

QUARTER 2 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.

Income statement (NOK million)	2 Q 2014	2 Q 2013	30.06.2014	30.06.2013	31.12.2013
		Pro forma		Pro forma	Pro forma
Net interest income	379	355	758	679	1 443
Net commission income	72	60	133	113	252
Net income from a financial instruments	17	-2	118	8	201
Other operating income	4	5	9	12	22
Total income	472	418	1 018	812	1 918
Total expenses	221	197	431	392	800
Profit before losses on loans	251	221	587	420	1 118
Losses on loans and guarantees	28	34	56	49	126
Profit before taxes	223	187	531	371	992
Tax expenses	54	50	120	96	219
Profit for the period	169	137	411	275	773
Net income as percentage of average asset					
Net interest income	1.60%	1.57%	1.62%	1.53%	1.60%
Net commission income	0.30%	0.27%	0.28%	0.25%	0.28%
Net income from financial instruments	0.07%	-0.01%	0.25%	0.02%	0.22%
Other operating income	0.02%	0.02%	0.02%	0.03%	0.03%
Total income	1.99%	1.85%	2.18%	1.83%	2.13%
Total expenses	0.93%	0.87%	0.92%	0.88%	0.89%
Profit before losses on loans	1.06%	0.98%	1.25%	0.95%	1.24%
Losses on loans and guarantees	0.12%	0.15%	0.12%	0.11%	0.14%
Profit before taxes	0.94%	0.83%	1.13%	0.83%	1.10%
Tax expenses	0.23%	0.22%	0.26%	0.22%	0.24%
Profit for the period	0.71%	0.61%	0.88%	0.62%	0.86%
Average total assets	95 000	90 700	94 350	89 600	90 200
Balance sheet					
Total assets			96 233	91 813	93 758
Net loans to customers			79 658	75 319	77 450
Growth in loans as % last 12 mths.			5.8%	7.6%	6.8%
Customers deposits			47 325	43 591	43 740
Growth in deposits as % last 12 mths.			8.6%	12.9%	8.3%
Deposits as % of net loans			59.4%	57.9%	56.5%
Equity			7 034	6 164	6 658
Losses on loans as % of net loans annualised			0.14%	0.13%	0.16%
Net defaulted loans over 90 days and doubtful loans as % of net loans			0.97%	1.09%	0.89%
Other key ratios					
Cost as % of income			42.3%	48.3%	41.7%
Return on equity after tax			12.3%	9.2%	12.3%
Core tier 1 capital ratio			12.3%	11.8%	12.8%
Core capital ratio			13.6%	13.0%	14.2%
Total capital ratio			14.3%	13.0%	15.1%
Total core capital			7 288	6 550	7 076
Total primary capital			7 597	6 484	7 522
Number of branches			40	44	44
Number of man-years in banking activity			462	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)			7.8	4.6	10.3
Profit per equity certificate (Group)			12.2	7.8	18.1
Book equity per equity certificate			208	170	187
Price/Book per equity certificate			0.8	0.8	0.8
Listed price on Oslo Stock Exchange at end of period			160	138	150

General

Sparebanken Pluss and Sparebanken Sør merged with effect from 1 January 2014. Sparebanken Pluss was the acquiring bank in the merger and was renamed Sparebanken Sør. As a result of this, all comparative figures in the financial statements are historical figures from Sparebanken Pluss.

In the key figures in the interim report, pro forma figures have been compiled for the merged bank. This is intended exclusively for information purposes. In the report, reference is made to developments per second 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 Sørmeglere. General insurance and life insurance products are supplied via Frende, an insurance company of which the bank is a joint owner. The Group is also a joint owner of Norne, a securities trading company, and Brage, a leasing product supplier.

Key Features

- Total income in the 1st half-year exceeded NOK 1 billion
 - On track to achieve the ambition of establishing a financial centre in the region with capacity and competitive power
- Sound operating profit before tax of NOK 736 million
 - Of which negative goodwill is NOK 205 million and Nets NOK 71 million
- Growth over and above market growth in both deposits and loans
 - 12 months growth – deposits 8.6% and loans 5.8%
- Positive trend in commission fees from the bank's estate agency business – Sørmeglere
 - as a result of the merger of ABCenter and Plussmeglere
- Staff downsizing being carried out as planned, which will reduce the cost base
 - Costs as a percentage of average assets of 0.85%, adjusted for merger costs
- Solid equity and core capital ratio well above the regulatory requirement

Financial framework conditions

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

Annual growth in the general public's gross domestic debt (C2) at the end of May was 5.5%. Debt growth for households and industry amounted to 6.8% and 2.9% respectively.

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

Results as of the first half-year

During the first half year of 2014, Sparebanken Sør achieved a pre-tax profit (excluding negative goodwill) of NOK 531 million, compared with NOK 371 million in 2013 (pro forma). This represents an increase in profit of NOK 160 million, of which NOK 71 million can be attributed to the adjustment in the value of Nets Holding.

After the 2nd quarter, return on equity after tax, corrected for negative goodwill, was 12.3%, compared with 9.2% in the same period last year.

After the 2nd quarter, net total income amounted to NOK 1,018 million compared with NOK 812 million after the 2nd quarter (pro forma). The increase is due to increased net interest, increased commission fees and the value adjustment of Nets.

