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**FOURTH QUARTER 2013**

SUPPLEMENTARY INFORMATION  
FOR INVESTORS & ANALYSTS

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#### Information on the Internet

SpareBank 1 SR-Bank's homepage [www.sr-bank.no](http://www.sr-bank.no)

#### Financial Calendar 2014

Preliminary result and fourth quarter 2013	7 February
First quarter 2014	30 April
Second quarter 2014	13 August
Third quarter 2014	31 October

## Table of Contents

<b>1. SpareBank 1 SR-Bank ASA</b> .....	<b>1</b>
1.1 Financial highlights .....	1
1.2 Business description: leading financial institution in Rogaland, Hordaland and Agder .....	3
Retail Market .....	3
Corporate Market .....	3
Capital Market .....	3
Vision and strategy .....	5
Legal and organizational structure .....	6
General Meeting.....	6
Supervisory Board.....	6
Control Committee .....	6
Board of Directors .....	6
Board committees .....	7
Organisation of SpareBank 1 SR-Bank ASA.....	7
The SpareBank 1 Alliance .....	7
1.3 Shareholder information - SRBANK .....	10
Investor relations policy .....	11
Shareholder and dividend policy .....	11
Ownership structure.....	12
1.4 Credit ratings .....	13
<b>2. Financial results and balance sheet</b> .....	<b>14</b>
2.1 Net interest income.....	19
2.2 Net other operating income.....	21
2.3 Operating expenses .....	23
2.5 Loans .....	28
2.6 Risk profile .....	29
2.7 Risk profile in bond and equity portfolios .....	33
2.8 Funding .....	34
2.9 Capital adequacy .....	35
<b>3. Business areas</b> .....	<b>39</b>
3.1 Business segments - Financial performance .....	39
3.2 Retail Market.....	40
Financial performance in the retail market segment .....	40
Development in average volume and interest margin .....	40
Growth in loans and deposits .....	41
Financial performance in the corporate market segment.....	42
Development in average volume and interest margin .....	42
Growth in loans and deposits .....	43
3.4 Capital Market .....	44
3.5 Subsidiaries .....	45
EiendomsMegler 1 SR-Eiendom AS .....	45
SpareBank 1 SR-Finans AS .....	46
SR-Forvaltning AS.....	47
SR-Investering AS.....	48



# 1. SpareBank 1 SR-Bank ASA

## 1.1 Financial highlights

### Q4 2013

- Pre-tax profit: NOK 674 million (NOK 458 million)
- Profit after tax: NOK 567 million (NOK 344 million)
- Return on equity after tax: 16.2 % (11.2 %)
- Earnings per share: NOK 2.22 (NOK 1.35)
- Net interest income: NOK 574 million (NOK 480 million)
- Net commission and other income: NOK 489 million (NOK 411 million)
- Net income from financial investments: NOK 195 million (NOK 97 million)
- Operating expenses: NOK 534 million (NOK 504 million)
- Impairment losses on loans and guarantees: NOK 50 million (NOK 26 million)

*(Q4 2012 in parentheses)*

### As at 31 December 2013

- Pre-tax profit: NOK 2.347 million (NOK 1.761 million)
- Profit after tax: NOK 1.860 million (NOK 1.361 million)
- Return on equity after tax: 14.0 % (12.4 %)
- Earnings per share: NOK 7.27 (NOK 5.32)
- Net interest income: NOK 2.119 million (NOK 1.742 million)
- Net commission and other income: NOK 1.824 million (NOK 1.466 million)
- Net income from financial investments: NOK 555 million (NOK 578 million)
- Operating expenses: NOK 2.019 million (NOK 1.888 million)
- Impairment losses on loans and guarantees: NOK 132 million (NOK 137 million)
- Total lending growth over past 12 months: 5.3 % (7.8 %)
- Growth in deposits over past 12 months: 6.0 % (5.5 %)
- Tier 1 capital ratio: 12.8 % (12.1 %)
- CET 1 capital ratio: 11.1 % (10.0 %)

*(As at 31 December 2012 in parentheses)*

### Income statement

<i>MNOK</i>	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	31.12 2013	31.12 2012
Net interest income	574	568	526	451	480	2.119	1.742
Net commission and other income	489	466	465	404	411	1824	1.466
Net return on investment securities	195	137	62	161	97	555	578
Total income	1.258	1.171	1.053	1.016	988	4.498	3.786
Total operating expenses	534	478	517	490	504	2.019	1.888
Operating profit before losses	724	693	536	526	484	2.479	1.898
Losses on loans and guarantees	50	32	25	25	26	132	137
Operating profit before tax	674	661	511	501	458	2.347	1.761
Tax expense	107	145	128	107	114	487	400
Profit after tax	567	516	383	394	344	1.860	1.361

## Key figures

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	31.12 2013	31.12 2012
Return on equity <sup>1)</sup>	16,2 %	15,6 %	11,8 %	12,3 %	11,2 %	14,0 %	12,4 %
Cost ratio <sup>2)</sup>	42,4 %	40,8 %	49,1 %	48,2 %	51,0 %	44,9 %	49,9 %
Deposit-to-loan ratio	59,6 %	60,6 %	63,6 %	61,1 %	61,7 %	59,6 %	61,7 %
Growth in loans	9,8 %	11,7 %	9,3 %	11,8 %	8,0 %	9,8 %	8,0 %
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt	5,3 %	5,5 %	6,1 %	7,4 %	7,8 %	5,3 %	7,8 %
Growth in deposits	6,0 %	2,2 %	2,8 %	2,2 %	5,5 %	6,0 %	5,5 %
Average total assets, MNOK	155.489	151.683	147.331	144.265	140.555	149.554	137.212
Total assets, MNOK	156.985	153.639	151.110	146.124	141.543	156.985	141.543
Impairment losses ratio <sup>3)</sup>	0,17	0,11	0,09	0,09	0,10	0,11	0,13
Capital ratio - Transitional rules	14,1	13,1	12,9	12,9	13,1	14,1	13,1
Core equity Tier 1 capital ratio - Transitional rules	11,1	10,5	10,3	10,1	10,0	11,1	10,0
Share price	60,25	47,70	47,50	50,00	37,20	60,25	37,20
EPS (group) <sup>4)</sup>	2,22	2,02	1,50	1,54	1,35	7,27	5,32

<sup>1)</sup> Net profit as a percentage of average equity.

<sup>2)</sup> Total operating expenses as a percentage of total operating income

<sup>3)</sup> Net losses expressed as a percentage of average gross lending year to date, annualized

<sup>4)</sup> Number of shares was increased on 18 June 2012 from 199,489,689 to 255,751,082 as a result of a capital expansion. Earnings per share as from 2nd quarter 2012 are calculated based on the new number of shares.

SpareBank 1 SR-Bank does not have any forward cover contracts or other circumstances that can dilute earning per share.

## 1.2 Business description: leading financial institution in Rogaland, Hordaland and Agder

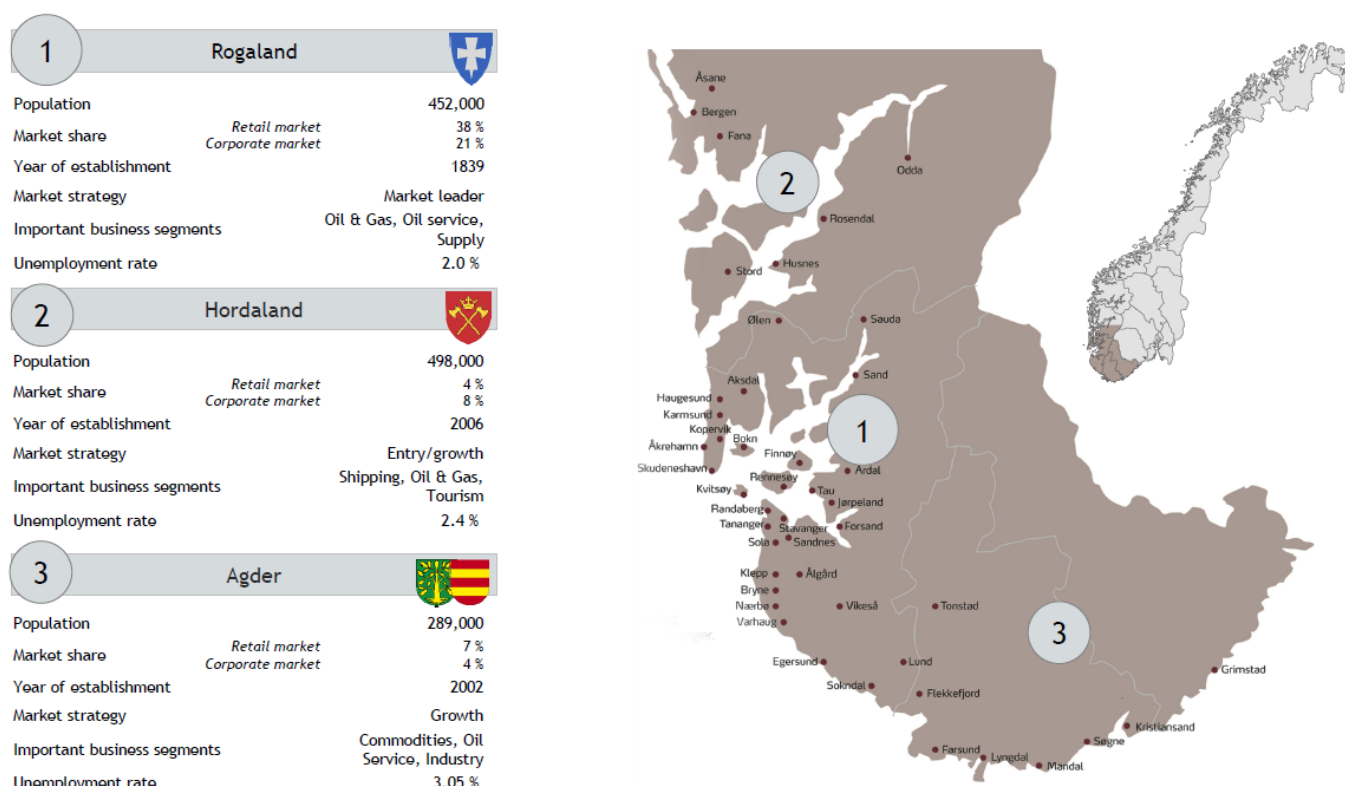


Figure 1.2.1: Operating areas, figures as per YE 2012

SpareBank 1 SR-Bank is Norway's largest regional bank and the second largest Norwegian-owned bank (after DNB) with gross lending including covered bond companies of NOK 167 billion and market cap of NOK 15.4 billion as at 31 December 2013. Head office is in Stavanger. The market areas are the counties of Rogaland, Agder and Hordaland. SpareBank 1 SR-Bank ASA has 1 165 employees and provides a full range of products and services within financing, investments, money transfers, pensions as well as life and non-life insurance.

The customer-oriented activity is organized in three divisions; Retail Market, Corporate Market and Capital Market.

### Retail Market

SpareBank 1 SR-Bank ASA is the leading retail customer bank in Rogaland, with about 262,000 retail customers and a market share in Rogaland of about 40 per cent. The division also serves agricultural clients, sole proprietorships and associations.

### Corporate Market

SpareBank 1 SR-Bank ASA service about 12,000 customers in the business sector and public sector. These also include small businesses, agricultural customers, societies and associations. About 40 per cent of all businesses in the bank's traditional market list SpareBank 1 SR-Bank ASA as their main bank.

### Capital Market

The Capital Market division comprises the group's securities activities, SR-Markets and the subsidiary SR-Forvaltning that manage customers' and the bank's own assets in the form of securities, mutual funds and properties. SR-Markets primarily serve the group's customers and other selected customer in defined market areas in the country as a whole.

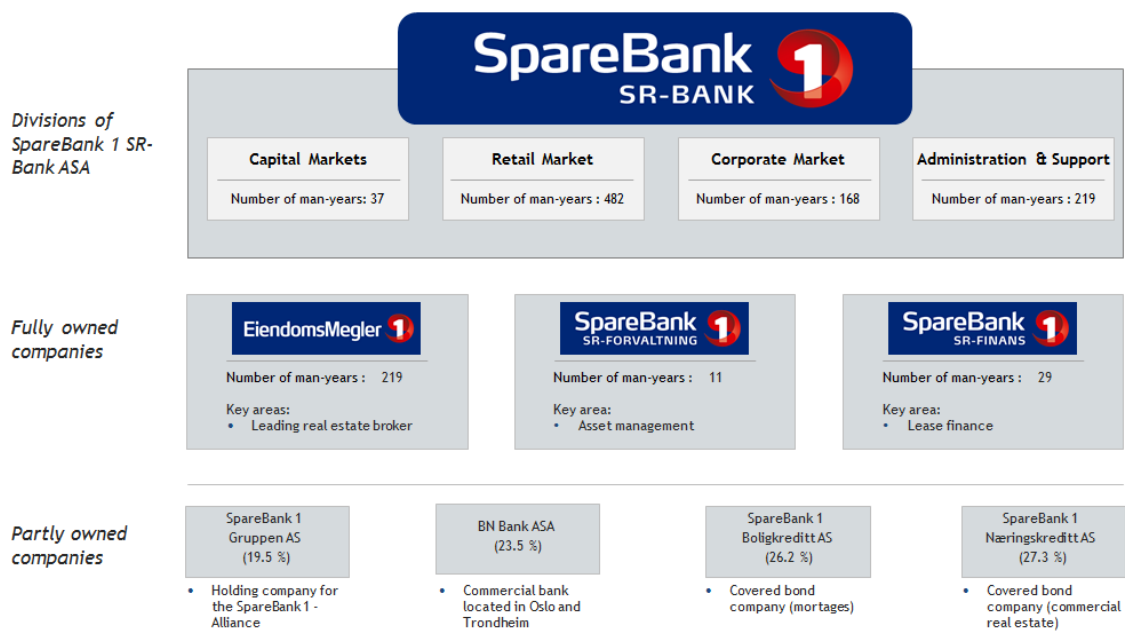


Figure 1.2.2: SpareBank 1 SR-Bank's activities

## Segment operating profit\*

MNOK	Retail market		Corporate market		Capital market	
	2013	2012	2013	2012	2013	2012
Operating profit before tax 4th quarter only	324	286	230	209	36	41
Operating profit before tax as at 31 December	1.296	1.038	882	777	95	196
Gross loans to customers excl. SB1 Boligkreditt and SB1 Næringskreditt as at 31 December	62.182	54.526	49.335	47.149	0	0
Deposits from customers as at 31 December	41.045	38.865	27.002	25.391	0	0

\* not including subsidiaries



## Vision and strategy

### Our vision: Recommended by customers

Primary objective	Financial targets
<ul style="list-style-type: none"><li>• SpareBank 1 SR-Bank ASA is committed to value creation in the bank's core market area</li><li>• Sustainable contribution to the value creation process in the region through;<ul style="list-style-type: none"><li>• Sustainable and profitable business model</li><li>• Owner friendly and stable dividend policy</li></ul></li></ul>	<ul style="list-style-type: none"><li>• ROE 13-15 % at a normalised level of interest rates</li><li>• Top 50 % ROE and cost/income in a Nordic benchmark</li><li>• CET1 capital ratio at 0.5-1.0 % above the regulatory requirement</li></ul>
Strategic goals	Strategic focus
<ul style="list-style-type: none"><li>• Most attractive and preferred partner for financial services in South-Western Norway, based on;<ul style="list-style-type: none"><li>• Good customer experience</li><li>• Strong team spirit and professionalism</li><li>• Local anchoring and local decisions</li><li>• Solvency, profitability and trust by the market</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Targeted customer growth and increased product mix</li><li>• Innovative and continuing focus on efficiency</li><li>• Expertise adapted to future customer needs</li><li>• Sustainable and diversified funding mix</li></ul>

Figure 1.2.3: Vision and strategy

## Legal and organizational structure

SpareBank 1 SR-Banks's various management and control bodies have all been established with respect to Norwegian legislation. The figure below shows an overview of current management and control bodies:

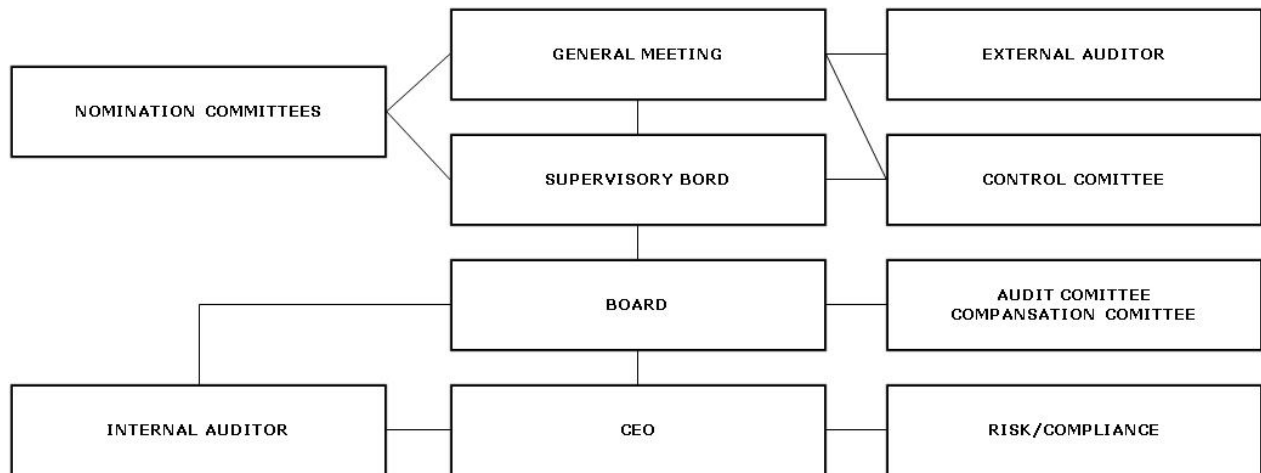


Figure 1.2.4: Overview of management and control bodies

### General Meeting

Through the General Meeting, the shareholders exercise the highest level of authority at SpareBank 1 SR-Bank ASA. The Ordinary General Meeting elects the members of the Supervisory Board, the Control Committee and the Nomination Committee, as well as approving the annual financial statements, including the allocation of a surplus or coverage of a deficit for a year.

### Supervisory Board

The Supervisory Board consists of 30 members and 15 deputy members. A total of 22 members and 11 deputy members are elected from among the shareholders and eight members and four deputy members are elected by and from among the employees.

The Supervisory Board conducts supervision of the administration by the Board of Directors and the CEO, elects the members and deputy members of the Board of Directors, elects the Nominating Committee, elects the auditor or auditing company, receives information on the operation and reviews extracts of SpareBank 1 SR-Bank's accounts and reports from the Control Committee, reviews the annual financial statements, annual report and auditor's report, and makes a statement to the General Meeting concerning the Board's proposal for the annual financial statements, and the Board's proposal for allocation of a surplus or coverage of a deficit as well as adopting decisions on remuneration for officers and auditors as well as compensation for the CEO.

### Control Committee

The Control Committee consists of three members and one deputy member who are elected for terms of two years at a time.

The Control Committee must see to it that the activities of SpareBank 1 SR-Bank are conducted in an appropriate manner, including co-operation and having on-going contact with other possible control committees of group companies, and conducting supervision that the Board and CEO have adequate supervision and control of the subsidiaries.

