational activities	173	469	-237
16 409	6 212	4 442	Payments received regarding securities	2 571	6 212	13 679
-12 464	-5 148	-2 119	Payments made regarding securities	-2 119	-5 148	-12 389
1			Payments received regarding sale of fixed assets			1
-8	-2	-10	Cash added through merger	-10	-2	-8
1	-2	-37	Change in other assets	-56	-2	1
3 939	1 060	2 276	Net cash flow from investment activities	386	1 060	1 284
-5	40	212	Change in loans to credit institutions	-314	-8	-30
-3 278	-2 002	-2 779	Change in deposits from credit institutions	-1 456	-2 002	-3 278
2 501	497	1 676	Payments received, bond debt	1 653	1 496	8 529
-3 039	-967	-1 477	Payments made, bond debt	-1 472	-967	-5 794
401			Payments received, subordinated loan capital			401
-13			Dividend payment			-13
1	-12	67	Change in other liabilities	110	-12	3
-3 432	-2 444	-2 301	Net cash flow from financing activities	-1 479	-1 493	-182
865	36	-920	Net change in liquid assets	-920	36	865
475	475	1 721	Cash and cash equivalents as at 1 January	1 721	475	475
1 340	511	801	Cash and cash equivalents at end of period	801	511	1 340

GROUP	Equity certificates	Premium fund	Dividend equalisation fund	Primary capital	Gift fund	Other equity	Minority interests	TOTAL
Balance as at 31.12.2012	125	34	45	2 493	34	124		2 855
Dividend distributed for 2012						-13		-13
Profit, quarter 1 2013						51		51
Other comprehensive income								-
Distributed by gift fund					-3			-3
Balance as at 31.03.2013	125	34	45	2 493	31	162	0	2 890
Profit, 1 April–31 December 2013				147	13	91		251
Other comprehensive income			-1	-17				-18
Distributed by gift fund					-13			-13
Equity as at 31.12.2013	125	34	44	2 623	31	253	0	3 110
Equity added through merger	349	141		2 817	13	9	7	3 336
Balance as at 01.01.2014	474	175	44	5 440	44	262	7	6 446
Dividend distributed for 2013						-13		-13
Profit, quarter 1 2014			205			242		447
Distributed by gift fund					-5			-5
Equity as at 31.03.2014	474	175	249	5 440	39	491	7	6 875
PARENT BANK								
Balance as at 31.12.2012	125	34	45	2 493	34	13		2 744
Dividend distributed for 2012						-13		-13
Profit, quarter 1 2013						32		32
Other comprehensive income								0
Distributed by gift fund					-3			-3
Balance as at 31.03.2013	125	34	45	2 493	31	32	0	2 760
Profit 1 April - 31 December 2013				147	13	-19		141
Other comprehensive income			-1	-17				-18
Distributed by gift fund					-13			-13
Balance as at 31.12.2013	125	34	44	2 623	31	13	0	2 870
Equity added through merger	349	141		2 817	13			3 320
Balance as at 01.01.2014	474	175	44	5 440	44	13	0	6 190
Dividend distributed for 2013						-13		-13
Profit, quarter 1 2014			205			172		377
Other comprehensive income								0
Distributed by gift fund					-5			-5
Equity as at 31.03.2014	474	175	249	5 440	39	172	0	6 549

1. ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with International Standards for Financial Reporting, including IAS 34. 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 first quarter of 2014.

2. LOSSES ON LOANS AND GUARANTEES

PARENT BANK				GROUP		
31.12.13	31.03.13	31.03.14	Individual write-downs	31.03.14	31.03.13	31.12.13
52	52	73	Individual write-downs at start of period	73	52	52
0	0	321	Individual write-downs identified in connection with merger	321	0	0
2	1	3	- Period's confirmed loss for which individual write-down has been performed during previous years	3	1	2
7	4	9	+ Increased individual write-downs during the period	9	4	7
21	1	23	+ New individual write-downs during the period	23	1	21
5	1	3	- Reversal of individual write-downs during the period	3	1	5
73	55	420	= Individual write-downs at end of period	420	55	73