After the 2nd quarter 2014, operating expenses (adjusted for negative goodwill) amounted to NOK 431 million, compared with NOK 392 million as of the 2nd quarter 2013 (pro forma). NOK 35 million of the increase is non-recurring items due to the merger and around NOK 10 million in increased activity in Sørmeglere, the bank's own estate agency business. Adjusted for these factors, the bank can report a nominal decrease in the operating costs in accordance with the objective of the merger.

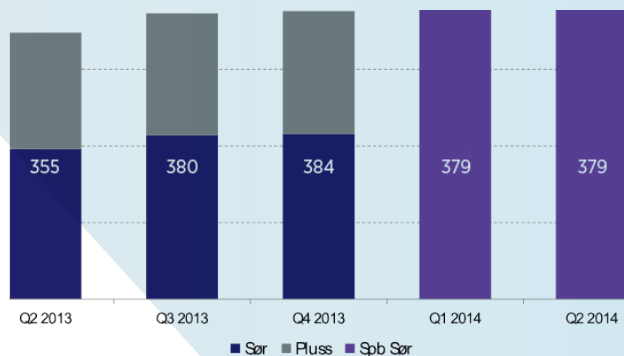
After the 2nd quarter 2014, losses on loans totalled NOK 56 million, compared with NOK 49 million after the 2nd quarter 2013 (pro forma). As a percentage of net loans, the losses are 0.14%, compared with 0.13% in the same period last year (annualised).

Growth in lending and deposits on a 12-month basis as of 2nd quarter 2014 (pro forma) amounted to 5.8% and 8.6% respectively. The bank has focus on deposits and will seek to maintain a higher growth rate in deposits than in loans.

Core tier 1 capital ratio as at 30 June 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

Net Interest (NOK million)



During the first half-year, net interest income amounted to NOK 758 million, compared with NOK 679 million during the first half-year 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 in April 2014. This reduction had effect from mid-June for existing loans. For mortgages, the reduction is up to 0.25 percentage points. Despite the reduction, in the 2nd quarter, the bank has maintained the nominal net interest at the same level as in the 1st quarter 2014.

Commission income

Commission income	Q2 2014	Q2 2013	Change	30.06 2014	30.06 2013	Change
Payment transfers	40	39	1	74	73	1
Real estate agency	23	13	10	40	22	18
Other product companies	9	8	1	19	18	1
Total	72	60	12	133	113	20

After the 2nd quarter 2014, commission income totalled NOK 133 million, compared with NOK 113 million after the 2nd quarter 2013 (pro forma). The increase is mainly due to increased activity in the estate agency business.

Financial instruments

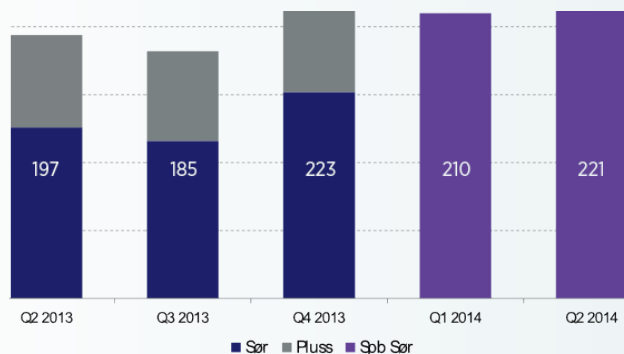
The total return on financial investments was NOK 118 million during the first half-year of 2014, compared with NOK 8 million during the first half-year of 2013 (pro forma). The total return breaks down as follows:

- Return on the Group's shares totalled NOK 88 million, including Nets (NOK 25 million in 2013).
- Net income from other financial instruments totalled NOK 30 million (NOK -17 million in 2013)

In the 1st quarter, 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 compensation results in an increase in the value of Sparebanken Sør's stake of around NOK 71 million. The transaction was approved by the European Competition Authorities at the end of July and settlement has been made as at 9 July 2014.

Operating Expenses

Operating expenses (NOK million)



Total expenses (excluding recognition of negative goodwill) amounted to NOK 431 million in the first half-year 2014, compared with NOK 392 million during the same period last year (pro forma). Excluding expenses relating to the merger and increased activity in the estate agency business, the Group can report a nominal reduction in expenses.

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

Total operating expenses as a percentage of average assets amounted to 0.92% (0.88%). The ratio between expenses and income within the Group was 42.3% (48.3%).

Losses and Defaulted Loans

Losses on loans were charged to the financial statements in the net amount of NOK 56 million, equivalent to 0.14% of net loans (annualised). The corresponding figures last year were NOK 49 million and 0.13% 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 30 June 2014 amounted to NOK 388 million. Total individual write-downs amount to 0.48% of gross loans at the end of the first half-year.

Net defaulted loans over 90 days and doubtful loans amounted to NOK 775 million. As a percentage of loans, this is equivalent to 0.97%. 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.