### Board of Directors

The Board of Directors consists of nine members and two deputy members, of which two members and one deputy member are elected by the employees.

The Board of Directors is responsible for the administration of the Bank's business. This includes making decisions on individual credit cases. The Board must ensure a satisfactory organisation of the Bank's operations, including ensuring that accounting and asset management are subjected to proper scrutiny.

**Board committees**

The Board of Directors has established a Compensation Committee and an Audit Committee. The committees shall assist the Board of Directors in preparing cases, but the decision shall be made jointly by the Board of Directors. Both committees, on their own initiative, are able to conduct meetings and processes cases without participation by the administration.

Instructions for the committees are established by the Board of Directors.

**Organisation of SpareBank 1 SR-Bank ASA**

The Bank's operational structure is illustrated in the figure below.

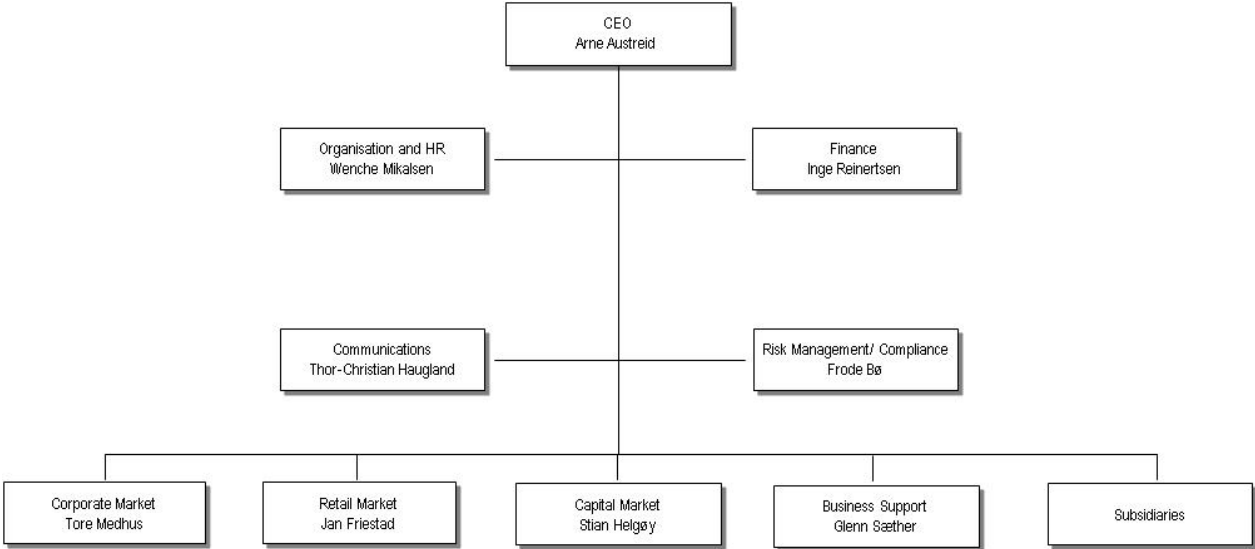


Figure 1.2.5: Organizational structure of SpareBank 1 SR-Bank

**The SpareBank 1 Alliance**

SpareBank 1 SR-Bank is one of the founding partners of the SpareBank 1 Gruppen ("the Alliance") in 1996. Through participation in the Alliance, SpareBank 1 SR-Bank is linked together in an alliance of independent and locally anchored banks. The purpose of the Alliance is for members to develop, procure and supply competitive financial services and products and to exploit economies of scale in the form of lower costs and higher quality, so that customers get the best advice and the best services on competitive terms. As shown in the figure below the Alliance has a wide distribution all over Norway.

## The SpareBank 1 Alliance - 2<sup>nd</sup> largest mortgage lender in Norway

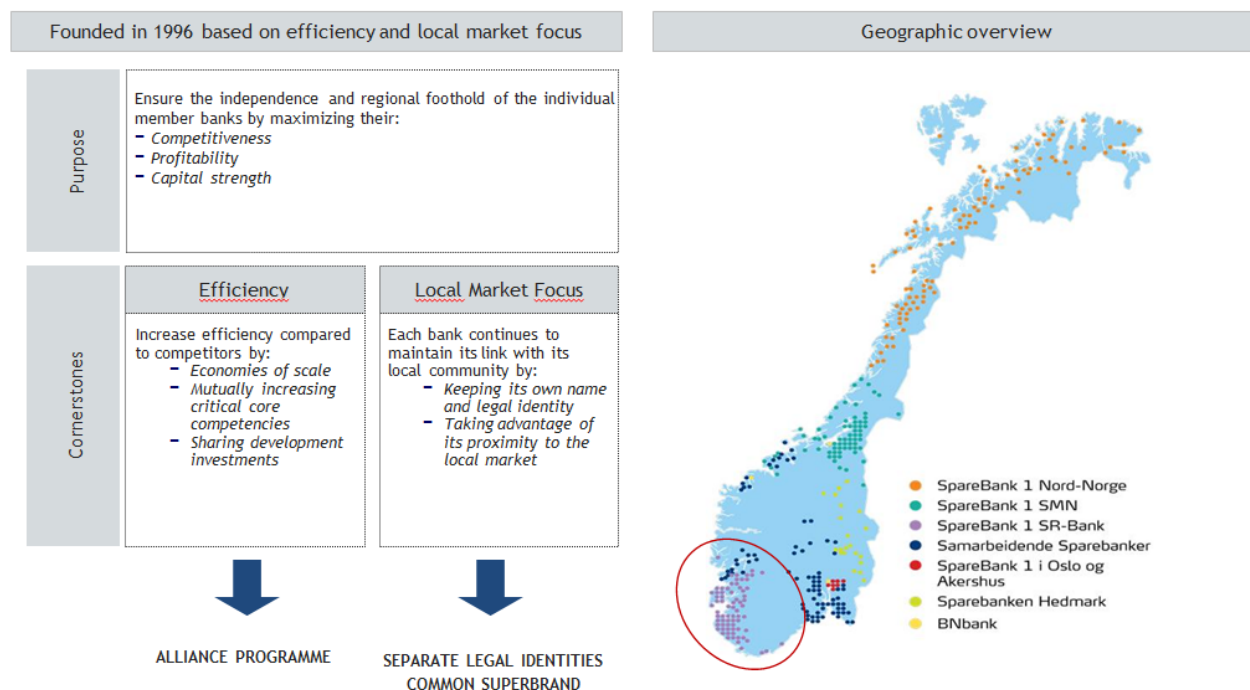


Figure 1.2.6: Geographic overview of the SpareBank 1 Alliance

The member banks in the Alliance work in part through common projects and in part through the jointly owned holding company; SpareBank 1 Gruppen AS. In addition to SpareBank 1 SR-Bank, SpareBank 1 Gruppen AS is owned by Sparebanken Nord-Norge, Sparebanken 1 SMN, Sparebanken Hedmark, Samarbeidende Sparebanker (14 local savings banks in southern Norway) and the Norwegian Confederation of Trade Unions (LO).

SpareBank 1 Gruppen AS owns all of the shares in SpareBank 1 Livsforsikring AS (life insurance), SpareBank 1 Skadeforsikring AS (non-life insurance), ODIN Forvaltning AS (asset management), SpareBank 1 Medlemskort (membership cards) and SpareBank 1 Gruppen Finans Holding AS (collection of bad debts).

The ownership structure of SpareBank 1 Markets was amended from the third quarter of 2013 through SpareBank 1 Gruppen's divestment of its shares in the company. SpareBank 1 Markets will thereby be directly owned by SpareBank 1 SMN (24 %), SpareBank 1 Nord-Norge (24 %), Samarbeidende Sparebanker (24 %), Sparebanken Hedmark (15 %), LO (12 %) and employees (2 %). SpareBank 1 SR-Bank has opted not to acquire an ownership stake in SpareBank 1 Markets.

The banks that are part of the Alliance also jointly own the two covered bond companies SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, EiendomsMegler 1 (chain of real estate brokers), Alliansesamarbeidet SpareBank 1 Utvikling DA, and the two commercial banks; Bank 1 Oslo/Akershus AS and BN Bank ASA.

The SpareBank 1 Alliance structure is illustrated below in figure 1.2.7.

**Owners of the alliance**

- All credit decisions are made at the local banks
- Economies of scale related to expenses, IT solutions, marketing and branding

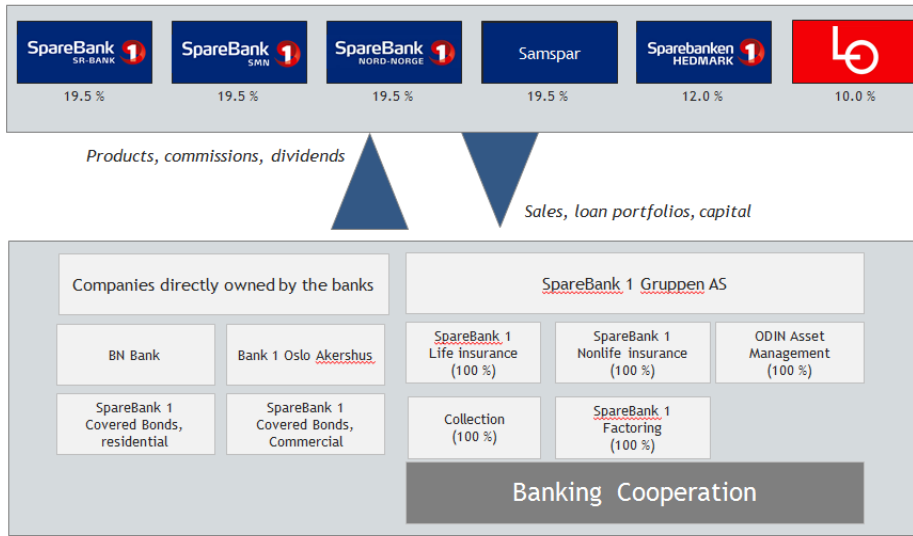


Figure 1.2.7: Structure of SpareBank 1 Alliance as per 31 December 2013

More information on the SpareBank 1 Alliance can be found on [www.sparebank1.no](http://www.sparebank1.no).

## 1.3 Shareholder information - SRBANK

SpareBank 1 SR-Bank's former Equity Certificates (EC) was listed on the Oslo stock exchange from 1994 until end 2011 under the ticker of ROGG. From 1 January 2012 the EC's were converted to ordinary shares. The share capital in SpareBank 1 SR-Bank is NOK 6,393,777,050 divided between 255,751,082, each with a nominal value of NOK 25.

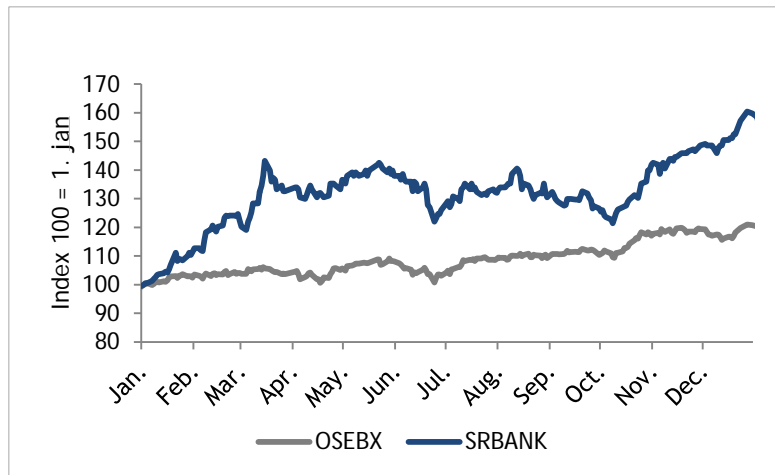


Figure 1.3.1: Relative performance; SRBANK vs OSEBX 1.1. – 31.12.2013

The former ticker code ROGG was replaced by SRBANK and from 3 January 2012, SRBANK was included in the OSEAX All-Share index and sector index OSE40 Financials/OSE4010 Banks. Figure 1.3.1 shows the relative performance of SRBANK compared to OSEBX in 2013.

SpareBank 1 SR-Bank aims to ensure good liquidity in its shares and achieve a good diversity of shareholders who represent customers, regional interests, as well as Norwegian and international investors. Figure 1.3.2 shows how daily liquidity has developed in the period from 1 January 2010 to 31 December 2013. A general observation is that liquidity has increased after the conversion and issue of new shares.

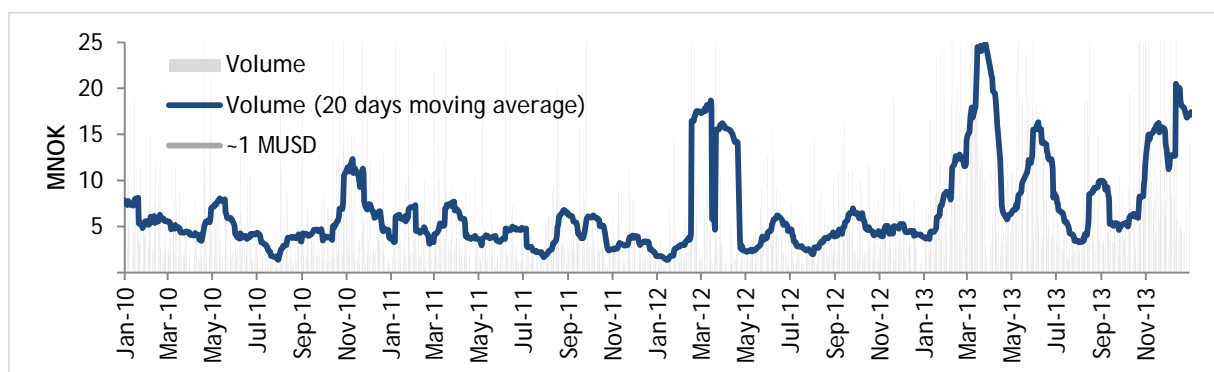


Figure 1.3.2 Development in liquidity; SRBANK 1.1.2010 – 31.12.2013

Figure 1.3.3 shows the share price movements and Price/Book development from 01.01.2013 to 31.12.2013.

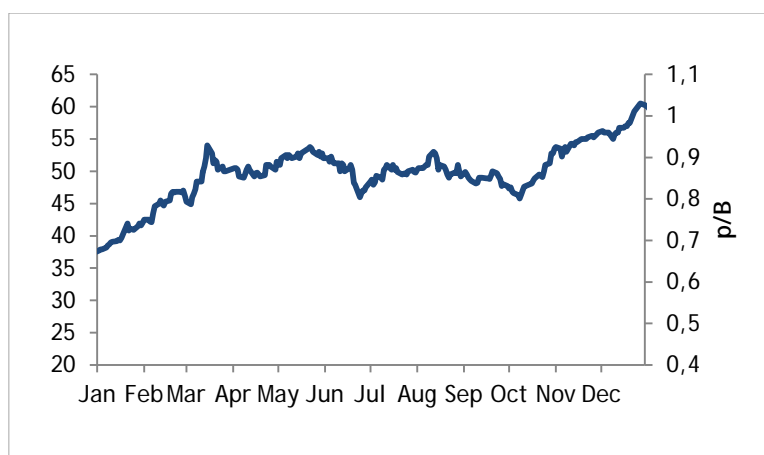


Figure 1.3.3: Share price and development in P/B; 1.1. – 31.12.2013

### *Investor relations policy*

It is crucial to SpareBank 1 SR-Bank that accurate, relevant and timely information about the group's development and result inspires confidence in the investor market. Information is conveyed to the market mainly through quarterly investor presentations, websites, press releases and accounting reports. Regular presentations are also held for international partners, lenders and investors, mainly in the domestic and European market.

It is in SpareBank 1 SR-Bank's own interest that financial analyses are published with the highest possible quality. All analysts, irrespective of their recommendations and viewpoints regarding the stock are treated equally. As of today the following financial analysts have official coverage of SRBANK:

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### *Shareholder and dividend policy*

#### Shareholder policy

SpareBank 1 SR-Bank's objective is to manage the bank's resources in such a manner that shareholders receive a yield in the form of dividends and a value increase which is competitive in relation to comparable investments.

#### Dividend policy

The financial objective of SpareBank 1 SR-Bank's operations is to achieve earnings that yield adequate, stable returns on the bank's equity, thereby creating value for owners through competitive returns in the form of dividends and share appreciation.

In determining the size of the annual dividend, considerations will be made toward the group's capital,

including capital adequacy requirements and the group's goals and strategic plans. Unless capital requirements otherwise dictate, the goal of the board is that approximately half of the annual profit after tax is distributed.