PARENT BANK				GROUP		
31.12.13	31.03.13	31.03.14	Collective write-downs on loans	31.03.14	31.03.13	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
92	92	188	= Collective write-down of loans at end of period	194	92	92

PARENT BANK				GROUP		
31.12.13	31.03.13	31.03.14	Losses on loans during the period	31.03.14	31.03.13	31.12.13
22	8	26	Change in individual write-downs during the period	26	8	22
0	0	0	+ Change in collective write-downs during the period	0	0	0
2	1	3	+ Period's confirmed loss for which individual write-down has been performed during previous years	3	1	2
1	0	0	+ Period's confirmed loss for which no individual write-down has been performed during previous years	0	0	1
5	1	1	+ Recognised as interest income	1	1	5
2	1	2	- Period's recoveries relating to previous losses	2	1	2
28	9	28	= Losses on loans during the period	28	9	28

3. DEFAULTED AND DOUBTFUL LOANS

PARENT BANK				GROUP		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
49	52	207	Gross defaulted loans 30-60 days	219	57	49
1	17	72	Gross defaulted loans 60-90 days	72	17	1
213	122	608	Gross defaulted loans > 90 days	608	122	213
263	192	887	Defaulted loans	899	197	263
55	38	190	Individual write-downs	190	38	55
208	154	697	Net defaulted loans	709	158	208
90	79	601	Other doubtful loans	601	79	90
21	17	230	Individual write-downs	230	17	21
69	63	371	Net doubtful loans	371	63	69

4. CUSTOMER DEPOSITS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK				GROUP		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
7 919	7 434	21 018	Retail customers	21 018	7 434	7 919
2 271	1 743	4 280	Public administration	4 280	1 743	2 271
48	63	305	Primary industry	305	63	48
1 165	1 015	1 586	Industry	1 586	1 015	1 165
1 318	891	1 971	Building and Construction	1 971	891	1 318
782	1 315	1 098	Transport and communication	1 098	1 315	782
677	521	783	Retail sector	783	521	677
49	31	140	Hotel and restaurant	140	31	49
1 708	1 784	3 136	Property management	3 119	1 784	1 708
974	998	2 438	Financial/commercial services	2 437	998	974
4 338	4 536	7 750	Other sectors	7 750	4 536	4 338
21 249	20 331	44 505	TOTAL	44 487	20 331	21 249
15	100	235	Accrued interest	235	100	15
21 264	20 431	44 740	Total deposits from and debts to customers	44 722	20 431	21 264

5. GROSS LOANS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK				GROUP		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
11 911	11 114	29 914	Retail customers	51 629	22 565	23 155
3	4	21	Public administration	21	4	3
122	104	651	Primary industry	689	123	133
209	222	893	Industry	912	223	211
2 300	2 043	4 033	Building and Construction	4 151	2 069	2 314
141	162	535	Transport and communication	596	165	141
549	419	1 289	Retail sector	1 335	430	558
79	85	378	Hotel and restaurant	392	87	79
8 321	7 572	14 041	Property management	13 905	7 573	8 322
401	386	1 662	Financial/commercial services	1 734	395	411
2 718	2 711	3 377	Other sectors	3 459	2 725	2 735
80	79	147	Accrued interest	174	93	92
26 834	24 901	56 941	TOTAL GROSS LOANS	78 997	36 452	38 154
167	147	606	Write-downs on lending	612	147	167
26 667	24 754	56 335	TOTAL NET LOANS	78 385	36 305	37 987