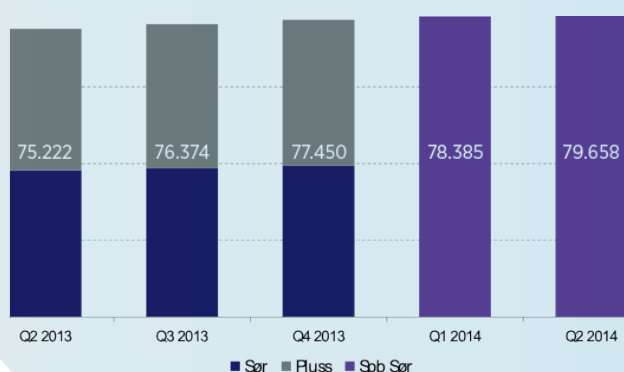
Loans

During the past 12 months, total loans increased by NOK 4.3 billion, to NOK 79.6 billion. This corresponds to 5.8%.

Loans to retail customers during the past 12 months increased by NOK 2.6 billion to NOK 52.6 billion. This corresponds to a growth of 5.2%.

Loans to corporate customers during the past 12 months increased by NOK 1.8 billion to NOK 27.5 billion. This corresponds to a growth of 6.9%.

Loans (NOK million)



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

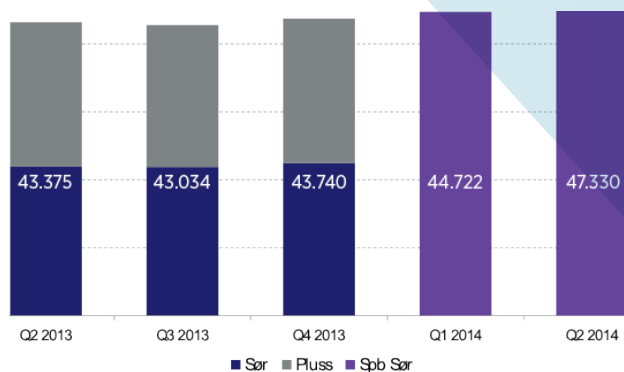
Deposits

During the past 12 months, customer deposits increased by NOK 3.7 billion to NOK 47.3 billion. This corresponds to a growth of 8.6%.

During the past 12 months, deposits from retail customers increased by NOK 1.6 billion to NOK 22.3 billion. This corresponds to a growth of 7.6%.

During the past 12 months, deposits from corporate customers increased by NOK 2.1 billion to NOK 24.6 billion. This corresponds to a growth of 9.5%.

Deposits (NOK million)



Sparebanken Sør's deposit as a percentage of net loans was 59.4% as of 30 June 2014, up from 57.9% 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 12.1 billion, compared with NOK 12.3 billion at the same time last year. At the end of the quarter, the Group's liquidity indicator for long-term financing was 108.1%.

Primary Capital and Capital Adequacy

Total primary capital amounted to NOK 7.6 billion. Hybrid capital amounts to NOK 0.7 billion and subordinated loans to NOK 0.4 billion. At the end of the first half-year, the core tier 1 capital ratio was 12.3%. The core capital ratio is 13.6% and the (total) 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 12.8% core Tier 1 capital, 14.2% core capital ratio and 15.0% capital ratio.

The Bank's Equity Certificates

As of 30 June 2014, 4,768,674 equity certificates have been issued. During the first half-year, the profit (Group) per equity certificate was NOK 12.2 per certificate (excluding the recognition of negative goodwill).

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

Subsidiaries and Collaborating Companies

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

Sørmegleren has had a good start. Market share has been increased in a number of areas. 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 30 June 2014, the bank had transferred NOK 21.1 billion to Sør Boligkreditt, equivalent to 40% of all loans to the retail market.

Frende Forsikring (holding 10%) has continued its strong growth as regards customers and premiums within both general insurance and life insurance. Frende Forsikring has made a good start to the year and delivered a profit of NOK 89,8 million during the first half-year of 2014.

Norne Securities (holding 17.6%) has continued its positive development and delivered a profit of NOK 2.5 million during the first half-year 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 7,6 million during the first half-year.

The Merger

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

Rating

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

Outlook

During 2013, Sparebanken Pluss and Sparebanken Sør reinforced their position in the market despite the considerable amount of work that was put into the merger, and good results were achieved by both banks. The financial results for the first half-year 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.

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

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

Events since the end of the quarter

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

Kristiansand, 18. August 2014

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

Income Statement

PARENT BANK					NOK million		GROUP				
31.12.	30.06.	30.06.	Q2	Q 2		Q2	Q2	30.06.	30.06.	31.12.	
2013	2013	2014	2013	2014	Notes	2014	2013	2014	2013	2013	
1 294	650	1 400	328	708	Interest income	910	418	1 808	817	1 657	
905	464	872	229	439	Interest expenses	531	266	1 050	533	1 055	
389	186	528	99	269	Net interest income	379	152	758	283	602	
96	45	127	22	71	Commission income	84	21	155	43	91	
11	6	21	3	12	Commission expenses	12	3	22	6	11	
85	40	106	19	59	Net commission income	72	18	133	37	80	
9	4	8	4	1	Dividend	1	4	8	4	9	
28	16	134	6	22	Net income from other financial instruments	16	5	110	4	10	
37	20	142	10	23	Net income from financial instruments	17	9	118	8	19	
15	7	7	3	3	Other operating income	4	3	9	5	11	
526	253	783	131	354	Total income	472	182	1 018	334	712	
142	71	194	36	99	Wages and other personnel expenses	113	53	222	71	142	
14	7	16	4	8	Depreciation and write-down of fixed assets and intangible assets	9	4	18	7	15	
		-205			Negative goodwill	13		-205			
109	55	184	28	97	Other operating expenses	99	12	191	58	114	
265	132	189	68	204	Total expenses	221	69	226	136	271	
261	121	594	63	150	Profit before losses on loans	251	113	792	199	441	
28	12	56	3	28	Losses on loans, guarantees, etc.	2	28	3	56	28	
233	109	538	60	122	Profit before taxes	7	223	110	736	413	
60	32	68	19	29	Tax expenses	12	54	31	120	111	
173	77	470	41	93	Profit for the period	169	79	616	131	302	
					Minority interests						
173	77	470	41	93	Majority interests	169	79	616	131	302	
					Other comprehensive income						
173	77	470	41	93	Profit for the period	169	79	616	131	302	
-25					Recognised estimate deviations, pensions					-25	
7					Tax effect of recognised estimate deviations, pensions					7	
155	77	470	41	93	Total comprehensive income for the period	169	79	616	131	284	