### *Ownership structure*

Investor	Number	Stake
Sparebankstiftelsen SR-Bank	76.835.551	30,0 %
Gjensidige Forsikring ASA	26.483.470	10,4 %
Folketrygdfondet	7.934.328	3,1 %
SpareBank 1-stiftinga Kvinnherad	6.226.583	2,4 %
Odin Norge	5.896.605	2,3 %
Frank Mohn AS	5.680.920	2,2 %
Morgan Stanley & Co, U.S.A.	4.359.373	1,7 %
Odin Norden	4.085.363	1,6 %
Skagen Global	3.943.743	1,5 %
State Street Bank and Trust, U.S.A.	3.683.118	1,4 %
State Street Bank and Trust, U.S.A.	2.542.777	1,0 %
J.P. Morgan Chase Bank, U.K.	2.364.569	0,9 %
Clipper AS	2.178.837	0,9 %
J.P. Morgan Chase Bank, U.K.	2.083.137	0,8 %
J.P. Morgan Chase Bank, Sverige	2.014.054	0,8 %
Westco AS	1.321.817	0,5 %
Skagen Global II	1.264.174	0,5 %
FLPS, U.S.A.	1.250.000	0,5 %
Goldman Sachs & Co, U.S.A.	1.249.123	0,5 %
Vpf Nordea Kapital	1.161.371	0,5 %
<b>Top 5</b>	<b>123.376.537</b>	<b>48,2 %</b>
<b>Top 10</b>	<b>145.129.054</b>	<b>56,7 %</b>
<b>Top 20</b>	<b>162.558.913</b>	<b>63,6 %</b>

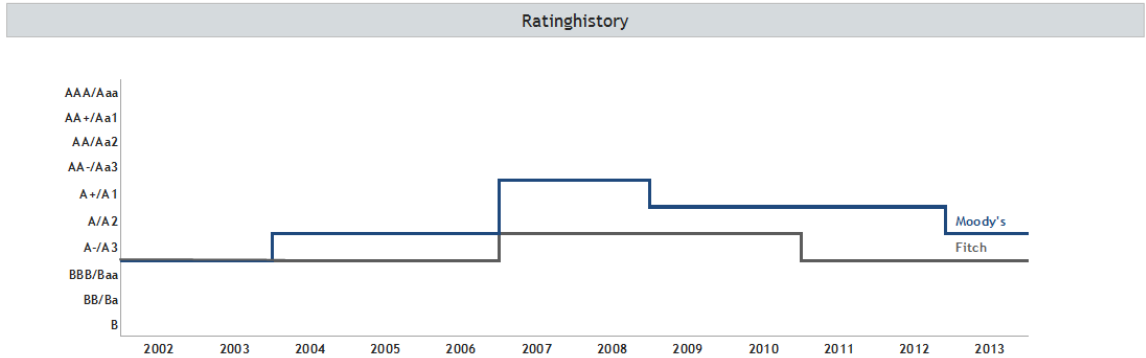
Table 1.3.2: 20 largest shareholders as at 31. December 2013



# 1.4 Credit ratings

Current credit rating status as at 31 December 2013 was as follows:

Moody's		Fitch	
Long-term debt	A2	Long-term IDR	A-
Outlook	Stable	Outlook	Stable
Updated	30 August 2013	Updated	20 December 2013



## 2. Financial results and balance sheet

### Income statement

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
<i>MNOK</i>	2013	2013	2013	2013	2012	2013	2012
Interest income	1466	1.451	1.406	1.321	1.331	5.644	5.300
Interest expense	892	883	880	870	851	3.525	3.558
<b>Net interest income</b>	<b>574</b>	<b>568</b>	<b>526</b>	<b>451</b>	<b>480</b>	<b>2.119</b>	<b>1.742</b>
Commission income	392	386	349	325	330	1.452	1.105
Commission expenses	12	23	18	19	17	72	76
Other operating income	109	103	134	98	98	444	437
<b>Net commission and other income</b>	<b>489</b>	<b>466</b>	<b>465</b>	<b>404</b>	<b>411</b>	<b>1.824</b>	<b>1.466</b>
Dividend income	-2	3	32	0	0	33	25
Income from investment in associates	95	130	31	99	22	355	265
Net gains/losses on financial instruments	102	4	-1	62	75	167	288
Net return on investment securities	195	137	62	161	97	555	578
<b>Total income</b>	<b>1.258</b>	<b>1.171</b>	<b>1.053</b>	<b>1.016</b>	<b>988</b>	<b>4.498</b>	<b>3.786</b>
Personnel expenses	323	284	297	292	292	1.196	1.082
Administrative expenses	109	104	118	101	107	432	417
Other operating expenses	102	90	102	97	105	391	389
<b>Total operating expenses</b>	<b>534</b>	<b>478</b>	<b>517</b>	<b>490</b>	<b>504</b>	<b>2.019</b>	<b>1.888</b>
<b>Operating profit before losses</b>	<b>724</b>	<b>693</b>	<b>536</b>	<b>526</b>	<b>484</b>	<b>2.479</b>	<b>1.898</b>
Losses on loans and guarantees	50	32	25	25	26	132	137
<b>Operating profit before tax</b>	<b>674</b>	<b>661</b>	<b>511</b>	<b>501</b>	<b>458</b>	<b>2.347</b>	<b>1.761</b>
Tax expense	107	145	128	107	114	487	400
<b>Profit after tax from continuing operations</b>	<b>567</b>	<b>516</b>	<b>383</b>	<b>394</b>	<b>344</b>	<b>1.860</b>	<b>1.361</b>

## Key figures

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	31.12 2013	31.12 2012
Return on equity <sup>1)</sup>	16,2 %	15,6 %	11,8 %	12,3 %	11,2 %	14,0 %	12,4 %
Cost ratio <sup>2)</sup>	42,4 %	40,8 %	49,1 %	48,2 %	51,0 %	44,9 %	49,9 %
Net interest margin	1,46 %	1,49 %	1,43 %	1,27 %	1,36 %	1,42 %	1,27 %
Gross loans to customers	120.273	116.720	115.214	112.314	109.513	120.273	109.513
Gross loans to customers incl. SpareBank 1 Boligkreditt and Næringskreditt	166.662	164.538	162.714	160.445	158.201	166.662	158.201
Deposits from customers	71.667	70.714	73.281	68.605	67.594	71.667	67.594
Deposit-to-loan ratio	59,6 %	60,6 %	63,6 %	61,1 %	61,7 %	59,6 %	61,7 %
Growth in loans	9,8 %	11,7 %	9,3 %	11,8 %	8,0 %	9,8 %	8,0 %
Growth in loans incl. SpareBank 1 Boligkreditt and Næringskreditt	5,3 %	5,5 %	6,1 %	7,4 %	7,8 %	5,3 %	7,8 %
Growth in deposits	6,0 %	2,2 %	2,8 %	2,2 %	5,5 %	6,0 %	5,5 %
Average total assets	155.489	151.683	147.331	144.265	140.555	149.554	137.212
Total assets	156.985	153.639	151.110	146.124	141.543	156.985	141.543
Impairment losses ratio <sup>3)</sup>	0,17	0,11	0,09	0,09	0,10	0,11	0,13
Non-performing commitments as a percentage of gross loans	0,69	0,40	0,37	0,44	0,42	0,69	0,42
Other doubtful commitments as a percentage of gross loans	0,57	0,84	0,77	0,81	0,72	0,57	0,72
Capital ratio	14,1	13,1	12,9	12,9	13,1	14,1	13,1
Tier 1 capital ratio	12,8	12,2	12,0	12,2	12,1	12,8	12,1
Core equity Tier 1 capital ratio	11,1	10,5	10,3	10,1	10,0	11,1	10,0
Core capital	14.511	13.974	13.691	13.673	13.507	14.511	13.507
Net equity and subordinated loan capital	15.915	15.034	14.721	14.452	14.568	15.915	14.568
Minimum subordinated capital requirement	9.046	9.203	9.135	8.956	8.897	9.046	8.897
RWA	113.075	115.038	114.188	111.950	111.213	113.075	111.213
Number of branches	52	53	53	53	53	52	53
Man-years (permanent)	1.165	1.182	1.196	1.214	1.207	1.165	1.207
Share price	60,25	47,70	47,50	50,00	37,20	60,25	37,20
Market capitalisation	15.409	12.199	12.148	12.788	9.514	15.409	9.514
Book equity per share (including dividends) (group)	55,00	52,89	50,89	50,92	49,48	55,00	49,48
Earnings per share (group) <sup>4)</sup>	2,22	2,02	1,50	1,54	1,35	7,27	5,32
Dividends per share	n.a.	n.a.	n.a.	n.a.	n.a.	1,60	1,50
Price / Earnings per share	6,78	5,90	7,92	8,12	6,89	8,29	6,99
Price / Book equity (group)	1,10	0,90	0,93	0,98	0,75	1,10	0,75

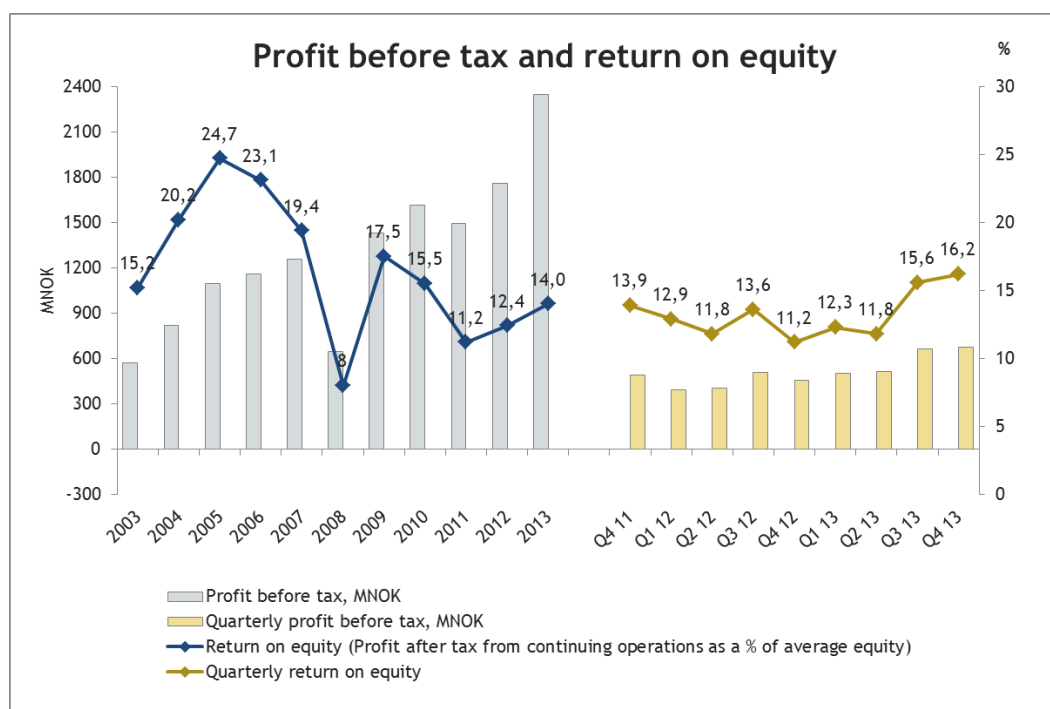
<sup>1)</sup> Net profit as a percentage of average equity.

<sup>2)</sup> Total operating expenses as a percentage of total operating income

<sup>3)</sup> Net losses expressed as a percentage of average gross lending year to date, annualized

<sup>4)</sup> Number of shares was increased on 18 June 2012 from 199,489,689 to 255,751,082 as a result of a capital expansion. Earnings per share as from 2nd quarter 2012 are calculated based on the new number of shares.

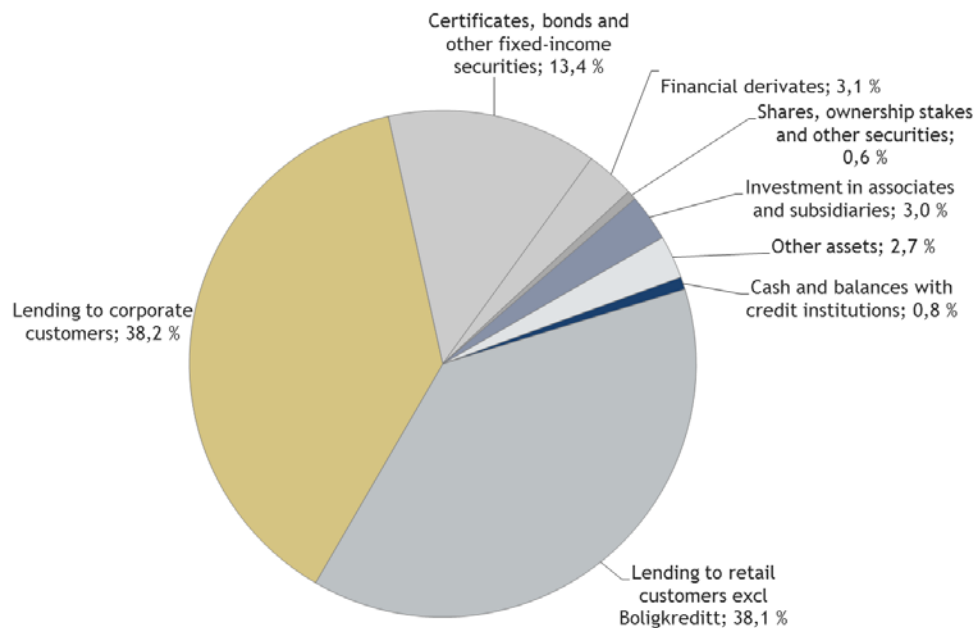
SpareBank 1 SR-Bank does not have any forward cover contracts or other circumstances that can dilute earning per share.



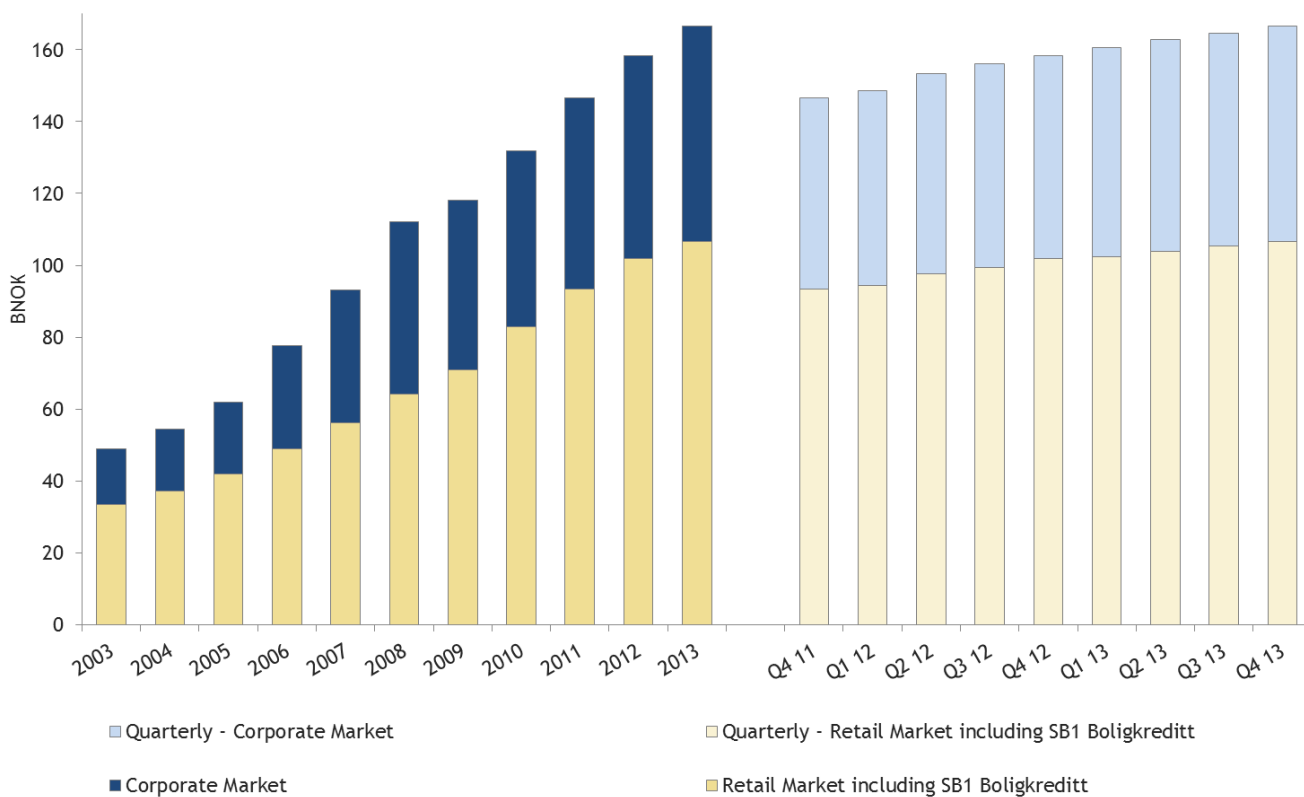
## Balance sheet

MNOK	31.12 2013	30.09 2013	30.06 2013	31.03 2013	31.12 2012
Cash and balances with central banks	1.265	588	1.762	802	1.314
Balances with credit institutions	1.253	1.732	2.612	1.055	1.087
Net loans to customers	119.525	115.992	114.493	111.551	108.758
Certificates, bonds and other fixed-income sec.	21.065	22.408	19.852	20.286	18.677
Financial derivatives	4.923	4.887	4.936	4.536	4.578
Shares, ownership stakes and other securities	938	880	879	676	671
Business available for sale	85	85	85	428	85
Investment in associates	4.710	4.804	4.682	4.708	4.964
Other assets	3.221	2.263	1.809	2.082	1.409
<b>Total assets</b>	<b>156.985</b>	<b>153.639</b>	<b>151.110</b>	<b>146.124</b>	<b>141.543</b>
Balances with credit institutions	3.742	4.719	4.681	5.959	4.522
Public deposits related to covered bond swap scheme	6.429	6.429	6.429	6.429	7.299
Deposits from customers	71.667	70.714	73.281	68.605	67.594
Listed debt securities	52.328	50.124	45.006	42.972	40.691
Financial derivatives	2.013	2.235	2.486	2.481	2.282
Other liabilities	2.746	2.310	2.264	2.659	2.295
Additional Tier 1 and Tier 2 capital instruments	4.004	3.597	3.958	4.027	4.223
<b>Total liabilities</b>	<b>142.929</b>	<b>140.128</b>	<b>138.105</b>	<b>133.132</b>	<b>128.906</b>
Share capital	6.394	6.394	6.394	6.394	6.394
Holding of own shares	-5	-5	-5	-15	-9
Premium reserve	1.592	1.592	1.592	1.587	1.587
Proposed dividend	409	0	0	384	384
Fund for unrealised gains	162	72	72	72	72
Other equity	5.504	4.165	4.175	4.176	4.209
Profit/loss at period end	0	1.293	777	394	0
<b>Total equity</b>	<b>14.056</b>	<b>13.511</b>	<b>13.005</b>	<b>12.992</b>	<b>12.637</b>
<b>Total liabilities and equity</b>	<b>156.985</b>	<b>153.639</b>	<b>151.110</b>	<b>146.124</b>	<b>141.543</b>

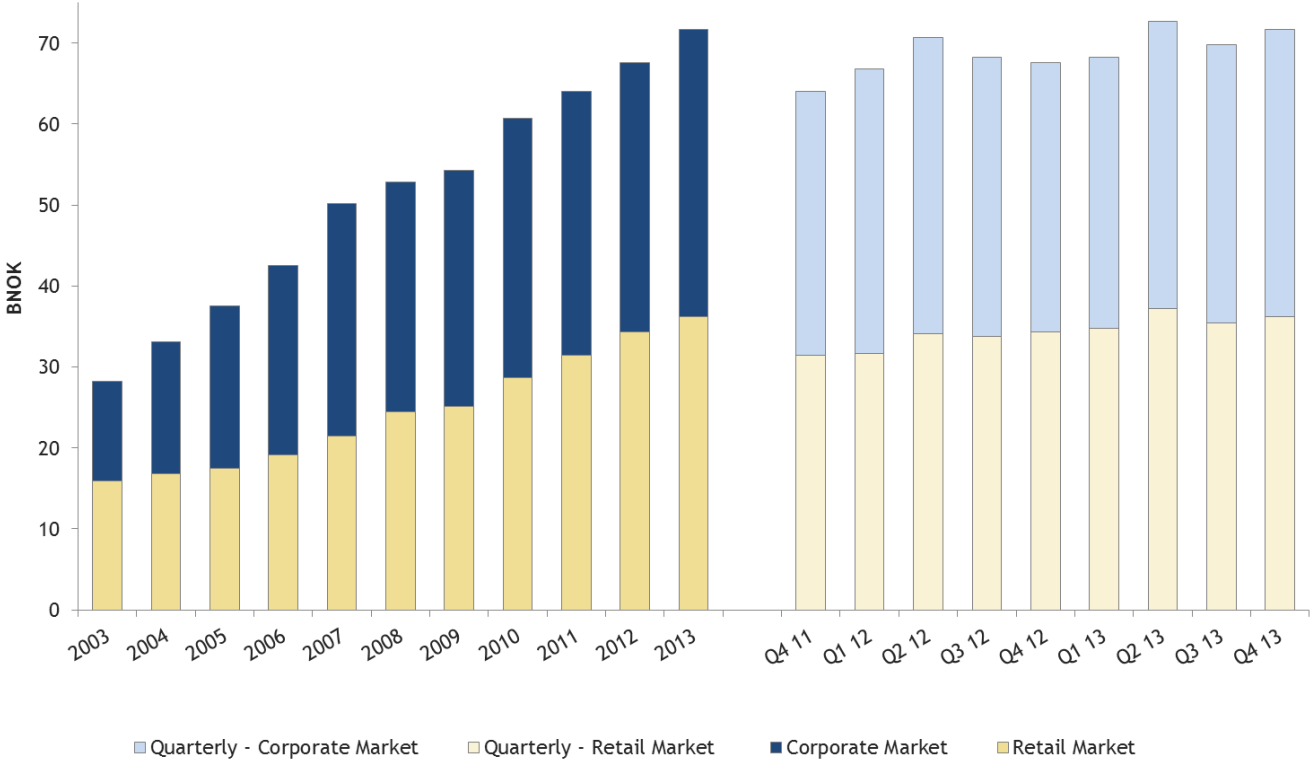
Total assets as at 31 December 2013:



Development in lending volume

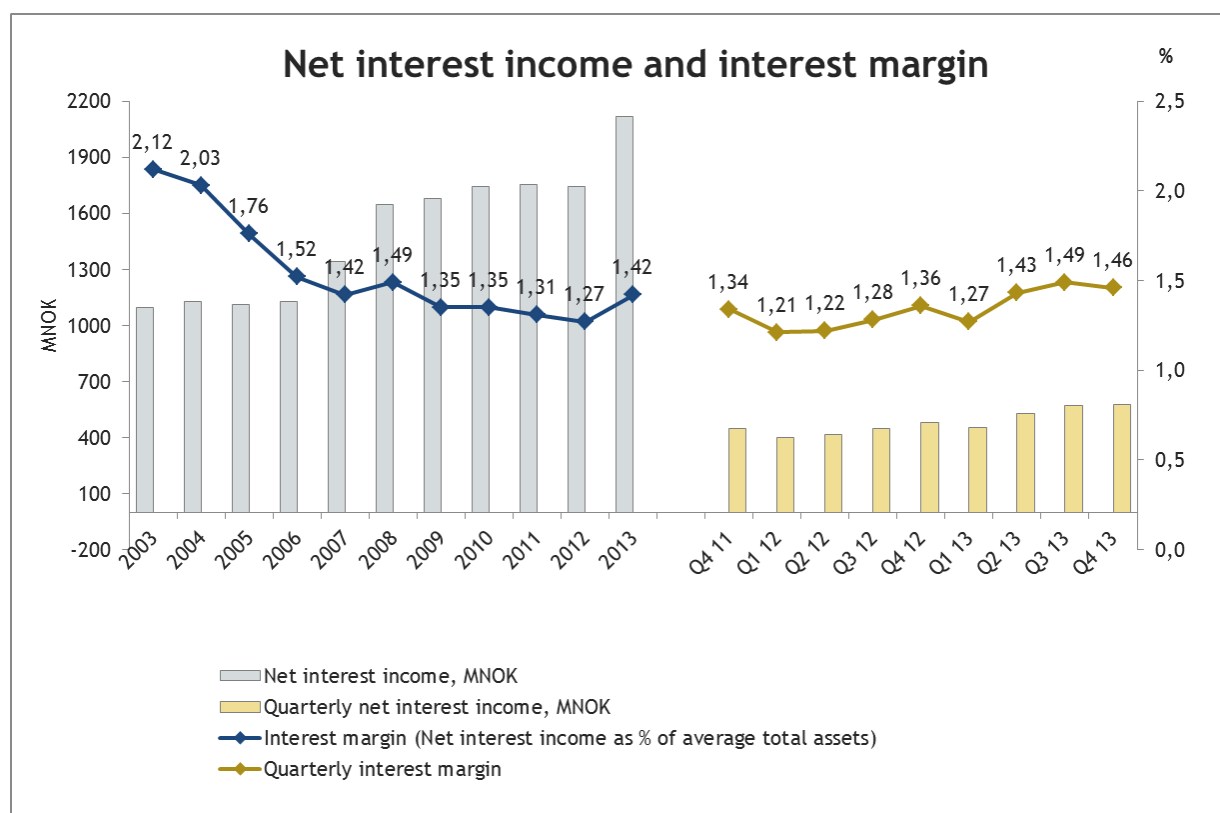


### Development in deposit volume

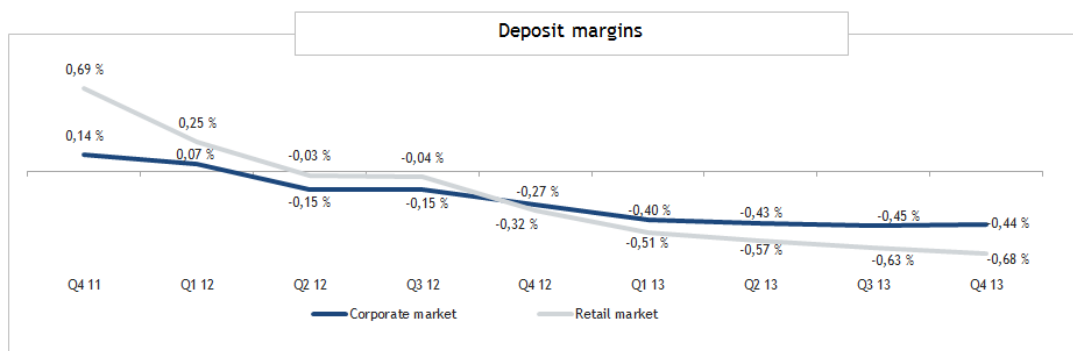
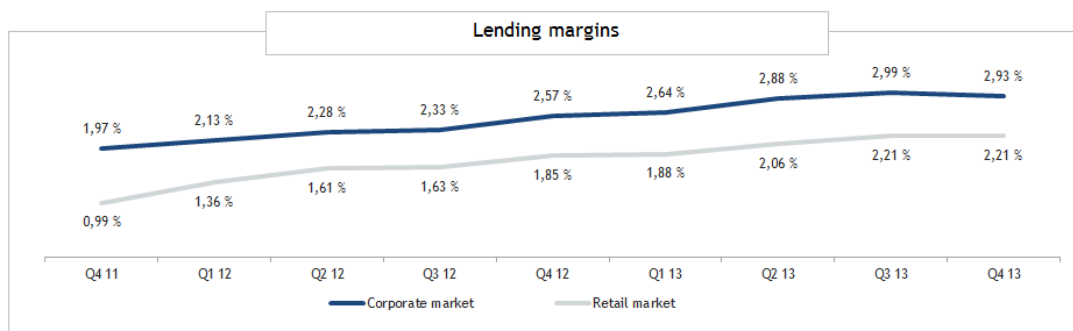


## 2.1 Net interest income

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	31.12 2013	31.12 2012
<i>MNOK</i>							
Interest income	1.466	1.451	1.406	1.321	1.331	5.644	5.300
Interest expense	892	883	880	870	851	3.525	3.558
<b>Net interest income</b>	<b>574</b>	<b>568</b>	<b>526</b>	<b>451</b>	<b>480</b>	<b>2.119</b>	<b>1.742</b>
As % of average total assets	1,46 %	1,49 %	1,43 %	1,27 %	1,36 %	1,42 %	1,27 %



## Lending and deposit margins<sup>1</sup>



<sup>1</sup> Definition margin: Average customer interest rate measured against 3-month moving average for 3-month NIBOR. Lending margins include loan portfolio in SB1 Boligkreditt and SB1 Næringskreditt



## 2.2 Net other operating income

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
<i>MNOK</i>	2013	2013	2013	2013	2012	2013	2012
Net commission and other income	489	466	465	404	411	1824	1.466
Net return on investment securities	195	137	62	161	97	555	578
Net other operating income	684	603	527	565	508	2379	2.044
As % of total income	54 %	51 %	50 %	56 %	51 %	53 %	54 %

### Net commission and other income

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
<i>MNOK</i>	2013	2013	2013	2013	2012	2013	2012
Payment facilities	59	66	56	52	47	233	205
Savings/placements	39	40	37	35	36	151	140
Insurance products	41	41	42	40	51	164	156
Commission income real estate (EM1)	108	101	127	96	99	433	427
Guarantee commission	23	29	26	27	21	104	89
Arrangement fees	45	15	14	17	31	91	75
Other	7	7	12	11	5	37	35
<b>Net commission and other income excl. SB1 Boligkreditt og SB1 Næringskreditt</b>	<b>322</b>	<b>299</b>	<b>314</b>	<b>278</b>	<b>290</b>	<b>1213</b>	<b>1.127</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	167	167	151	126	121	611	339
<b>Net commission and other income incl. SB1 Boligkreditt og SB1 Næringskreditt</b>	<b>489</b>	<b>466</b>	<b>465</b>	<b>404</b>	<b>411</b>	<b>1824</b>	<b>1.466</b>
As % of total income	39 %	40 %	44 %	40 %	42 %	41 %	39 %

### Change in net commission and other income

	Q4	Q4	Q4
<i>MNOK</i>	2013	Change	2012
<b>Net commission and other income</b>	<b>489</b>	<b>78</b>	<b>411</b>
Payment facilities		12	
Savings/placements		3	
Insurance products		-10	
Commission income real estate (EiendomsMegler 1 SR-Eiendom)		9	
Guarantee commission		2	
Arrangement fees		14	
Other		2	
Commission income SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt		46	

## Net return on investment securities

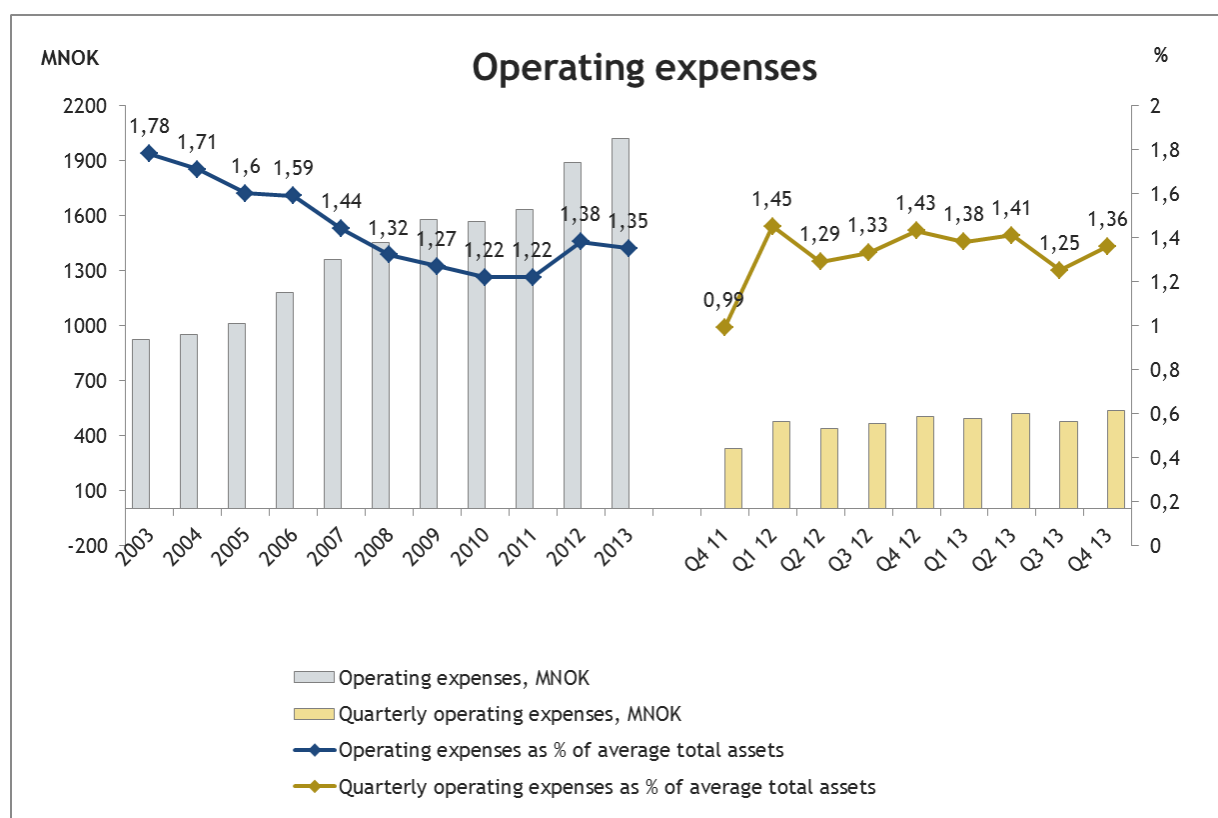
<i>MNOK</i>	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	31.12 2013	31.12 2012
Dividend	-2	3	32	0	0	33	25
Investment income, associates	95	130	31	99	22	355	265
Securities gains/losses	13	-38	-55	-1	23	-81	130
- of which capital change in shares and certificates	42	11	-28	21	46	46	61
- of which capital change in certificates and bonds	-29	-49	-27	-22	-23	-127	69
Currency/interest gains/losses	89	42	54	63	52	248	158
- of which currency customer- and own-account trading	46	24	35	30	33	135	136
- of which IFRS-effects	43	18	19	33	19	113	22
<b>Net return on investment securities</b>	<b>195</b>	<b>137</b>	<b>62</b>	<b>161</b>	<b>97</b>	<b>555</b>	<b>578</b>
As % of total income	16 %	12 %	6 %	16 %	10 %	12 %	15 %

## Change in net return on investment securities

<i>MNOK</i>	Q4 2013	Change	Q4 2012
<b>Net return on investment securities</b>	<b>195</b>	<b>98</b>	<b>97</b>
Dividend		-2	
Investment income, associates		73	
Securities gains/losses		-10	
- of which capital change in shares and certificates		-4	
- of which capital change in certificates and bonds		-6	
Currency/interest gains/losses		37	
- of which currency customer- and own-account trading		13	
- of which IFRS-effects		24	

## 2.3 Operating expenses

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
MNOK	2013	2013	2013	2013	2012	2013	2012
Wages	253	212	225	219	236	909	848
Of which restructuring costs	26	1	3	7	2	37	2
Pension expenses	20	28	27	26	8	101	46
Other personnel expenses	50	44	45	47	49	186	188
<b>Total personnel expenses</b>	<b>323</b>	<b>284</b>	<b>300</b>	<b>299</b>	<b>294</b>	<b>1.196</b>	<b>1.082</b>
IT expenses	65	63	63	59	59	250	227
Marketing expenses	21	17	29	19	23	86	81
Other administrative expenses	23	24	26	23	25	96	109
Write-offs	21	17	18	18	30	74	87
Expenses real property	5	10	13	12	10	40	44
Other operating expenses	76	63	71	67	65	277	258
<b>Other expenses</b>	<b>211</b>	<b>194</b>	<b>220</b>	<b>198</b>	<b>212</b>	<b>823</b>	<b>806</b>
<b>Total operating expenses</b>	<b>534</b>	<b>478</b>	<b>520</b>	<b>497</b>	<b>506</b>	<b>2.019</b>	<b>1.888</b>



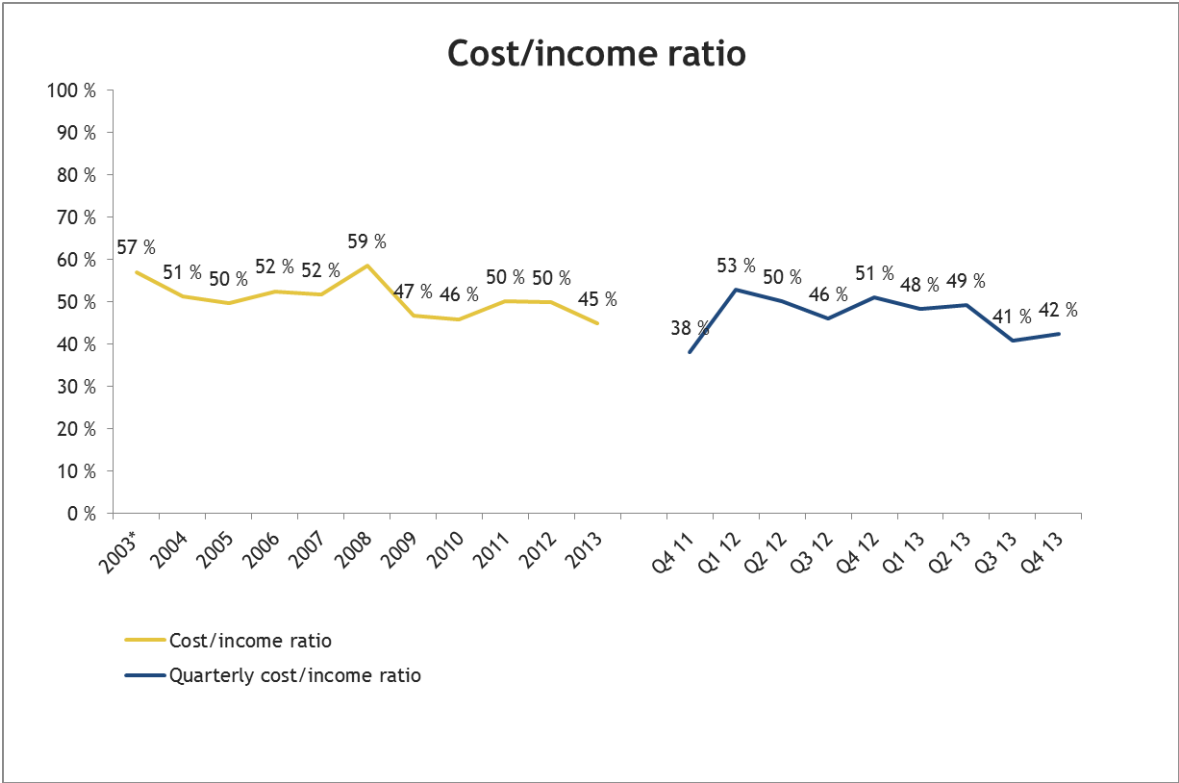
## Change in operating expenses

<i>MNOK</i>	Q4 2013	Change	Q4 2012
<b>Total</b>	<b>534</b>	<b>30</b>	<b>504</b>
Personnel expenses		31	
IT expenses		6	
Marketing expenses		-2	
Other administrative expenses		-2	
Write-offs		-9	
Expenses real property		-5	
Other operating expenses		11	

## Cost/income ratio

<i>MNOK</i>	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	31.12 2013	31.12 2012
Operating expenses	534	478	517	490	504	2.019	1.888
Cost/income ratio	42,4 %	40,8 %	49,1 %	48,2 %	51,0 %	44,9 %	49,9 %
Growth in expenses last 12 months	6,0 %	2,6 %	17,5 %	2,5 %	53,2 %	6,9 %	15,6 %