6. PRIMARY CAPITAL AND CAPITAL ADEQUACY

PARENT BANK				GROUP		
31.12.13	31.03.13	31.03.14		31.03.14	31.03.13	31.12.13
125	125	474	Equity certificates	474	125	125
34	34	175	Premium fund	175	34	34
2 635	2 494	5 440	Primary capital	5 440	2 607	2 876
31	27	39	Gift fund	39	27	31
44	44	249	Equalisation fund	249	44	44
			Other equity	249		
2 869	2 724	6 377	Total core Tier 1 capital	6 626	2 837	3 110
500	500	700	Hybrid capital	700	500	500
-15	0	-25	- Deduction for goodwill and deferred tax asset	-41	0	-15
3 354	3 224	7 052	Core capital	7 285	3 337	3 595
			Additional capital over core capital:			
400	0	400	Subordinated loan capital	400	0	400
400	0	400	Total additional to core capital	400	0	400
-21	-21	-21	- Deduction from core and additional capital	-81	-21	-21
3 733	3 203	7 431	Total primary capital	7 604	3 316	3 974
Minimum requirement for subordinated capital Basel II calculated according to the standard method:						
3	6	19	Engagements with local and regional authorities	19	6	3
199	156	457	Engagements with institutions	162	28	18
770	743	1 246	Engagements with enterprises	1 246	743	770
338	334	714	Engagements with the mass market	805	336	341
414	388	1 027	Engagements secured in property	1 645	734	753
23	17	74	Engagements which have fallen due	74	17	23
2	2	0	Engagements which are high-risk	0	2	2
38	26	63	Engagements in covered bonds	47	26	23
0	2	0	Engagements in collective investment funds	0	2	0
51	53	43	Engagements, other	43	53	51
1 838	1 727	3 643	Capital requirements for credit and counterparty risk	4 041	1 947	1 984
0	0	4	Capital requirements for position, currency and product risk	4	0	0
81	81	193	Capital requirements for operational risk	232	93	93
-9	-9	-17	Deduction from the capital requirement	-22	-9	-9
1 910	1 799	3 823	Total minimum requirement for primary capital	4 255	2 031	2 068
23 875	22 488	47 788	Risk-weighted balance (calculation basis)	53 188	25 388	25 850
11,93 %	12,02 %	13,27 %	Core tier 1 capital ratio, %	12,30 %	11,09 %	11,95 %
13,96 %	14,24 %	14,74 %	Core capital ratio, %	13,62 %	13,06 %	13,83 %
15,64 %	14,24 %	15,55 %	Total capital ratio, %	14,30 %	13,06 %	15,37 %

7. SEGMENT REPORTING

Reporting per segment	Group 31.03.2014				Group 31.03.2013			
	RM	CM	Undistrib. and elimin.	Total	RM	CM	Undistrib. and elimin.	Total
Income statement (NOK million)								
Net interest income	274	150	-45	379	104	48	-20	132
Net other operating income	20	8	139	167	37	6	-21	22
Operating expenses	65	17	-77	5	29	6	33	68
Profit before losses per segment	229	141	171	541	112	48	-74	86
Losses on loans, guarantees	1	27	0	28	4		5	9
Profit before tax per segment	228	114	171	513	108	48	-79	77
Net loans to customers	51 330	26 694	361	78 385	24 485	10 764	1 056	36 305
Other assets	258	3	15 045	15 306	545	226	6 663	7 434
Total assets per segment	51 588	26 697	15 406	93 691	25 030	10 990	7 719	43 739
Deposits from and debts to customers	22 686	17 477	4 559	44 722	10 154	5 935	4 342	20 431
Other liabilities	28 902	9 520	3 672	42 094	14 876	5 055	487	20 418
Total liabilities per segment	51 588	26 997	8 231	86 816	25 030	10 990	4 829	40 849
Equity			6 875	6 875			2 890	2 890
Total liabilities and equity per segment	51 588	26 997	15 106	93 691	25 030	10 990	7 719	43 739