All comparative figures are historical figures for Sparebanken Pluss.

PARENT BANK			NOK million	GROUP			
31.12. 2013	30.06. 2013	30.06. 2014		Notes	30.06. 2014	30.06. 2013	31.12. 2013
			ASSETS				
1 340	580	1 950	Cash and receivables from central banks		1 950	580	1 340
579	693	1 735	Loans to and receivables from credit institutions		255	14	50
26 667	25 373	58 687	Net loans to customers	2,3,5,7,8	79 658	37 064	37 987
0	0	2	Repossessed properties		2	0	0
7 620	10 053	12 763	Bonds and certificates	8	12 149	6 180	5 783
98	219	725	Shares	8	725	219	98
203	281	555	Financial derivatives	8,9	620	282	203
525	450	1 272	Shareholdings in group companies				
2	2	12	Shareholdings in associated companies		12	2	2
		22	Intangible assets		24		
2	0	0	Deferred tax asset		7	0	2
264	268	492	Fixed assets		667	269	264
30	28	117	Other assets		164	28	30
37 330	37 948	78 332	TOTAL ASSETS	8	96 233	44 637	45 759
			LIABILITIES AND EQUITY				
2 027	3 024	1 859	Debts to credit institutions		1 541	3 024	2 027
21 264	21 452	47 347	Deposits from customers	4,7,8	47 325	21 452	21 264
9 799	9 658	20 508	Debt incurred due to issue of securities	8,10	38 229	16 156	17 935
241	286	384	Financial derivatives	8,9	388	288	241
71	36	55	Payable taxes		128	60	123
81	124	345	Other liabilities		389	125	83
76	70	99	Provisions for commitments		99	70	76
		2	Deferred tax				
899	498	1 100	Subordinated loan capital	8,10	1 100	498	899
34 458	35 148	71 699	Total liabilities		89 199	41 673	42 648
204	205	899	Equity certificate capital	11	899	205	204
2 668	2 595	5 734	Other equity		6 135	2 759	2 907
2 872	2 800	6 633	Total equity	6	7 034	2 964	3 111
37 330	37 948	78 332	TOTAL LIABILITIES AND EQUITY	8	96 233	44 637	45 759

All comparative figures are historical figures for Sparebanken Pluss

Cash Flow Statement

PARENT BANK			NOK million	GROUP		
31.12. 2013	30.06. 2013	30.06. 2014		30.06. 2014	30.06. 2013	31.12. 2013
1 254	641	1 411	Interest payments received	1 837	806	1 614
-921	-267	-917	Interest payments made	-1 110	-336	-1 072
119	56	130	Other payments received	147	52	111
-266	-93	-352	Operating payments	-384	-96	-272
2	1	2	Established on confirmed losses	2	1	2
-82	-82	-135	Period tax paid	-211	-115	-115
-10	-6	-11	Gifts paid	-11	-6	-10
		-6	Paid group contribution			
1 870	1 889	3 591	Change in customer deposits	3 585	1 889	1 870
-1 608	-295	-4 279	Change in loans to customers	-2 199	-1 422	-2 365
358	1 844	-566	Net cash flow from operational activities	1 656	773	-237
16 409	8 307	9 180	Payments received regarding securities	5 938	8 307	13 679
-12 464	-6 846	-5 830	Payments made regarding securities	-5 830	-6 846	-12 389
1		30	Payments received regarding sale of fixed assets	30		1
-8	-5	-13	Payments made regarding purchase of fixed assets	-13	-5	-8
1	4	-50	Change in other assets	-132	4	1
3 939	1 460	3 317	Net cash flow from investment activities	-7	1 460	1 284
-5	-118	329	Change in loans to credit institutions	80	6	-30
-3 278	-2 283	-2 804	Change in deposits from credit institutions	-1 957	-2 283	-3 278
2 501	983	2 150	Payments received, bond debt	3 650	1 931	8 529
-3 039	-1 772	-2 269	Payments made, bond debt	-3 311	-1 772	-5 794
401			Payments received, subordinated loan capital			401
-13	-13	-42	Dividend payment	-42	-13	-13
1	4	114	Change in other liabilities	160	3	3
-3 432	-3 199	-2 522	Net cash flow from financing activities	-1 420	-2 128	-182
865	105	229	Net change in liquid assets	229	105	865
475	475	1 721	Cash and cash equivalents as at 1 January	1 721	475	475
1 340	580	1 950	Cash and cash equivalents at end of period	1 950	580	1 340