Development in cost/income ratio

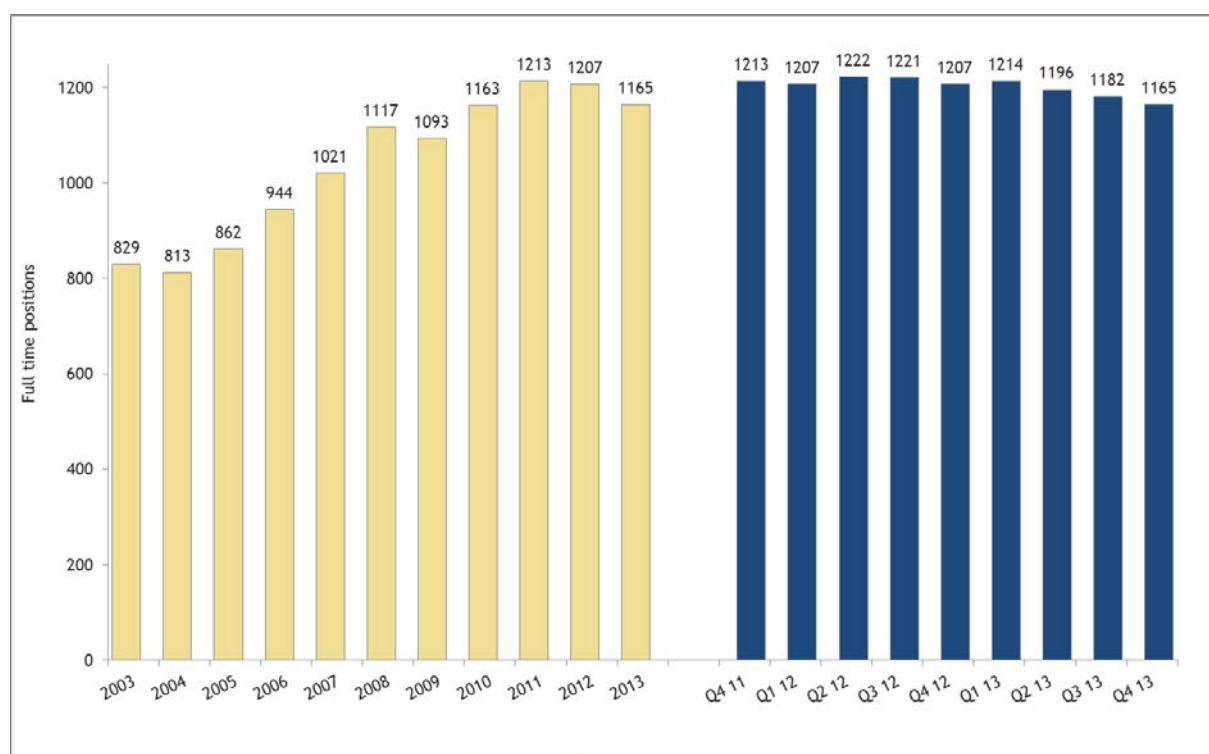


\* In accordance with the Generally Accepted Accounting Principles in Norway – IFRS from 2004

Number of full time positions (permanent employees, contracted staff not included)

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
<i>Full time positions</i>					
SpareBank 1 SR-Bank	906	917	933	947	945
EiendomsMegler 1 SR-Eiendom AS	219	224	221	224	218
SR-Forvaltning AS	11	12	12	12	13
SR-Finans AS	29	29	30	31	31
<b>Total</b>	<b>1.165</b>	<b>1.182</b>	<b>1.196</b>	<b>1.214</b>	<b>1.207</b>

Full time positions 2003 – Q4 2013 (*permanent employees, contracted staff not included*)



## 2.4 Losses on loans and loss provisions

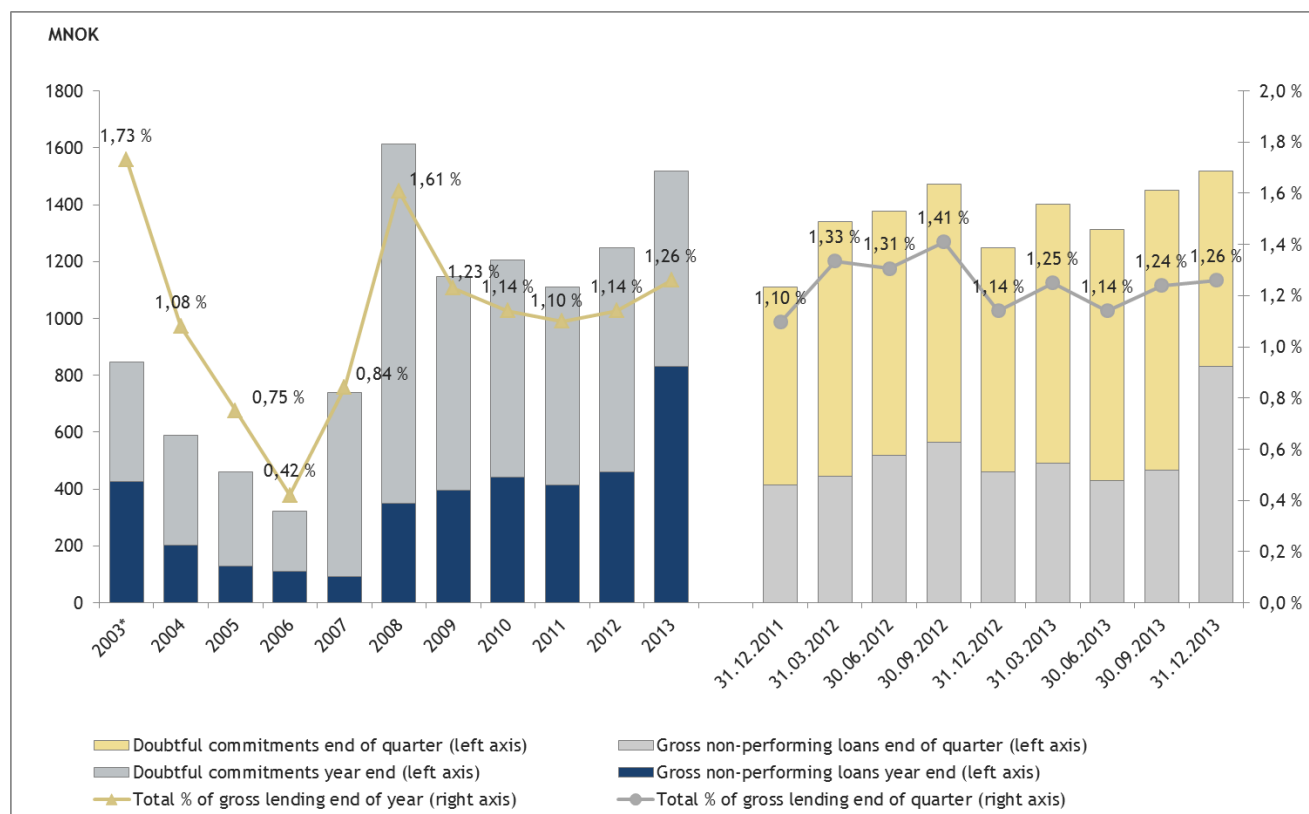
### Losses on loans and guarantees

MNOK	31 Dec. 2013	30 Sept. 2013	30 June 2013	31 March 2013	31 Dec. 2012
Change in individual individual impairment losses provisions for the period	23	-27	-31	8	78
Change in collective impairment loss provisions for the period	-30	0	0	0	-30
Amortised cost	11	3	3	1	5
Actual loan losses on commitments for which provisions have been made	111	84	53	14	105
Actual loan losses on commitments for which no provision has been	108	38	30	4	24
Change in assets take-over for the period	-30	16	13	1	9
Recoveries on commitments previously written-off	-61	-32	-18	-4	-54
<b>The period's net losses/(reversals) on loans and advances</b>	<b>132</b>	<b>82</b>	<b>50</b>	<b>25</b>	<b>137</b>

### Provisions for impairment losses on loans and guarantees

MNOK	31 Dec. 2013	30 Sept. 2013	30 June 2013	31 March 2013	31 Dec. 2012
Provisions for individual impairment losses at start of period	423	423	423	423	420
Increases in previous provisions for individual impairment losses	131	77	82	12	79
Reversal of provisions from previous periods	-183	-132	-103	-23	-89
New provisions for individual impairment losses	186	115	45	33	120
Amortised cost	0	-2	-1	0	-2
Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-111	-84	-54	-14	-105
<b>Provisions for individual impairment losses at the end of period</b>	<b>446</b>	<b>397</b>	<b>392</b>	<b>431</b>	<b>423</b>
<b>Net losses</b>	<b>219</b>	<b>122</b>	<b>83</b>	<b>19</b>	<b>129</b>

### Non-performing loans and doubtful commitments



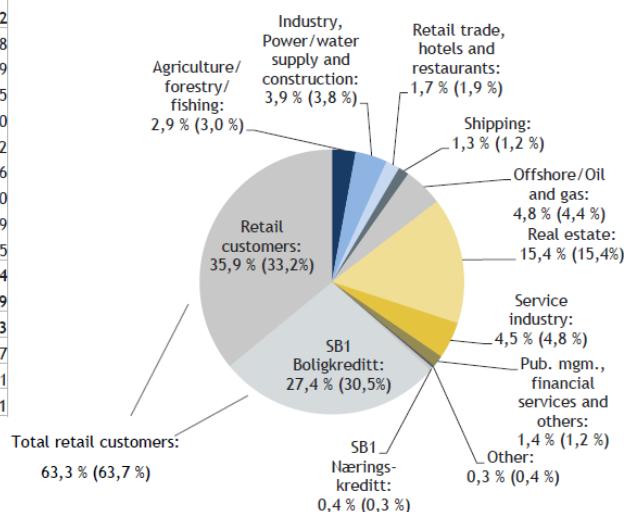
\* In accordance with the Generally Accepted Accounting Principles in Norway – IFRS from 2004

## 2.5 Loans

MNOK	31 Dec. 2013	30 Sept. 2013	30 June 2013	31 March 2013	31 Dec. 2012
Agriculture/forestry	4.326	4.290	4.265	4.104	4.141
Fishing/Fish farming	541	518	569	589	597
Mining/extraction	2.829	2.571	2.625	2.572	2.351
Industry	3.403	2.869	2.930	2.820	2.135
Power and water supply/building and construction	3.100	3.389	3.335	3.662	3.804
Retail trade, hotel and restaurant business	2.877	3.022	3.104	3.049	2.975
Foreign trade shipping, pipeline transport and other transport activities	7.297	7.232	7.135	6.995	6.451
Real estate business	25.740	25.450	25.424	24.442	24.306
Service industry	7.545	7.626	7.479	7.948	7.650
Public sector and financial services	2.277	2.155	1.970	1.767	1.949
Retail customers	59.848	57.128	55.790	53.715	52.569
Unallocated (excess value fixed interest loans and amort. lending fees)	209	158	203	280	292
Accrued interests corporate sector and retail customers	281	312	385	371	293
Gross loans	120.273	116.720	115.214	112.314	109.513
SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	46.389	47.808	47.500	48.131	48.688
Gross loans incl SpareBank 1 Boligkreditt and Næringskreditt	166.662	164.528	162.714	160.445	158.201

### Loan portfolio as at 31.12.2013

	Q4 2013	Q4 2012
Agriculture / forestry / fishing	4.867	4.738
Industry, Power/water supply and construction	6.503	5.939
Retail trade, hotels and restaurants	2.877	2.975
Shipping	2.085	1.830
Offshore/Oil and gas	8.041	6.972
Real estate	25.740	24.306
Service industry	7.545	7.650
Pub. mgn., financial services and others	2.277	1.949
Other	490	585
<b>Total corporate customers</b>	<b>60.425</b>	<b>56.944</b>
<b>Total retail customers</b>	<b>59.848</b>	<b>52.569</b>
<b>Total loans on own balance sheet</b>	<b>120.273</b>	<b>109.513</b>
Portfolio in SB1 Boligkreditt	45.747	48.217
Portfolio in SB1 Næringskreditt	642	471
<b>Gross loans</b>	<b>166.662</b>	<b>158.201</b>



Lending before individual write-downs, nominal amounts, and excluding unallocated accrued interest.

Sector allocation in accordance with the standard categories from Statistics Norway.

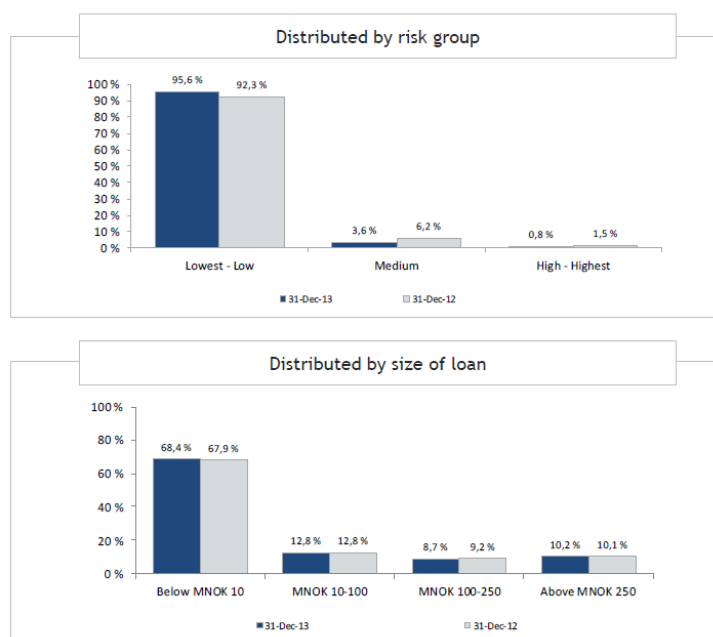
All figures in %. Figures as at 31.12.2012 in brackets.



## 2.6 Risk profile

- 95.6 % of the loan portfolio satisfies the criteria for low and the lowest risk. Expected losses in this portion of the portfolio are very limited at 0.03 %.
- Exposure to high or the highest risk accounts for 0.8 %. Expected losses in this portion of the portfolio are 3.7 %.
- 68.4 % is to loans constituting exposures less than NOK 10 million. This corresponds to 99 % of all customers.
- 18.8 % is to customers who have an exposure in excess of NOK 100 million. The credit quality in this portion of the portfolio is better than in the rest of the corporate market portfolio.

\* Expected loss through a business cycle

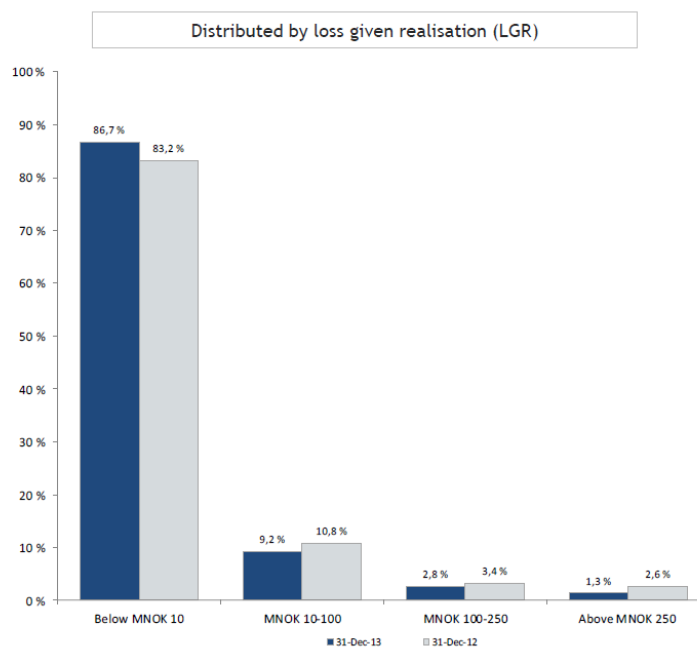


## Low concentration of individual LGRs in the lending portfolio

- At the end of 2013, SpareBank 1 SR-Bank had a total of 23 commitments with estimated loss potential exceeding NOK 100 million.
- These commitments represent approximately 4 % of the total portfolio.
- This is a reduction from the end of 2012 when 32 such commitments made up 6 % of the portfolio.
- There is a clearly defined strategy behind this composition. The growth and risk profile are managed, for example, through special credit strategy limits for concentration risk.

LGR (Loss given realisation). Estimated loss on realising a single loan. Corresponds to LGD without statistical correction for certain non-performing loans being reclassified as recoverable prior to collection. The calculation is based on the realisation value of assets pledged as security in an economic downturn.

The figures include lending portfolios in SB1 Boligkreditt and SB1 Næringskreditt.

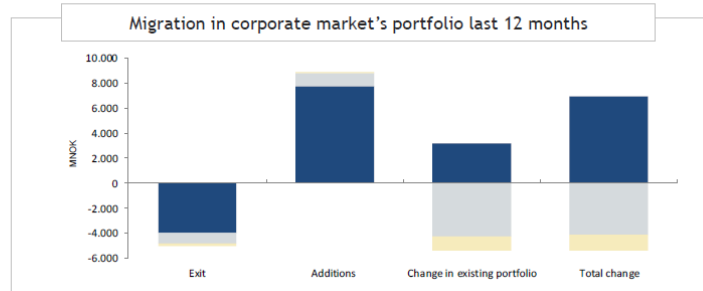
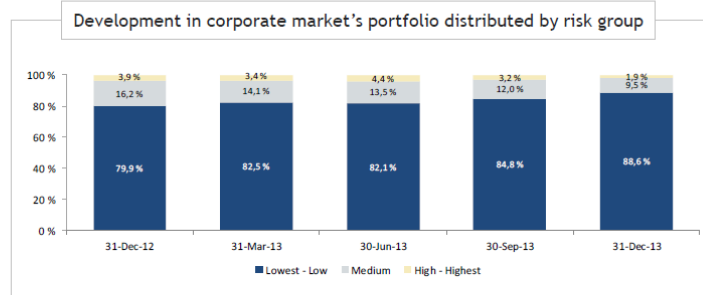


## Lending to the corporate market - risk profile

- The quality of the corporate market portfolio is considered to be good.
- The risk profile has improved\*. The proportion of loans with expected losses of less than 0.5 % at the end of the quarter represent 88.6 %.
- The proportion of loans with expected losses in excess of 2 % has been reduced by approximately 50 % over the last 12 months and represented 1.9 % at the end of 2013.

\* SpareBank 1 SR-Bank implemented an improved version of the scoring model for the corporate market portfolio in the first quarter of 2013. The effect of this is limited, but it means that historic figures are not fully comparable.

■ Lowest - Low risk, expected losses	0 % - 0.50 %
■ Medium risk, expected losses	0.50 % - 2.00 %
■ High - Highest risk, expected losses	over 2.00 %

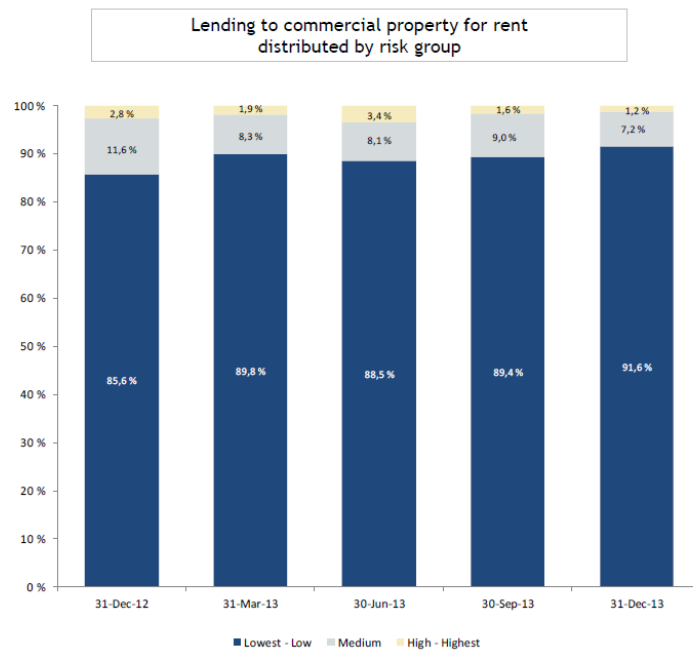


## Risk profile - Lending in the corporate market

- The portfolio of commercial property for rent represents the largest concentration in a single sector and accounts for 9.2 % of the total exposure (EAD) including retail market customers.
- The portfolio is dominated by low risk commitments. 91.6 % of the exposure is classified as low risk, while only 1.2 % is classified as high risk\*.
- The portfolio is characterised by commercial properties with long-term lease contracts and financially solid tenants. The vacancy rate is limited. Interest rates for a significant portion of the portfolio have been hedged.