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 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 companies and fixed rate loans where no 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				GROUP				
Recognised value	Level 1	Fair value Level 2	Level 3	31.03.14 NOK MILLION	Recognised value	Level 1	Fair value Level 2	Level 3
Assets recognised at amortised cost								
49 116			49 116	Net loans to customers (variable interest rate)	71 166			71 166
Assets recognised at fair value								
7 219			7 219	Net loans to customers (fixed interest rate)	7 219			7 219
13 754		13 754		Bonds and certificates	11 735		11 735	
708	42		666	Shares	708	42		666
521		521		Financial derivatives	544		544	
16		16		Other assets	16		16	
71 334	42	14 291	57 001	Total financial assets	91 388	42	12 295	79 051
Liabilities recognised at amortised cost								
-1 885		-1 885		Debts to credit institutions	-2 043		-2 043	
-44 740			-44 740	Deposits from and debts to customers	-44 722			-44 722
-20 792		-20 980		Debt incurred due to issue of securities	-37 993		-38 332	
-1 099		-1 107		Subordinated loan capital	-1 099		-1 107	
Liabilities recognised at fair value								
-332		-332		Financial derivatives	-335		-335	
-16		-16		Other liabilities	-16		-16	
-68 864	0	-24 320	-44 740	Total financial liabilities	-86 208	0	-41 833	-44 722

PARENT BANK				GROUP				
Recognised value	Level 1	Fair value Level 2	Level 3	31.12.13 NOK MILLION	Recognised value	Level 1	Fair value Level 2	Level 3
Assets recognised at amortised cost								
21 194			21 194	Net loans to customers (variable interest rate)	32 514			32 514
1 261		1 271		Bonds and certificates				
Assets recognised at fair value								
5 473			5 473	Net loans to customers (fixed interest rate)	5 473			5 473
6 360		6 360		Bonds and certificates	5 783		5 783	
98	7		92	Shares	98	7		92
203		203		Financial derivatives	203		203	
16		16		Other assets	16		16	
34 605	7	7 850	26 759	Total financial assets	44 087	7	6 002	38 079
Liabilities recognised at amortised cost								
-2 027		-2 027		Debts to credit institutions	-2 027		-2 027	
-21 264			-21 264	Deposits from and debts to customers	-21 264			-21 264
-9 799		-9 882		Debt incurred due to issue of securities	-17 935		-18 063	
-899		-894		Subordinated loan capital	-899		-894	
Liabilities recognised at fair value								
-241		-241		Financial derivatives	-241		-241	
-16		-16		Other liabilities	-16		-16	
-34 246	0	-13 060	-21 264	Total financial liabilities	-42 382	0	-21 241	-21 264

PARENT BANK				GROUP				
Recognised value	Level 1	Fair value Level 2	Level 3	31.03.13 NOK MILLION	Recognised value	Level 1	Fair value Level 2	Level 3
Assets recognised at amortised cost								
19 103			19 103	Net loans to customers (variable interest rate)	30 654			30 654
2 675		2 698		Bonds and certificates				
Assets recognised at fair value								
5 651			5 651	Net loans to customers (fixed interest rate)	5 651			5 651
7 777		7 777		Bonds and certificates	6 113		6 113	
216	5		211	Shares	216	5		211
261		261		Financial derivatives	203		203	
17		17		Other assets	17		17	
35 700	5	10 753	24 965	Total financial assets	42 855	5	6 334	36 516
Liabilities recognised at amortised cost								
-3 305		-3 305		Debts to credit institutions	-3 305		-3 305	
-20 431			-20 431	Deposits from and debts to customers	-20 431			-20 431
-9 976		-10 143		Debt incurred due to issue of securities	-16 061		-16 259	
-498		-510		Subordinated loan capital	-498		-510	
Liabilities recognised at fair value								
-295		-295		Financial derivatives	-297		-297	
-17		-17		Other liabilities	-17		-17	
-34 522	0	-14 269	-20 431	Total financial liabilities	-40 608	0	-20 387	-20 431

MOVEMENT CATEGORY 3

GROUP OG PARENT BANK

NOK MILLION	Loans to customers	Of which, credit risk	Shares	Of which, credit risk
Recognised value as at 01.01.2013	5 471	-93	88	0
Acquisitions during quarter 1 2013	262			
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	0	-7	0	0
Disposals during quarter 1 2013	-82			
Recognised value as at 31.03.2013	5 651	-100	88	0
Acquisitions quarters 2, 3 og 4	272			
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	-48	-5	24	0
Disposals, quarters 2, 3 and 4	-402		-21	
Recognised value as at 31.12.2013	5 473	-105	92	0
Acquisitions during quarter 1 2014 (incl. acquisitions merger)	2 199	-54	502	
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	27	12	71	0
Disposals during quarter 1 2014	-480		0	
Recognised value as at 31.03.2014	7 219	-147	666	0