GROUP (NOK million)	Equity certificates	Premium fund	Dividend		Primary capital	Gift fund	Other equity	Minority interests	TOTL
			equalisation fund						
Balance as at 31.12.2012	125	34	46		2 493	32	123		2 853
Dividend distributed for 2012							-13		-13
Profit, 1 half-year 2013							131		131
Other comprehensive income									-
Distributed by gift fund						-7			-7
Balance as at 30.06.2013	125	34	46		2 493	25	241	0	2 964
Profit, 01.07-31.12.2013					147	13	11		171
Other comprehensive income				-1	-17				-18
Distributed by gift fund						-6			-6
Equity as at 31.12.2013	125	34	45		2 623	32	252	0	3 111
Equity added through merger	349	141			2 817	13	9	7	3 336
Balance as at 01.01.2014	474	175	45		5 440	45	261	7	6 447
Dividend distributed for 2013							-13		-13
Profit, 1 half-year 2014				205			411		616
Distributed from gift fund						-16			-16
Equity as at 30.06.2014	474	175	250		5 440	29	659	7	7 034
PARENT BANK									
Balance as at 31.12.2012	125	34	46		2 493	32	13		2 743
Dividend distributed for 2012							-13		-13
Profit, 1 half-year 2013							77		77
Other comprehensive income									0
Distributed by gift fund						-7			-7
Balance as at 30.06.2013	125	34	46		2 493	25	77	0	2 800
Profit, 01.07-31.12.2013					147	13	-64		96
Other comprehensive income				-1	-17				-18
Distributed by gift fund						-6			-6
Balance as at 31.12.2013	125	34	45		2 623	32	13	0	2 872
Equity added through merger	349	141			2 817	13			3 320
Balance as at 01.01.2014	474	175	45		5 440	45	13	0	6 192
Dividend distributed for 2013							-13		-13
Profit, 1 half-year 2014				205			265		470
Distributed by gift fund						-16			-16
Equity as at 30.06.2014	474	175	250		5 440	29	265	0	6 633

1. ACCOUNTING PRINCIPLES

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

The accounting principles are the same as those used in the 2013 annual financial statements for Sparebanken Pluss.

As a result of the merger, the figures for the year are not directly comparable with the figures for previous periods. As regards the merger, reference is also made to the separate note on the merger.

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

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

2. LOSSES ON LOANS AND GUARANTEES

PARENT BANK			NOK million	GROUP		
31.12.13	30.06.13	30.06.14	Individual write-downs	30.06.14	30.06.13	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	43	- Period's confirmed loss for which individual write-down has been performed during previous years	43	1	2
7	5	14	+ Increased individual write-downs during the period	14	5	7
21	3	37	+ New individual write-downs during the period	37	3	21
5	2	14	- Reversal of individual write-downs during the period	14	2	5
73	57	388	= Individual write-downs at end of period	388	57	73

PARENT BANK				GROUP		
31.12.13	30.06.13	30.06.14	Collective write-downs on loans	30.06.13	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	30.06.13	30.06.14	Losses on loans during the period	30.06.14	30.06.13	31.12.13
22	9	-6	Change in individual write-downs during the period	-6	9	22
0	0	0	+ Change in collective write-downs during the period	0	0	0
2	1	43	+ Period's confirmed loss for which individual write-down has been performed during previous years	43	1	2
1	1	16	+ Period's confirmed loss for which no individual write-down has been performed during previous years	16	1	1
5	2	5	+ Recognised as interest income	5	2	5
2	1	2	- Period's recoveries relating to previous losses	2	1	2
28	12	56	= Losses on loans during the period	56	12	28

3. DEFAULTED AND DOUBTFUL LOANS

PARENT BANK			NOK million	GROUP		
31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
49	21	48	Gross defaulted loans 31–60 days	57	22	49
1	12	51	Gross defaulted loans 61–90 days	51	12	1
213	143	487	Gross defaulted loans >90 days	488	143	213
263	176	586	Defaulted loans	596	177	263
55	38	120	Individual write-downs	120	38	55
208	138	466	Net defaulted loans	476	139	208
90	89	675	Other doubtful loans	675	89	90
21	19	268	Individual write-downs	268	19	21
69	70	407	Net doubtful loans	407	70	69

Defaulted loans is the sum of all loans to a customer where one loan is in default

4. CUSTOMER DEPOSITS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
7 919	7 898	22 261	Retail customers	22 261	7 898	7 919
2 271	1 957	4 690	Public administration	4 690	1 957	2 271
48	51	304	Primary industry	304	51	48
1 165	977	1 854	Industry	1 854	977	1 165
1 318	1 280	1 875	Building and Construction	1 875	1 280	1 318
782	1 158	1 135	Transport and communication	1 135	1 158	782
677	648	781	Retail sector	781	648	677
49	39	149	Hotel and restaurant	149	39	49
1 708	1 900	3 296	Property management	3 275	1 900	1 708
974	989	2 388	Financial/commercial services	2 387	989	974
4 338	4 370	8 166	Other sectors	8 166	4 370	4 338
15	185	448	Accrued interest	448	185	15
21 264	21 452	47 347	Total deposits from customers	47 325	21 452	21 264