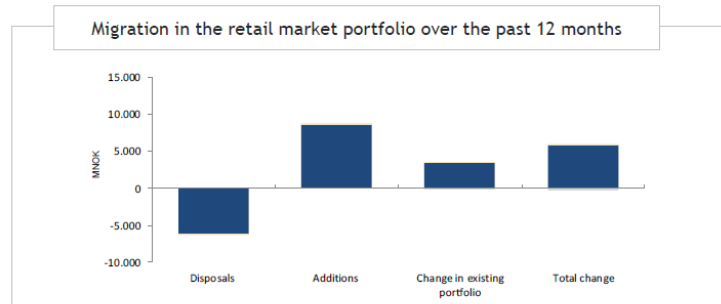
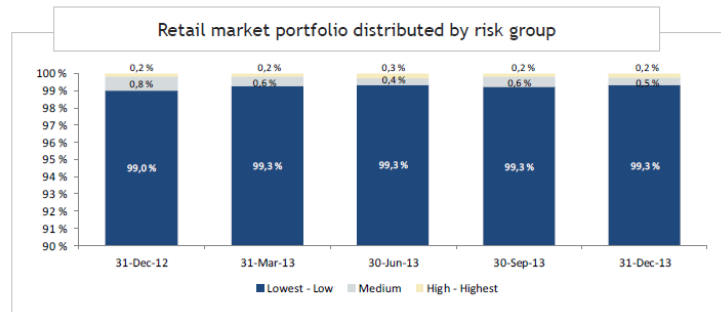
\* SpareBank 1 SR-Bank implemented an improved version of the scoring model for the corporate market portfolio in the first quarter of 2013. The effect of this is limited, but it means that historic figures are not fully comparable.

■ Lowest - Low risk, expected losses	0% - 0.50%
■ Medium risk, expected losses	0.50% - 2.00%
■ High - Highest risk, expected losses	over 2.00%



## Lending to the retail market - risk profile

- The quality of the retail market portfolio is considered very good and with low potential losses.
- The development is characterised by stability, and 99.3 % are assessed to represent a low or the lowest risk.
- Most of the portfolio is secured against a mortgage on real estate, and lending is overall moderate compared to asset value.

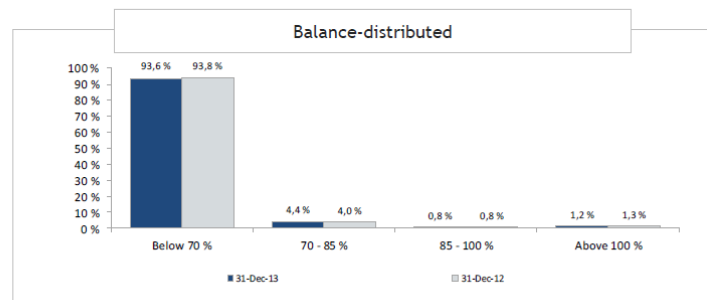
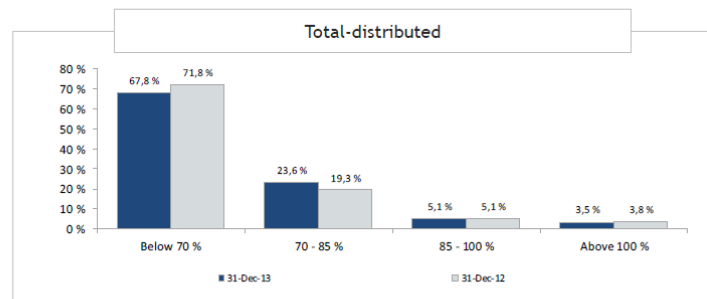


- Lowest - Low risk, expected losses 0 % - 0.50 %
- Medium risk, expected losses 0.50 % - 2.00 %
- High - Highest risk, expected losses over 2.00 %

Figures include the portfolio transferred to SpareBank 1 Boligkreditt AS.

## Loan to value ratio on home mortgage loans

- The proportion of loans with a loan-to-collateral value ratio of less than 85 % is very high and has also increased in 2013. It currently stands at 91.4 %.
- 98 % of gross exposure is within 85 % of the assessed value of collateral. This means that only 2 % of gross exposure exceeds 85 % of the assessed value of collateral.



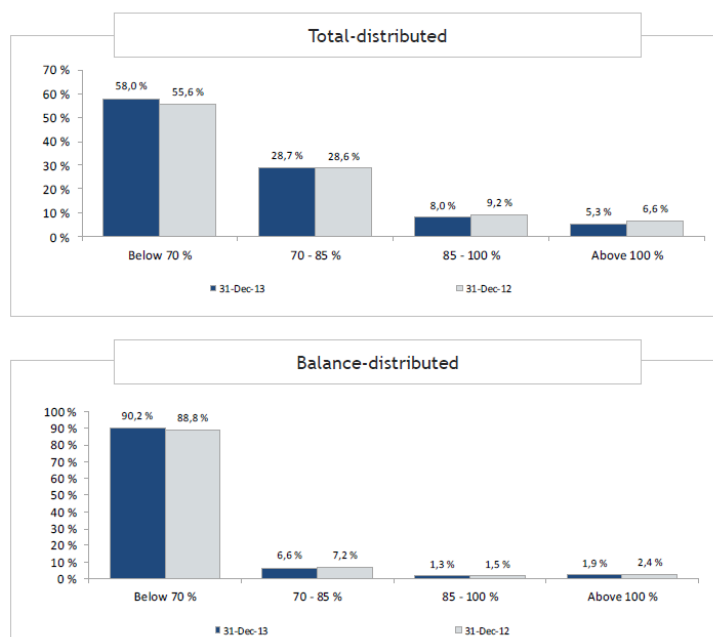
In a balance-distributed loan to value ratio, for loans that exceed 70% of the collateral's estimated market value, the excess amount is distributed among the other intervals. In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.

The figures include the loan portfolio in SB1 Boligkreditt.

## Loan to value ratio on home mortgage loans (excl Boligkreditt)

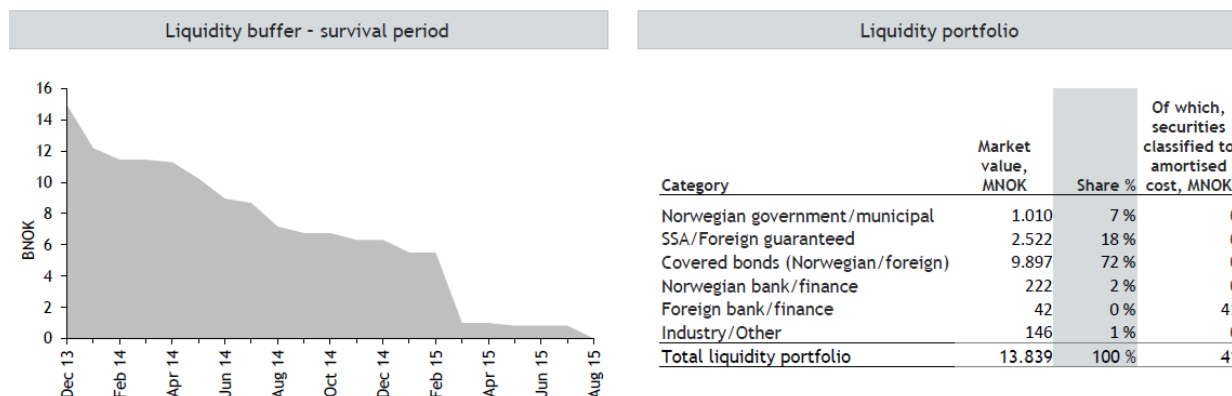
- SpareBank 1 SR-Bank has in the last year introduced restrictions to reduce the risk associated with new mortgages. These include stricter equity requirements and liquidity assessments when buying property, as well as more thorough risk assessments.
- There is an increasing proportion of loans within a 70 % loan to value ratio during the last year and a diminishing proportion of loans that have a loan to value ratio exceeding 85 %.
- Approximately 97 % of the exposure is within 85 % of the collateral's value, and about 3 % of the exposure exceeds 85 % of the collateral's value.

*In a balance-distributed loan to value ratio, for loans that exceed 70 % of the collateral's estimated market value, the excess amount is distributed among the other intervals. In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.*



Further information regarding risk capital management can be found in Pilar III reports, see [www.sr-bank.no](http://www.sr-bank.no) under "Investor Relations".

## 2.7 Risk profile in bond and equity portfolios



- Liquidity buffer at the end of the quarter: NOK 15.0 billion
- Other liquid assets:
  - Home mortgages prepared for transfer to mortgage company: NOK 12.1 billion
  - Commercial paper and bonds in the trading portfolio: NOK 0.3 billion

Liquidity buffer: cash, short-term investments, highly liquid bonds (including drawing rights in Norges Bank ).

Providing deposits and lending remain unchanged, with no new borrowing during the period.

### Investments in bonds and certificates

- Most of the bond portfolio is managed as part of the liquidity management activities. Bonds held for liquidity purposes are generally very low risk.
- No direct exposure to debt in EU peripheral countries.

Risk category	Rating	Market value	Share
Very low risk	AAA, AA+, AA og AA-	13.514	64,5 %
Low risk	A+, A og A-	269	1,3 %
Moderat risk	BBB+, BBB og BBB-	142	0,7 %
High risk	BB+, BB og BB-	90	0,4 %
Very high risk	B+ og lavere	151	0,7 %
<b>Total excl. Government swap scheme</b>		<b>14.166</b>	<b>67,6 %</b>
Government swap scheme	AAA	6.796	32,4 %
<b>Total portfolio</b>		<b>20.962</b>	<b>100,0 %</b>

Of which liquidity purposes:

Very low risk	AAA, AA+, AA og AA-	13.514	64,5 %
Low risk	A+, A og A-	264	1,3 %
Moderat risk	BBB+, BBB og BBB-	60	0,3 %
High risk	BB+, BB og BB-	0	0,0 %
Very high risk	B+ og lavere	0	0,0 %
<b>Total liquidity portfolio</b>		<b>13.839</b>	<b>66,0 %</b>
Government swap scheme	AAA	6.796	32,4 %
<b>Total liquidity purposes</b>		<b>20.635</b>	<b>100,0 %</b>

Of which trading purposes:

Very low risk	AAA, AA+, AA og AA-	0	0,0 %
Low risk	A+, A og A-	5	1,4 %
Moderat risk	BBB+, BBB og BBB-	81	24,8 %
High risk	BB+, BB og BB-	90	27,5 %
Very high risk	B+ og lavere	151	46,3 %
<b>Total trading portfolio</b>		<b>327</b>	<b>100,0 %</b>

All amounts in MNOK.

# 2.8 Funding

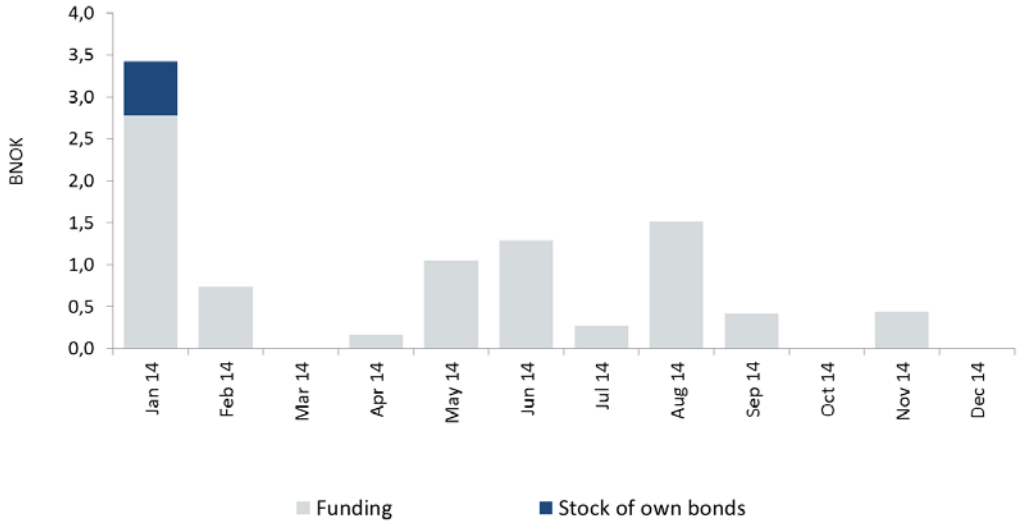


Figure 2.8.1: *Funding - quarterly*

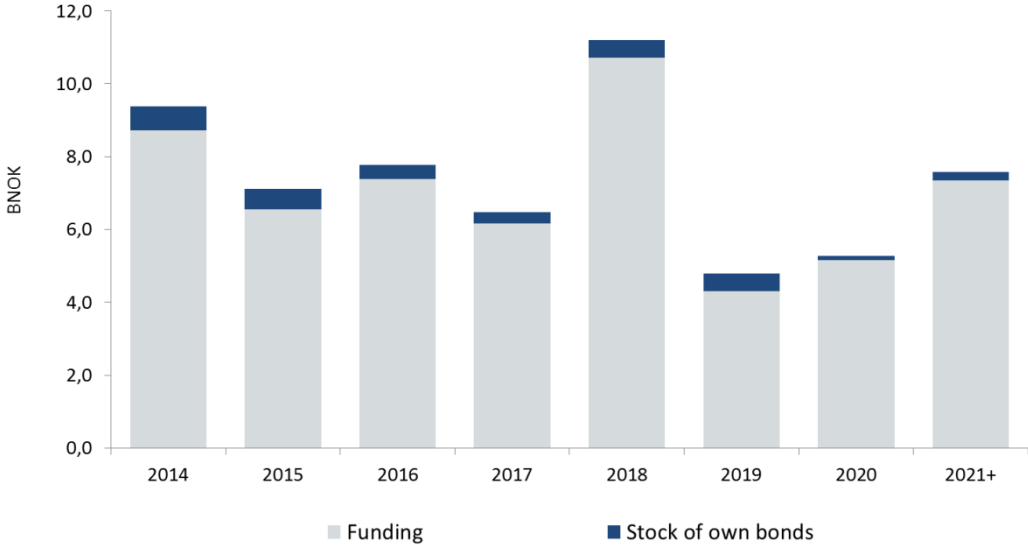


Figure 2.8.1: *Funding - annual*

NOK 15.4 billion (gross) of new funding has been issued during the year. At the same time buy-backs equivalent to NOK 3.0 billion has been done. Average remaining maturity of the outstanding senior bonds is 3.6 years at year end.

## 2.9 Capital adequacy

Basel II was introduced in Norway from 1 January 2007. Figure 2.8 shows the methods currently used by SpareBank 1 SR-Bank for calculating capital requirements for different types of risks. Using Internal Rating Based (IRB) methods for calculating capital requirements requires a formal approval from the FSAN (Finanstilsynet) on standards regarding organisation, competence, risk-modelling and risk-management systems.

In the autumn of 2009, the authorities resolved to postpone the final transition to the IRB rules from 1 January 2010 to 1 January 2012. It has later been decided to continue the transitional rule stating that the capital requirement using IRB cannot be less than 80 % of the capital requirement under Basel I ("Basel I floor") until year-end 2017. Without the transitional rule, the core capital ratio at the end of Q4 2013 stood at 14.72 %.

Risk	Portfolio	Regulatory method
Credit risk	Government	Standard method
	Institutions	Standard method
	Enterprise	IRB-Basic
	Mass market	IRB-Mass market
	SpareBank 1 Boligkreditt AS (mass market)	IRB-Mass market
	Other subsidiaries and associates	Standard method
Market risk	Equity risk	Standard method
	Debt risk	Standard method
	Currency risk	Standard method
Operational risk	SpareBank 1 SR-Bank incl. subsidiaries	Standardised approach
	Associates	Standard method

Figure 2.9.1: *Methods currently used for calculating capital adequacy*

SpareBank 1 SR-Bank has applied to the FSAN to use IRB Advanced method also for its exposures to the corporate market ("Enterprise"). A decision on approval is expected during latter half of 2014.

### Introduction to new banking regulations – Basel III

On 20 July 2011 the EU Commission presented its proposals for implementation of Basel III in the EU (CRD IV). These correspond to the Basel Committee's new minimum requirements for banks' capital adequacy (Basel III). CRD IV was approved by the EU Parliament on 16 April 2013 and allows EU member states some flexibility, such as the right to require their domestic banks to set aside more capital than is required by the legislation, e.g. to cushion them against property price crashes. CRD IV will have effect in Norway also before it is formally included in the EEA-agreement.

The new minimum requirements will be gradually phased in from 1 January 2014 with various transitional arrangements until full effect from 1 January 2019.

For more details on Basel III/CRD IV, please see our website where the report "Risk and Capital Management" is published.

Bank regulation is largely harmonized across the EEA, and the process will continue further once the new capital and liquidity requirements are fully adopted by the EU. Based on the agreement reached in the EU on the new capital adequacy framework (CRD IV) the Ministry of Finance has proposed new statutory rules on capital requirements for Norwegian banks with a view to enter into force on 1 July 2013 and a gradual step-up in the period to 2016. There will be scope for national adjustments to accommodate specific national characteristics and economic conditions. This applies in regard to requirements on systemic risk buffers, which can be set for groups of institutions; to capital requirements for systemically important banks; to increases of the risk weights used in banks' models; and to supervisory authorities' determination of capital requirements

through pillar 2. In Norway the FSAN has stated that this flexibility will be utilized to foster well capitalised, liquid Norwegian banks.

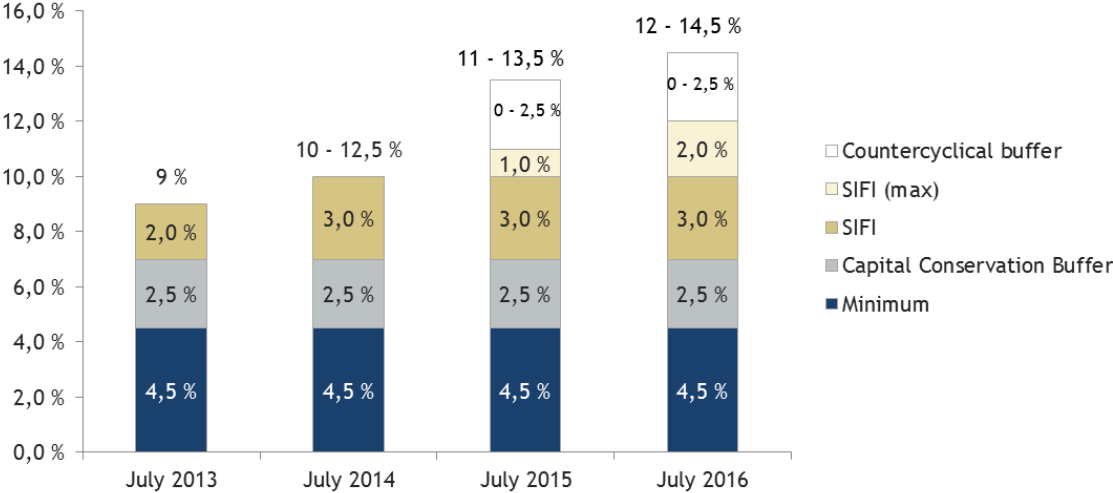


Figure 2.9.2: Illustration of Norwegian capital requirements

The Norwegian Ministry of Finance (MoF) announced in December 2013 that the Countercyclical Buffer (CCB) in Norway will be set at 1.0% and effective from 30 June 2015. Until the final regulatory clarifications are fully in place, SpareBank 1 SR-Bank will adapt its operations gradually to the new requirements.