Sensitivity analysis

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

GROUP OG PARENT BANK

NOK MILLION	31.03.14	31.03.13	31.12.13
Loans to and receivables from customers	25	25	21
- of which, loans to the corporate market (CM)	10	13	11
- of which, loans to the retail market (RM)	15	12	10

9. OFFSETTING

NOK MILLION	GROUP					
	31.03.14	31.03.2014 (1) presented net	31.03.13	31.03.2013 (1) presented net	31.12.13	31.12.13 (1) presented net
Assets						
Financial derivatives	544	274	262	142	203	99
Liabilities						
Financial derivatives	-335	-65	-297	-179	-241	-137
PARENT BANK						
NOK MILLION	31.03.14	31.03.2014 (1) presented net	31.03.13	31.03.2013 (1) presented net	31.12.13	31.12.13 (1) presented net
Assets						
Financial derivatives	521	254	261	142	203	99
Liabilities						
Financial derivatives	-332	-65	-295	-180	-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. EQUITY CERTIFICATE OWNERS

The twenty largest equity certificate owners as at 31.03.2014.

NAME	NUMBER OF EC.	SHARE OF EC. CAP. %	NAME	NUMBER OF EC.	SHARE OF EC. CAP. %
1. Sparebankstiftelsen Sparebanken Sør	3 518 674	73,7911	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. Sparebankstiftelsen DnB	62 300	1,31	14. Birkenes Sparebank	20 000	0,42
5. Verdipapirfondet EIKA	53 028	1,11	15. Flekkefjord Sparebank	15 800	0,33
6. Brøvig Holding AS	34 800	0,73	16. Apriori Holding AS	13 900	0,29
7. Harald Espedal AS	34 542	0,72	17. Lund Hans Arvid	13 400	0,28
8. Varodd AS	32 800	0,69	18. Strømme Leif Eiendom	13 400	0,28
9. Gumpen Bileiendom AS	32 350	0,68	19. Albert Alf	11 520	0,24
10. Sparebanken Sør	31 600	0,66	20. Rynning Jens Emil	11 137	0,23
Total – 10 largest owners	4 015 494	84,21	Total – 20 largest owners	4 193 330	87,92

As at 31.03.2014, Sparebanken Sør owns 31,600 of its own equity certificates. Equity certificate ratio as at 31.12.2013 was 7.13.

As at 31.03.2014, equity certificate capital amounted to NOK 476,867,400 divided between 4,768,674 equity certificates with a nominal value of NOK 100.

11. TAX EXPENSES

The ordinary tax rate of 27% has been used as a basis. The tax expense in the first quarter of 2014 is low due to the recognised negative goodwill and the increase in the value of Nets shares.

12. 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
Total fees			522

Identifiable assets and liabilities in the balance sheet	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	-417	-423
Repossessed properties	2	2
Bonds and certificates	8 464	6 445
Shares	531	531
Financial derivatives	363	400
Shareholding in group companies	742	
Intangible assets	4	7
Deferred tax asset	9	
Fixed assets	266	432
Other assets	34	55
Debts to credit institutions	-2 630	-1 465
Deposits from and debts to customers	-22 492	-22 476
Debt incurred due to issue of securities	-10 861	-19 960
Financial derivatives	-61	-66
Other liabilities	-106	-137
Obligations associated with period tax	-64	-111
Deferred tax		-3
Provisions for obligations	-33	-29
Hybrid capital	-201	-201
Net assets	3 556	3 556
Sparebanken's primary capital (owner ratio 79.54)	2 829	2 828
Equity certificate capital's share of identifiable net assets (owner ratio 20.46)	728	728
Total fees	522	522
Negative goodwill (fee - value-adjusted equity certificate capital)	-205	-205

Negative goodwill of NOK 205 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 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 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.

SPAREBANKEN SØR