5. GROSS LOANS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
11 911	11 357	31 807	Retail customers	52 553	22 947	23 155
3	4	19	Public administration	19	4	3
122	108	628	Primary industry	660	126	133
209	205	827	Industry	840	206	211
2 300	2 141	4 308	Building and Construction	4 403	2 167	2 314
141	169	547	Transport and communication	589	171	141
549	450	1 259	Retail sector	1 303	459	558
79	87	383	Hotel and restaurant	395	89	79
8 321	7 859	14 181	Property management	14 026	7 860	8 322
401	382	1 673	Financial/commercial services	1 730	391	411
2 718	2 693	3 490	Other sectors	3 557	2 715	2 735
80	66	141	Accrued interest	165	77	92
26 834	25 521	59 263	Total gross loans	80 240	37 212	38 154
167	148	576	Write-downs on lending	582	148	167
26 667	25 373	58 687	Total net loans	79 658	37 064	37 987

6. PRIMARY CAPITAL AND CAPITAL ADEQUACY

PARENT BANK			NOK million	GROUP		
31.12.13	30.06.13	30.06.14		30.06.14	30.06.13	31.12.13
125	125	474	Equity certificates	474	125	125
34	34	175	Premium fund	175	34	34
2 635	2 493	5 439	Primary capital	5 439	2 604	2 876
31	25	29	Gift fund	29	25	31
44	44	250	Equalisation fund	250	44	44
			Other equity	252		
2 869	2 721	6 367	Total core Tier 1 capital	6 619	2 832	3 110
500	500	700	Hybrid capital	700	500	500
-15	0	-22	- Deduction for goodwill and deferred tax asset	-31	0	-15
3 354	3 221	7 045	Total core capital	7 288	3 332	3 595
			Additional capital over core capital:			
400	0	400	Subordinated loan capital	400	0	400
400	0	400	Total additional core capital	400	0	400
-21	-21	-21	- Deduction from core and additional capital	-91	-21	-21
3 733	3 200	7 424	Total primary capital	7 597	3 311	3 974
			Minimum requirement for subordinated capital Basel II calculated according to the standard method:			
3	2	12	Engagements with local and regional authorities	12	2	3
199	154	467	Engagements with institutions	66	25	18
770	741	1 302	Engagements with enterprises	1 302	741	770
338	336	734	Engagements with the mass market	818	337	341
414	385	1 071	Engagements secured in property	1 662	734	753
23	17	77	Engagements which have fallen due	77	17	23
2	2	0	Engagements which are high-risk	0	2	2
38	40	62	Engagements in covered bonds	57	27	23
0	2	0	Engagements in collective investment funds	0	2	0
51	55	52	Engagements, other	52	56	51
1 838	1 734	3 777	Capital requirements for credit and counterparty risk	4 046	1 943	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	1 806	3 957	Total minimum requirement for primary capital	4 260	2 027	2 068
23 875	22 575	49 463	Risk-weighted balance (calculation basis)	53 250	25 338	25 850
1193 %	11.96 %	12.81 %	Core tier 1 capital ratio, %	12.29 %	11.09 %	11.95 %
13.96 %	14.17 %	14.22 %	Core capital ratio, %	13.60 %	13.07 %	13.83 %
15.64 %	14.17 %	15.01 %	Total capital ratio, %	14.27 %	13.07 %	15.37 %

7. SEGMENT REPORTING

Reporting per segment	Group 30.06.2014				Group 30.06.2013			
	RM	CM	Undistrib. and elimin.	Total	RM	CM	Undistrib. and elimin.	Total
Income statement (NOK million)								
Net interest income	475	256	27	758	222	108	-47	283
Net other operating income	72	29	159	260	77	12	-37	52
Operating expenses	174	44	8	226	59	13	64	136
Profit before losses per segment	373	241	178	792	240	107	-148	199
Losses on loans, guarantees	8	48	0	56	6	1	5	12
Profit before tax per segment	365	193	178	736	234	106	-153	187
Net loans to customers	52 492	27 068	98	79 658	24 958	11 014	1 092	37 064
Other assets			16 575	16 575	552	213	6 808	7 573
Total assets per segment	52 492	27 068	16 673	96 233	25 510	11 227	7 900	44 637
Deposits from customers	24 047	18 961	4 317	47 325	10 855	6 113	4 484	21 452
Other liabilities	28 445	8 107	5 322	41 874	14 655	5 114	452	20 221
Total liabilities per segment	52 492	27 068	9 639	89 199	25 510	11 227	4 936	41 673
Equity			7 034	7 034			2 964	2 964
Total liabilities and equity per segment	52 492	27 068	16 673	96 233	25 510	11 227	7 900	44 637

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 unlisted companies and fixed rate loans where no necessary market information is available.

For a more detailed description, see Note 30 Fair value of financial instruments in the 2013 annual financial statements.