The Basel Committee will also introduce requirements on the unweighted equity ratio (“leverage ratio”) as a supplement to the risk-based capital requirements. This requirement is expected to be finally drawn up in 2017 and introduced in 2018. The transitional period will be used to test a requirement that core capital should amount to at least 3 percent of a bank’s exposure, where off-balance sheet items are included to a varying extent.

The Basel Committee will also introduce quantitative liquidity requirements and aims to introduce the short-term liquidity indicator, Liquidity Coverage Ratio (“LCR”) and the long-term Net Stable Funding Ratio (“NSFR”). Uncertainty still prevails regarding the final content of the new liquidity requirements. Several important changes regarding the LCR were announced in January 2013. The European Banking Authority, EBA, will use the observation period in 2013 to assess the effects of the new rules for European banks. Based on the EBA’s report, the EU Commission will present a final proposal regarding LCR to the EU. Over the next couple of years, these bodies will also continue to work on the NSFR.



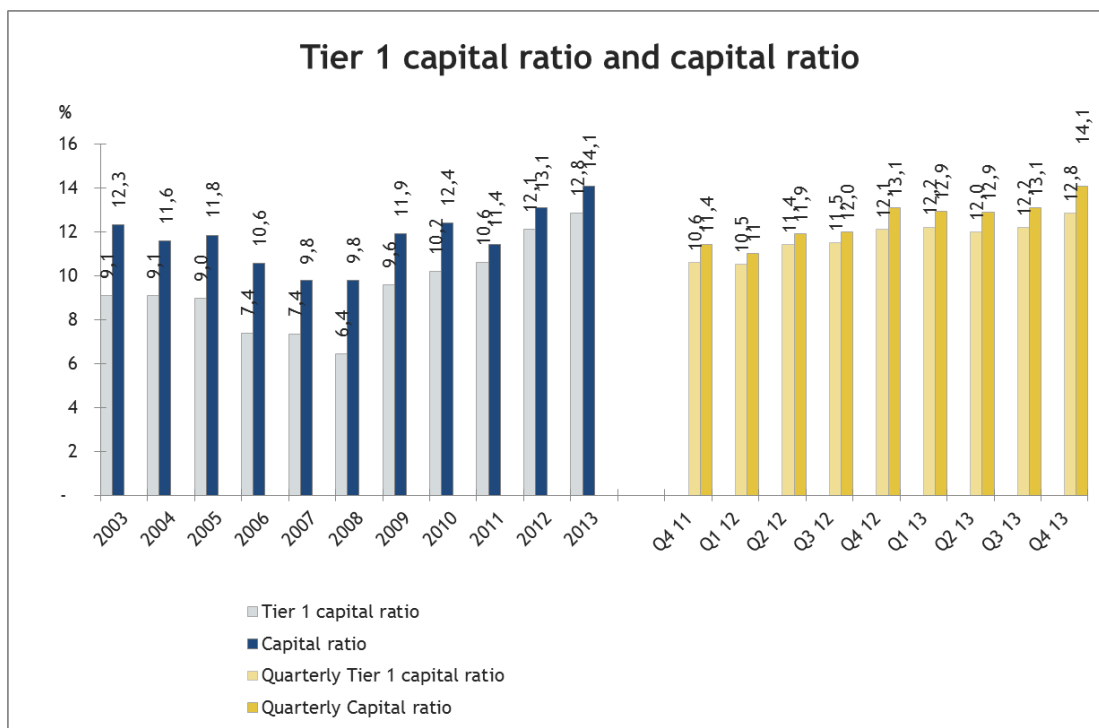


Figure 2.9.3: *Development in capital ratios*

Since the introduction of IFRS in 2005 and pursuant to IAS 19, SpareBank 1 SR-Bank has recognised pension liabilities in accordance with an on-going fair value assessment and has recognised estimate deviation directly in equity. The discount rate for pension liabilities has been discussed for a long time and the Norwegian Accounting Standards Board amended in November 2012 its guidance. Based on the growth of the market for covered bonds (OMF) and the development of market conditions for government bonds it is now permitted to use the OMF-rate as the discount rate.

	31 Dec. 2013	30 Sept. 2013	30 June 2013	31 March 2013	31 Dec. 2012
<b>MNOK</b>					
Share capital	6.394	6.394	6.394	6.394	6.394
- Own shares	-5	-5	-5	-15	-9
Premium reserve	1.592	1.592	1.592	1.587	1.587
Allocated to dividend	409	0	0	384	384
Reserve for unrealised gains	162	72	72	72	72
Other equity	5.504	4.165	4.175	4.176	4.209
<b>Total book equity</b>	<b>14.056</b>	<b>12.218</b>	<b>12.228</b>	<b>12.598</b>	<b>12.637</b>
Deferred taxes, goodwill and other intangible assets	-43	-55	-55	-55	-56
Fund for unrealized gains, available for sale	0	-1	-1	-1	-1
Deduction for allocated dividends	-409	0	0	-384	-384
50% deduction for subordinated capital in other financial institutions	-104	-51	-49	-23	-17
50% deduction for expected losses on IRB, net of write-downs	-356	-223	-272	-317	-319
50% capital adequacy reserve	-587	-518	-503	-737	-727
Year-to-date profit included in core capital (50%)	0	647	388	197	0
Additional Tier 1 capital	1.954	1.957	1.955	2.395	2.374
<b>Total core capital</b>	<b>14.511</b>	<b>13.974</b>	<b>13.691</b>	<b>13.673</b>	<b>13.507</b>
<i>Supplementary capital in excess of core capital</i>	0	0			
Non-perpetual additional capital	2.451	1.852	1.854	1.856	2.124
50% deduction for investment in capital instruments in other financial institutions	-104	-51	-49	-23	-17
50% deduction for expected losses on IRB, net of write-downs	-356	-223	-272	-317	-319
50% capital adequacy reserve	-587	-518	-503	-737	-727
<b>Total supplementary capital</b>	<b>1.404</b>	<b>1.060</b>	<b>1.030</b>	<b>779</b>	<b>1.061</b>
<b>Net subordinated capital</b>	<b>15.915</b>	<b>15.034</b>	<b>14.721</b>	<b>14.452</b>	<b>14.568</b>

Table 2.9.1: *Capital overview*

<i>MNOK</i>	31 Dec. 2013	30 Sept. 2013	30 June 2013	31 March 2013	31 Dec. 2012
Specialised lending exposure	2.254	2.357	2.365	2.275	2.328
Other corporations exposure	2.179	2.172	2.236	2.354	2.346
SME exposure	52	50	49	40	39
Retail mortgage exposure (properties)	857	836	861	838	796
Other retail exposure	61	73	58	47	58
Equity investments	0	0	0	0	0
<b>Total credit risk IRB</b>	<b>5.403</b>	<b>5.488</b>	<b>5.569</b>	<b>5.554</b>	<b>5.567</b>
Debt risk	149	183	179	176	149
Equity risk	54	54	53	45	44
Participations calculated after other market risk	294	282	278	285	277
Operational risk	457	457	457	457	447
Transitional arrangements	1.159	1.189	982	907	908
Exposures calculated using the standardised approach	1.647	1.646	1.705	1.653	1.624
Deductions	-117	-96	-88	-121	-119
<b>Minimum requirements subordinated capital</b>	<b>9.046</b>	<b>9.203</b>	<b>9.135</b>	<b>8.956</b>	<b>8.897</b>
<b>Capital ratio</b>	<b>14,07 %</b>	<b>13,07 %</b>	<b>12,89 %</b>	<b>12,91 %</b>	<b>13,10 %</b>
Tier 1 capital ratio	12,83 %	12,15 %	11,99 %	12,21 %	12,15 %
Tier 2 capital ratio	1,24 %	0,92 %	0,90 %	0,70 %	0,95 %
Core equity Tier 1 capital ratio, transitional rules	<b>11,11 %</b>	<b>10,45 %</b>	<b>10,28 %</b>	<b>10,07 %</b>	<b>10,01 %</b>
Tier 1 capital ratio, IRB	14,72 %	13,95 %	13,43 %	13,59 %	13,53 %
Core equity Tier 1 capital ratio, IRB	12,74 %	12,00 %	11,52 %	11,21 %	11,15 %

Table 2.9.2: *Capital ratios*

## 3. Business areas

### 3.1 Business segments - Financial performance

MNOK	SpareBank 1 SR-Bank Group													
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		SR-Finans		Other*		Total	
	Q4 13	Q4 12	Q4 13	Q4 12	Q4 13	Q4 12	Q4 13	Q4 12	Q4 13	Q4 12	Q4 13	Q4 12	Q4 13	Q4 12
Net interest income	245	230	247	228	13	16	1	1	56	51	12	-46	574	480
Net commission and other income	272	220	83	73	12	14	108	99	-3	-2	17	7	489	411
Net return on investment securities	3	2	4	2	27	32	0	0	0	0	161	61	195	97
Operating expenses	190	168	71	66	17	21	105	95	12	12	139	142	534	504
Operating profit before losses	330	284	263	237	35	41	4	5	41	37	51	-120	724	484
Change in individual write-downs in the period	-7	-2	86	28	-1	0	0	0	2	-1	0	1	80	26
Change in group write-downs in the period	13	0	-53	0	0	0	0	0	10	0	0	0	-30	0
<b>Operating profit before tax</b>	<b>324</b>	<b>286</b>	<b>230</b>	<b>209</b>	<b>36</b>	<b>41</b>	<b>4</b>	<b>5</b>	<b>29</b>	<b>38</b>	<b>51</b>	<b>-121</b>	<b>674</b>	<b>458</b>
Gross loans to customers excl. SpareBank1 Boligkreditt and SpareBank1 Næringskreditt	62.182	54.526	49.335	47.149	0	0	0	0	6.319	6.073	2.437	1.765	120.273	109.513
Deposits from customers	41.045	38.865	27.002	25.391	0	0	0	0	0	0	3.620	3.338	71.667	67.594

MNOK	SpareBank 1 SR-Bank Group pr 31.12													
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		SR-Finans		Other*		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net interest income	904	898	910	866	54	58	5	6	216	183	30	-269	2.119	1.742
Net commission and other income	1.024	727	280	233	35	54	433	426	-15	-11	67	37	1.824	1.466
Net return on investment securities	13	10	10	18	86	156	0	0	0	0	446	394	555	578
Operating expenses	615	588	241	221	70	72	396	346	51	48	646	613	2.019	1.888
Operating profit before losses	1.326	1.047	959	896	105	196	42	86	150	124	-103	-451	2.479	1.898
Change in individual write-downs in the period	17	6	130	152	10	0	0	0	-9	9	14	0	162	167
Change in group write-downs in the period	13	3	-53	-33	0	0	0	0	10	0	0	0	-30	-30
<b>Operating profit before tax</b>	<b>1.296</b>	<b>1.038</b>	<b>882</b>	<b>777</b>	<b>95</b>	<b>196</b>	<b>42</b>	<b>86</b>	<b>149</b>	<b>115</b>	<b>-117</b>	<b>-451</b>	<b>2.347</b>	<b>1.761</b>
Gross loans to customers excl. SpareBank1 Boligkreditt and SpareBank1 Næringskreditt	62.182	54.526	49.335	47.149	0	0	0	0	6.319	6.073	2.437	1.765	120.273	109.513
Deposits from customers	41.045	38.865	27.002	25.391	0	0	0	0	0	0	3.620	3.338	71.667	67.594

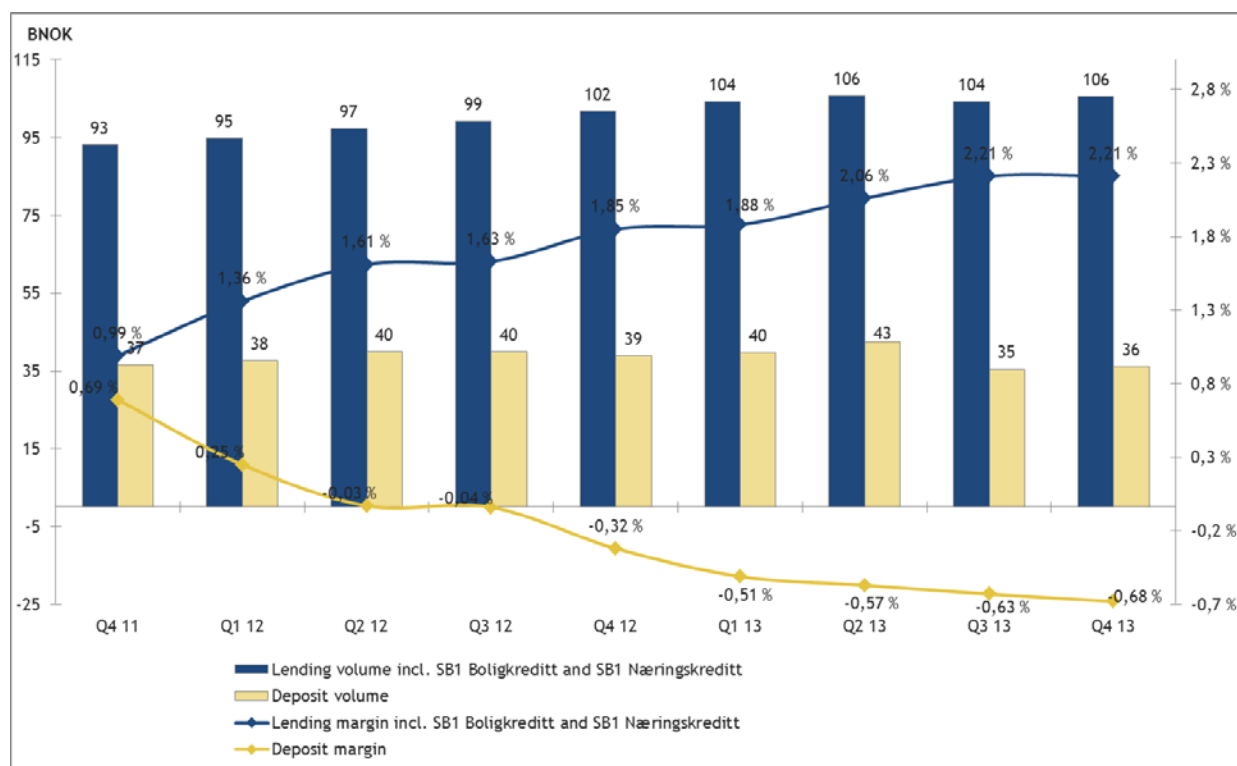
\* Includes SR-Forvaltning and SR-Investering

## 3.2 Retail Market<sup>2</sup>

### Financial performance in the retail market segment

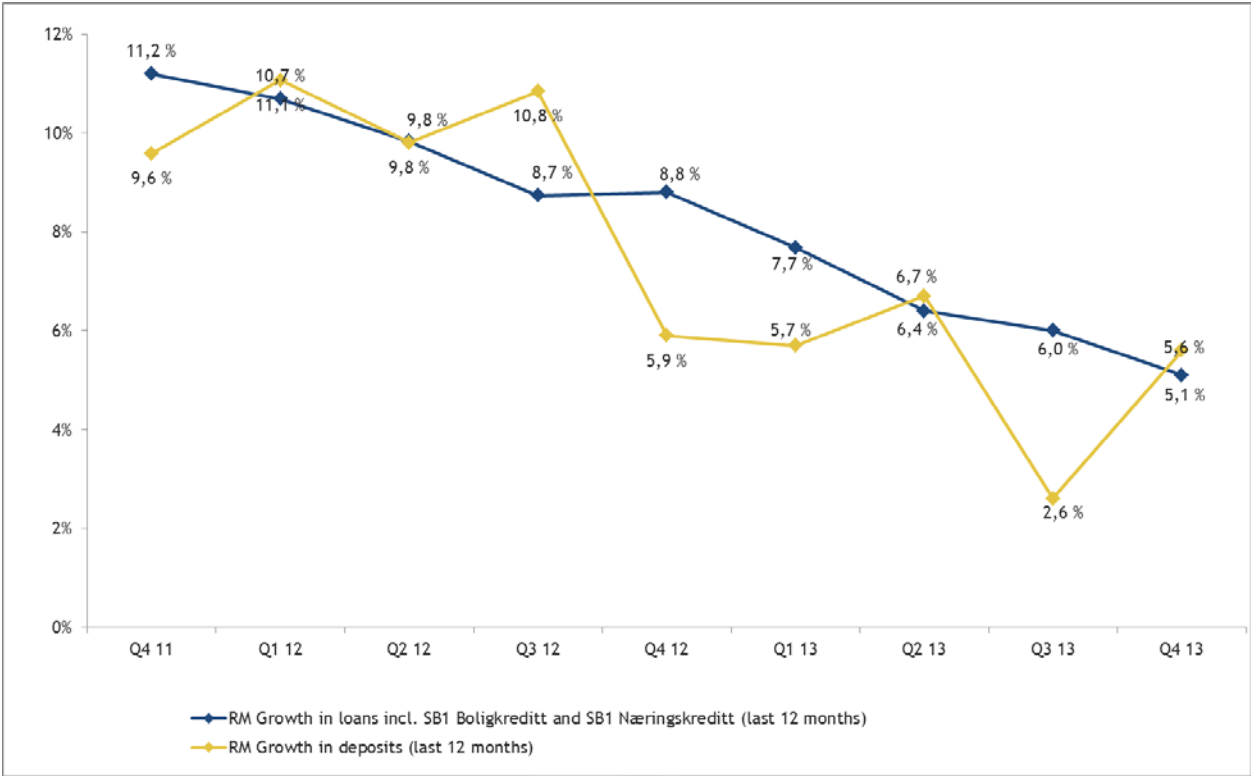
MNOK	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	31.12 2013	31.12 2012
Net interest income	245	244	222	193	230	904	898
Net other income	275	285	254	223	222	1037	737
Total income	520	529	476	416	452	1.941	1.635
Total operating expenses	190	153	120	152	168	615	588
Operating profit before losses	330	376	356	264	284	1.326	1.047
Change in individual write-downs in the period	-7	24	2	-2	-2	17	6
Change in group write-downs in the period	13	0	0	0	0	13	3
Operating profit before tax	324	352	354	265	286	1.296	1.038

### Development in average volume and interest margin



<sup>2</sup> Interest on intercompany receivables for the retail market division and the corporate market division is determined based on expected observable market interest rates (NIBOR) plus expected additional costs in connection with the group's long term financing (credit premium). Deviations between the group's actual financing costs and the applied interest on intercompany receivables are eliminated at the group level. In the year to date, the group's real financing cost has been higher than the interest on intercompany receivables, principally due to the falling NIBOR.

Growth in loans and deposits

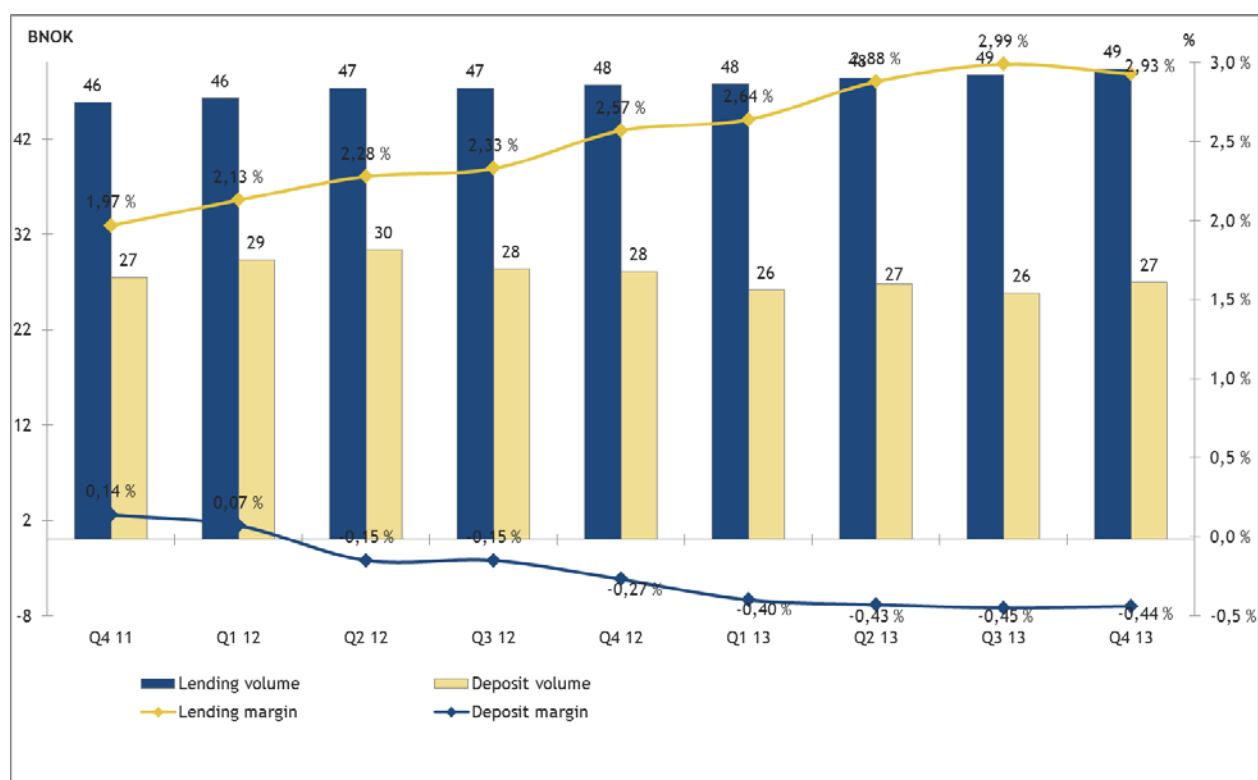


### 3.3 Corporate Market

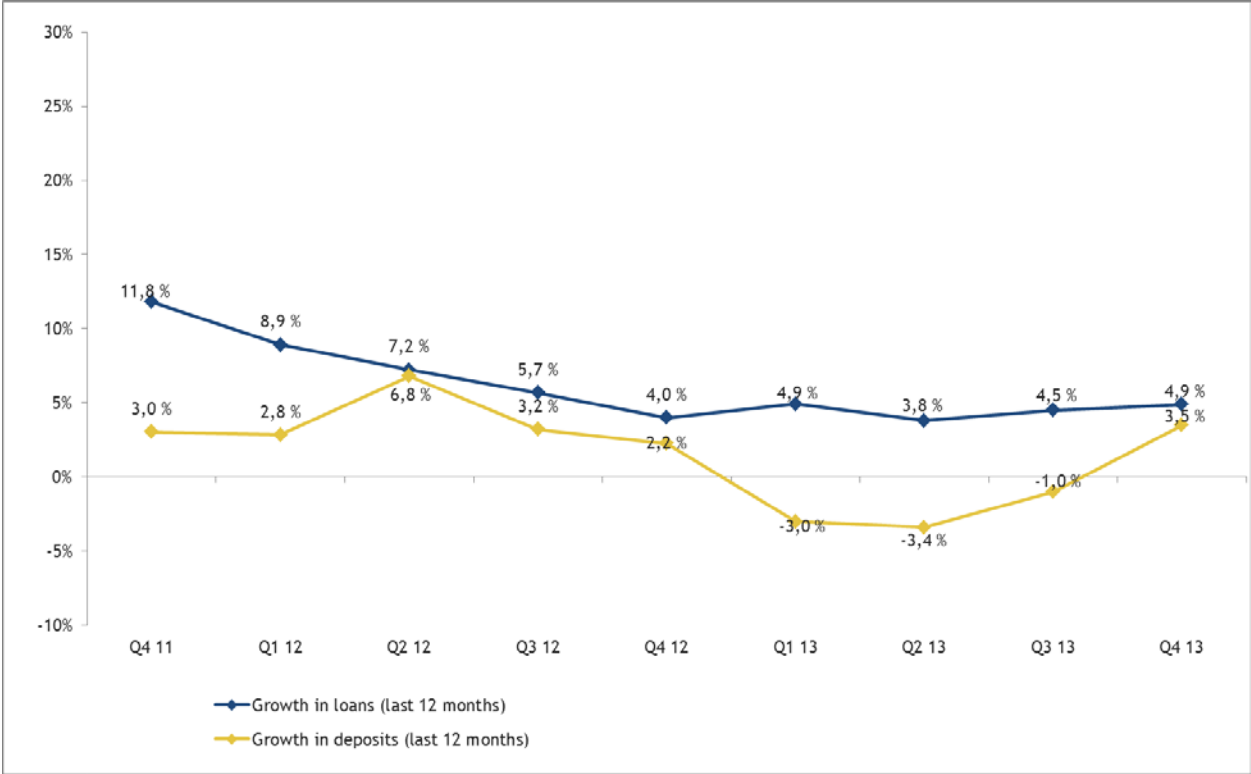
#### Financial performance in the corporate market segment

MNOK	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	31.12 2013	31.12 2012
Net interest income	247	247	226	190	228	910	866
Net other income	87	68	69	66	75	290	251
Total income	334	315	295	256	303	1.200	1.117
Total operating expenses	71	59	47	64	66	241	221
Operating profit before losses	263	256	248	192	237	959	896
Change in individual write-downs in the period	86	-1	16	29	28	130	152
Change in group write-downs in the period	-53	0	0	0	0	-53	-33
Operating profit before tax	230	257	232	163	209	882	777

#### Development in average volume and interest margin



Growth in loans and deposits



### 3.4 Capital Market

The securities activities are organised under the SR-Markets brand and include own account and customer trading in interest rate instruments, foreign exchange and equities, and corporate finance services, as well as settlement and administrative securities services. Management is organised in a separate subsidiary, SR-Forvaltning AS.

#### Financial performance in the capital market segment

<i>MNOK</i>	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	31.12 2013	31.12 2012
Net interest income	13	14	15	12	16	54	58
Net other operating income	39	3	34	44	46	121	210
Total income	52	17	49	56	62	175	268
Total operating expenses	17	19	16	18	21	70	72
Operating profit before losses	35	-2	33	38	41	105	196
Change in individual write-downs in the period	-1	11	0	0	0	10	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	36	-13	33	38	41	95	196



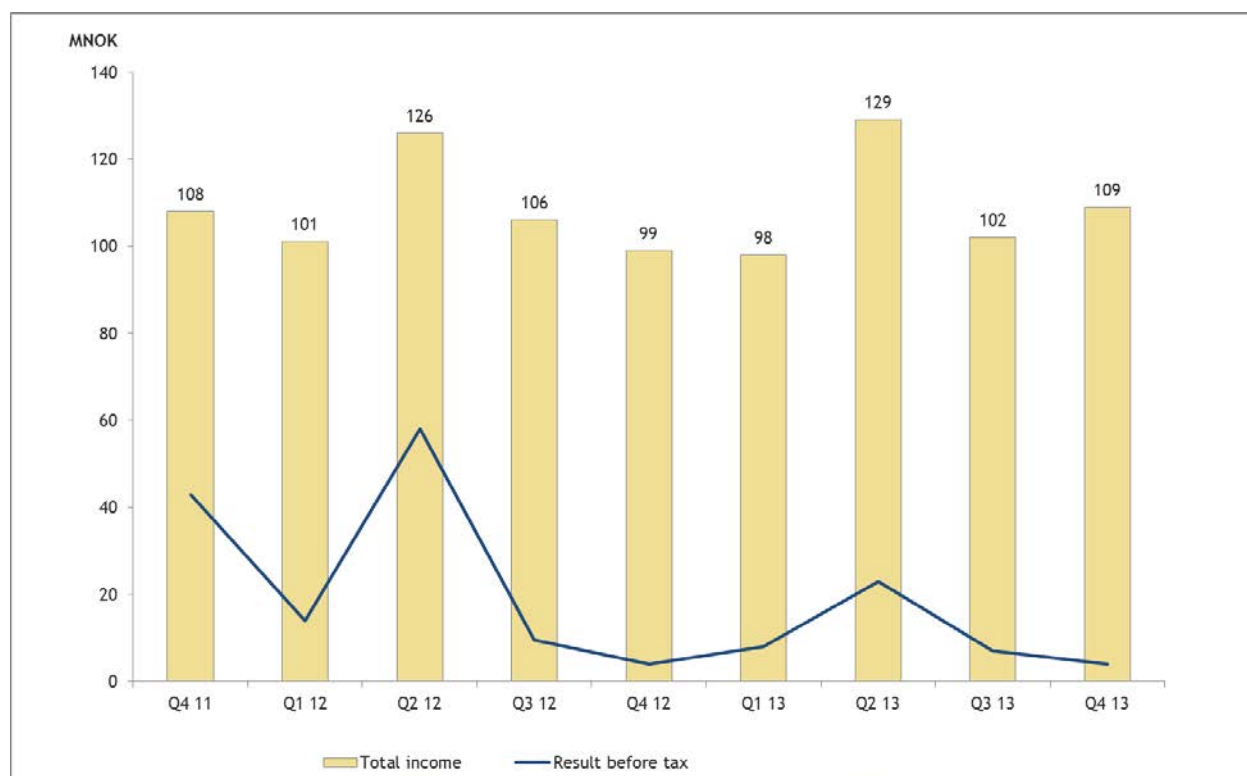
## 3.5 Subsidiaries

### *EiendomsMegler 1 SR-Eiendom AS*

EiendomsMegler 1 SR-Eiendom AS, which is fully owned by SpareBank 1 SR-Bank, is our region's market leader and the largest company in the nationwide EiendomsMegler 1 chain. This chain is the largest chain of real estate agents in Norway. During 2013, the company sold 7 246 properties from its 30 real estate offices in Rogaland, Agder and Hordaland. The activities cover commercial real estate, holiday homes, housing rental and new-builds and used homes.

### Financial performance

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
<i>MNOK</i>	2013	2013	2013	2013	2012	2013	2012
Interest income	1	1	1	2	1	5	6
Other income	108	101	128	96	98	433	425
Total income	109	102	129	98	99	438	432
Total operating expenses	105	95	106	90	95	396	346
Operating profit before losses	4	7	23	8	4	42	86
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	4	7	23	8	4	42	86

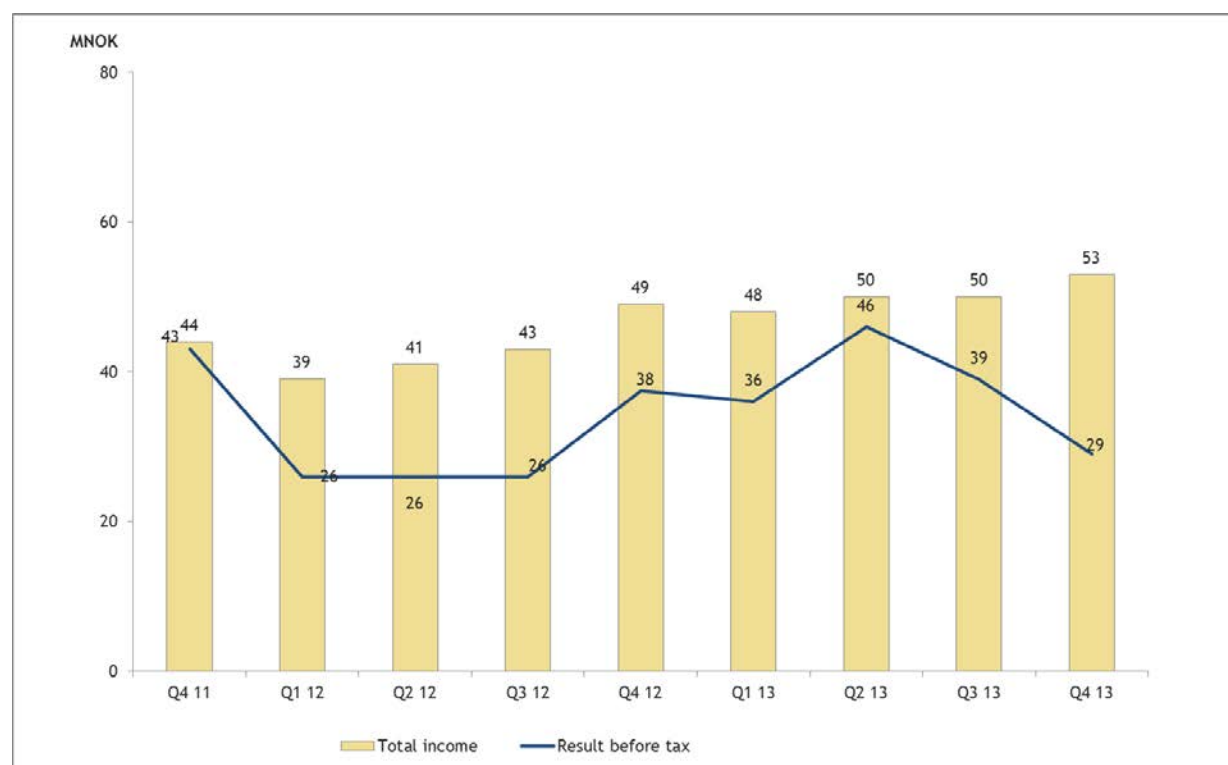


## SpareBank 1 SR-Finans AS

SpareBank 1 SR-Finans AS is the leading leasing company in Rogaland with approximately NOK 6.4 billion in total assets. The company's principal activities are lease financing for corporate customers and secured car loans for retail customers.

### Financial performance

MNOK	Q4	Q3	Q2	Q1	Q4	31.12	31.12
	2013	2013	2013	2013	2012	2013	2012
Interest income	56	55	54	51	51	216	183
Other income	-3	-5	-4	-3	-2	-15	-11
Total income	53	50	50	48	49	201	172
Total operating expenses	12	13	13	13	12	51	48
Operating profit before losses	41	38	37	35	37	150	124
Change in individual write-downs in the period	2	-1	-8	-1	-1	-9	9
Change in group write-downs in the period	10	0	0	0	0	10	0
Operating profit before tax	29	39	46	36	38	149	115

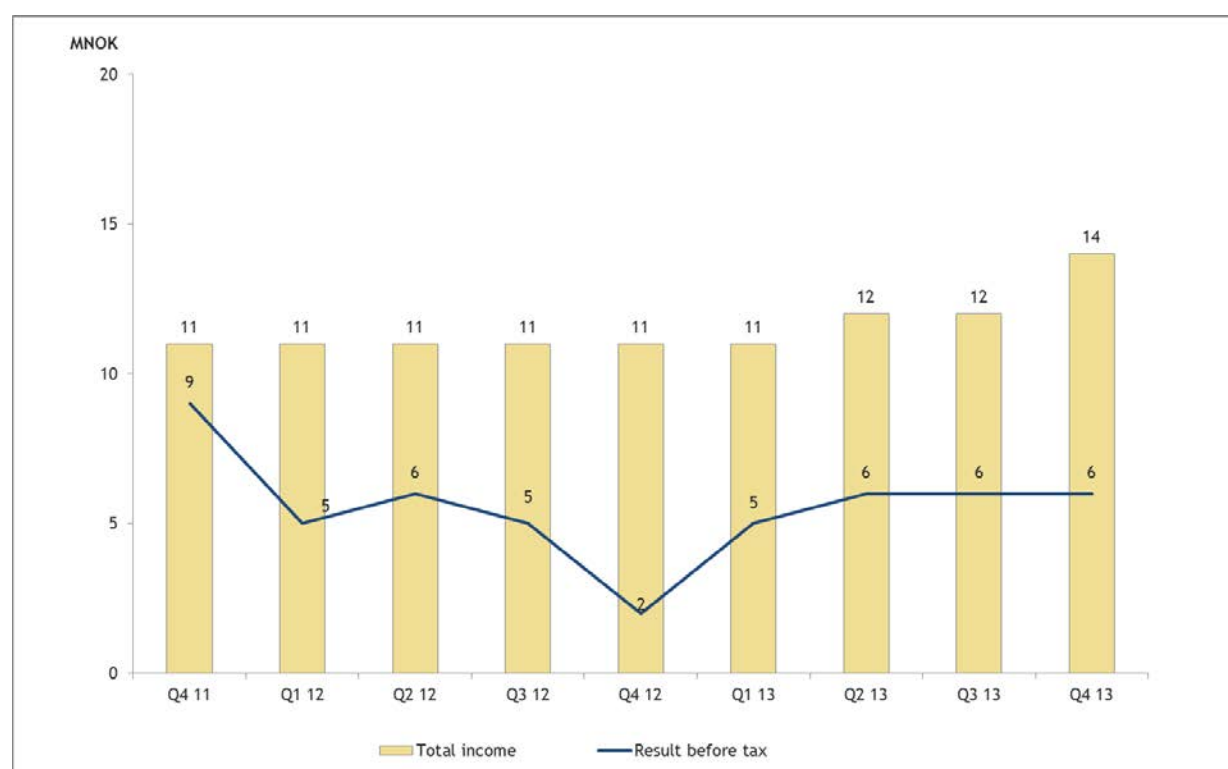


## SR-Forvaltning AS

SR-Forvaltning AS is a securities firm with a licence to provide asset management services. The company's objective is to be a local alternative with a high level of expertise in financial management. The company manages portfolios for SpareBank 1 SR-Bank and SpareBank 1 SR-Bank's pension fund, in addition to portfolios for about 2,500 external customers. The external customer base is made up of pension funds, public and private enterprises and affluent private individuals. Total assets amount to approximately NOK 7.7 billion as at 31.12.2013. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
MNOK	2013	2013	2013	2013	2012	2013	2012
Interest income	0	0	0	0	0	0	1
Other income	14	12	11	11	11	48	43
Total income	14	12	12	11	11	48	44
Total operating expenses	8	6	5	7	9	26	26
Operating profit before losses	6	6	6	5	2	22	18
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	6	6	6	5	2	22	18



## SR-Investering AS

The company's objective is to contribute to long-term value creation, through investment in business in the group's market segment. The company invests primarily in private equity funds and small and medium-sized companies that need capital to develop and grow further. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
MNOK	2013	2013	2013	2013	2012	2013	2012
Interest income	0	0	0	0	0	1	1
Other income	2	1	0	8	13	11	19
Total income	2	2	0	8	13	12	20
Total operating expenses	1	0	0	0	-2	1	-2
Operating profit before losses	2	2	0	8	15	12	22
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	2	2	0	8	15	12	22