PARENT BANK				GROUP				
Recognised value	Fair value			30.06.2014	Recognised value	Fair value		
	Level 1	Level 2	Level 3	NOK million		Level 1	Level 2	Level 3
Assets recognised at amortised cost								
51 635			51 635	Net loans to customers (variable interest rate)	72 606			72 606
Assets recognised at fair value								
7 052			7 052	Net loans to customers (fixed interest rate)	7 052			7 052
12 763		12 763		Bonds and certificates	12 149		12 149	
725	42		683	Shares	725	42		683
555		555		Financial derivatives	620		620	
16		16		Other assets	16		16	
72 746	42	13 334	59 370	Total financial assets	93 168	42	12 785	80 341
Liabilities recognised at amortised cost								
-1 859		-1 859		Debts to credit institutions	-1 541		-1 541	
-47 347			-47 347	Deposits from customers	-47 325			-47 325
-20 508		-20 837		Debt incurred due to issue of securities	-38 229		-38 729	
-1 100		-1 113		Subordinated loan capital	-1 100		-1 113	
Liabilities recognised at fair value								
-384		-384		Financial derivatives	-388		-388	
-16		-16		Other liabilities	-16		-16	
-71 214	0	-24 209	-47 347	Total financial liabilities	-88 599	0	-41 787	-47 325

PARENT BANK				GROUP				
Recognised value	Fair value			31.12.2013	Recognised value	Fair value		
	Level 1	Level 2	Level 3	NOK million		Level 1	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 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	Fair value			30.06.2013	Recognised value	Fair value		
	Level 1	Level 2	Level 3	NOK million		Level 1	Level 2	Level 3
Assets recognised at amortised cost								
19 738			19 738	Net loans to customers (variable interest rate)	31 428			31 428
2 211		2 235		Bonds and certificates				
Assets recognised at fair value								
5 635			5 635	Net loans to customers (fixed interest rate)	5 635			5 635
8 242		8 242		Bonds and certificates	6 180		6 180	
219	5		214	Shares	219	5		214
281		281		Financial derivatives	282		282	
17		17		Other assets	17		17	
36 343	5	10 775	25 587	Total financial assets	43 761	5	6 479	37 277
Liabilities recognised at amortised cost								
-3 024		-3 024		Debts to credit institutions	-3 024		-3 024	
-21 452			-21 452	Deposits from customers	-21 452			-21 452
-9 658		-9 768		Debt incurred due to issue of securities	-16 156		-16 345	
-498		-507		Subordinated loan capital	-498		-507	
Liabilities recognised at fair value								
-286		-286		Financial derivatives	-288		-288	
-17		-17		Other liabilities	-17		-17	
-34 935	0	-13 602	-21 452	Total financial liabilities	-41 435	0	-20 181	-21 452

Movement category 3

GROUP / 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 and 2 2013	366			
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	-9	-7	0	0
Disposals during quarter 1 and 2 2013	-193			
Recognised value as at 30.06.2013	5 635	-100	88	0
Acquisitions, quarters, 3 and 4	167			
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	-39	-5	24	0
Disposals, quarters 3 and 4	-289		-21	
Recognised value as at 31.12.2013	5 474	-105	92	0
Acquisitions during quarter 1 and 2 2014 (incl. acquisitions, merger)	2 256	-54	514	
Of which, transferred from level 1 or 2	0			
Change in value recognised during the period	83	20	76	0
Disposals during quarter 1 and 2 2014	-761		0	
Recognised value as at 30.06.2014	7 052	-139	683	0

Sensitivity analysis

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

GROUP / PARENT BANK

NOK million	30.06.2014	30.06.2013	31.12.2013
Loans to customers	24	23	21
- of which, loans to the corporate market (CM)	10	12	11
- of which, loans to the retail market (RM)	14	11	10

9. OFFSETTING

NOK million	GROUP					
	30.06.2014	30.06.2014 (1) presented net	30.06.2013	30.06.2013 (1) presented net	31.12.2013	31.12.2013 (1) presented net
Assets						
Financial derivatives	620	326	281	175	203	99
Liabilities						
Financial derivatives	-388	-94	-287	-181	-241	-137
PARENT BANK						
NOK million	30.06.2014	30.06.2014 (1) presented net	30.06.2013	30.06.2013 (1) presented net	31.12.2013	31.12.2013 (1) presented net
Assets						
Financial derivatives	555	265	281	175	203	99
Liabilities						
Financial derivatives	-384	-94	-286	-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. DEPT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities – parent bank

NOK million	30.06.2014	30.06.2013	31.12.2013
Bonds, nominal value	19 809	9 367	9 600
Value adjustments	449	149	104
Accrued interest	250	142	95
Debt incurred due to issue of securities	20 508	9 658	9 799

Change in debt securities – parent bank

NOK million	31.12.2013	Supplied in the merger	Issued	Matured/ Redeemed	Other changes during the period	30.06.2014
Bonds, nominal value	9 600	10 328	2 150	-2 269		19 809
Value adjustments	104	339			6	449
Accrued interest	95	194			-39	250
Debt incurred due to issue of securities	9 799	10 861	2 150	-2 269	-33	20 508

Debt securities – group

NOK million	30.06.2014	30.06.2013	31.12.2013
Bonds, nominal value	37 420	15 855	17 728
Value adjustments	521	147	100
Accrued interest	288	154	107
Debt incurred due to issue of securities	38 229	16 156	17 935

Change in debt securities – group

NOK million	31.12.2013	Supplied in the merger	Issued	Matured/ Redeemed	Other changes during the period	30.06.2014
Bonds, nominal value	17 728	19 353	3 650	-3 311		37 420
Value adjustments	100	367			54	521
Accrued interest	107	240			-59	288
Debt incurred due to issue of securities	17 935	19 960	3 650	-3 311	-5	38 229

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

NOK million	31.12.2013	Supplied in the merger	Issued	Matured/ Redeemed	Other changes during the period	30.06.2014
Subordinated loans	400					400
Hybrid capital	500	200				700
Value adjustments	-1	1				0
Total subordinated loan capital	899	201				1 100

11. EQUITY CERTIFICATE OWNERS

The twenty largest equity certificate owners as at 30.06.2014.

	NUMBER	SHARE OF		NUMBER	SHARE OF
NAME	OF EC.	EC.CAP. %	NAME	OF EC.	EC.CAP. %
1. Sparebankstiftelsen Sparebanken Sør	3 518 674	73.79	11. MP Pensjon PK	26 900	0.56
2. Pareto AS	124 150	2.60	12. Spareskillingsbanken	26 600	0.56
3. Glastad Invest AS	91 250	1.91	13. Allumgården	25 179	0.53
4. Sparebankstiftelsen DNB	62 300	1.31	14. Birkenes Sparebank	20 000	0.42
5. Verdipapirfondet EIKA	61 249	1.28	15. Flekkefjord Sparebank	15 800	0.33
6. Brøvig Holding AS	34 800	0.73	16. Lund Hans Arvid	14 000	0.29
7. Harald Espedal AS	34 542	0.72	17. Apriori Holding AS	13 900	0.29
8. Varodd AS	32 800	0.69	18. Strømme Leif Eieendom	13 400	0.28
9. Gumpen Bileiendom AS	32 350	0.68	19. Albert Alf	12 750	0.27
10. Sparebanken Sør	31 600	0.66	20. Spectatio Invest	11 900	0.25
Total – 10 largest owners	4 023 715	84.38	Total – 20 largest owners	4 204 144	88.15

As at 30.06.2014, Sparebanken Sør owns 31,600 of its own equity certificates. Equity certificate ratio as at 31.12.2013 was 7.13

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

As at 30.06.2014, equity certificate capital was NOK 476,867,400 divided between 4,768,674 equity certificates with a nominal value of NOK 100.

12. TAX EXPENSES

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

13. MERGER

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

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

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

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

Fee	Quantity	Value per equity certificate	Fee, NOK million
Equity instruments (3,518,674 ordinary equity certificates)	3 518 674	140.0	493
Dividend/cash fee to equity capital certificate owners			30
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 management ensures that the Group's risk exposure is known at any time and is instrumental in helping the Group to achieve its strategic objectives, and also compliance with laws, regulations and regulatory requirements. Governing targets have been established for the Group's overall risk level, while specific governing targets have been established for each risk area. Systems have been established to calculate, manage and control risk. The aim of capital management is to ensure that the Group has a good core capital ratio, is financially stable and achieves a satisfactory return in relation to its risk profile. The Group's total capital ratio and risk exposure are monitored through periodic reports.

Credit risk

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

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

Market risk

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

Liquidity risk

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

Operational risk

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

Business risk

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

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

Quarterly profit trend, excluding negative goodwill

Group (NOK million)	2. quarter 2014	1. quarter 2014	*4. quarter 2013	*3. quarter 2013	*2. quarter 2013
Net interest income	379	379	384	380	355
Net commission income	72	61	74	65	60
Net income from financial instruments	17	101	176	17	-2
Other operating income	4	5	3	7	5
Total income	472	546	637	469	418
Total expenses	221	210	223	185	197
Profit before losses	251	336	414	284	221
Losses on loans and guarantees	28	28	57	20	34
Profit before taxes	223	308	357	264	187
Tax expenses	54	66	48	75	50
Profit for the period	169	242	309	189	137

Group (as percentage of average assets)	2. quarter 2014	1. quarter 2014	*4. quarter 2013	*3. quarter 2013	*2. quarter 2013
Net interest income	1.60	1.64	1.65	1.65	1.57
Net commission income	0.30	0.26	0.32	0.28	0.27
Net income from financial instruments	0.07	0.44	0.75	0.07	-0.01
Other operating income	0.02	0.02	0.01	0.03	0.02
Total income	1.99	2.36	2.73	2.03	1.85
Total expenses	0.93	0.91	0.96	0.80	0.87
Profit before losses	1.06	1.45	1.77	1.23	0.98
Losses on loans and guarantees	0.12	0.12	0.24	0.09	0.15
Profit before taxes	0.94	1.33	1.53	1.14	0.83
Tax expenses	0.23	0.29	0.21	0.32	0.22
Profit for the period	0.71	1.04	1.32	0.82	0.61

*Pro forma figures

Declaration in Accordance with Section 5–6 of the Norwegian Securities Trading Act

The Board of Directors and CEO of Sparebanken Sør hereby confirm that the bank and the group's half-yearly financial statements for 2014 have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements provides a true and fair view of the company's assets, liabilities, financial position and overall result.

In addition, we confirm that the half-year report provides a true and fair view of the company's development, result and position, together with a description of the most significant risk and uncertainty factors facing the company.

Kristiansand, 18 August 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

SPAREBANKEN SØR

