

From Rain
to Hydroelectric Power.



OVERVIEW OF OUR OFFICES



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KEY FIGURES

(Figures in NOK million)	2014	2013
Net interest income	2 404	2 119
Total other operating income	2 510	2 379
Total operating costs	2 056	2 019
Operating profit before impairment losses on loans	2 858	2 479
Impairment losses on loans and guarantees	257	132
Pre-tax profit	2 601	2 347

KEY FIGURES

	2014	2013
Profitability		
Return on equity %	14,2	14,0
Cost/income ratio	41,8	44,9
Average interest margin %	1,45	1,42
Balance Sheet figures		
Gross loans to customers	141 620	120 273
Gross loans to customers, incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	174 492	166 662
Deposits from customers	81 489	71 667
Lending growth incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	4,7 %	5,3 %
Deposit growth	13,7 %	6,0 %
Total assets 31 Dec	174 926	156 985
Financial strength		
Common equity tier 1 capital ratio %	11,5	11,1
Tier 1 capital ratio %	12,3	12,8
Capital ratio %	14,5	14,1
Tier 1 capital	14 828	14 511
Branches and staffing		
No. of full time equivalents	1 106	1 165
No. of branches	50	52
The SpareBank 1 SR-Bank share		
Market price at year-end	52,50	60,25
Earnings per share	8,20	7,28
Dividend per share	2,00	1,60
Effective yield on share %	-10,2	66,0

Please also refer to the complete review of key figures and definitions on pages 14 and 120.

GROUP PRE-TAX PROFIT:

2 601

NOK million (NOK 2 347 million)

NET INTEREST INCOME:

2 404

NOK million (NOK 2 119 million)

RETURN ON EQUITY AFTER TAX:

14,2

per cent (14,0 per cent)

NET COMMISSIONS AND
OTHER OPERATING INCOME:

1 732

NOK million (NOK 1 824 million)

GROWTH IN LENDING, GROSS LAST
12 MONTHS, INCL. SB1 BOLIGKREDITT
AND SB1 NÆRINGSKREDITT:

4,7 %

per cent (5,3 per cent)

IMPAIRMENTS AS % OF GROSS
LOANS, INCL. SB1 BOLIGKREDITT
AND SB1 NÆRINGSKREDITT:

0,15

per cent (0,08 per cent)

GROWTH IN DEPOSITS OVER THE
LAST 12 MONTHS:

13,7 %

per cent (6,0 per cent)

CORE EQUITY CAPITAL RATIO:

11,5

per cent (11,1 per cent)

WE UNDERSTAND THE PRESENT, BECAUSE WE KNOW WHERE WE COME FROM

2014 was a different kind of year compared with the last few years. The biggest difference probably concerned future expectations more than actual changes experienced by households and companies in the region. This was primarily due to significantly lower oil prices and the consequences that this could have for some. For me it is a good reminder of how vulnerable the economy is.

According to the philosopher Simone Weil, if one does not know the past, one cannot understand the present and will be unable to shape the future. This short, but precise, sentence is apt when economic cycles change in a negative direction. Our region has over our 175 years of existence experienced both minor and major economic fluctuations. This has provided us with good experience at managing change. At the same time we have, as Southern and Western Norway's largest financial group, gained valuable knowledge and expertise. This means that we are well equipped to continue helping to shape the future.

A REGION WITH MANY OPPORTUNITIES

We live in a region that is still one of the best places to live, work and run a business in. Agder, Rogaland and Hordaland have built up their prosperity through the good, solid management of their many natural resources: oil and gas, seafood, farming products, hydropower and, for some, a commodity as improbable as stone. In addition to our good access to natural resources, our geographic location provides us with a good strategic starting point, especially given our proximity to markets in other countries. The region also has a very large number of highly qualified, well-educated people in business and in and connected to the large university and university college environments in the region. Together, these conditions have been of great importance to our competitiveness.

The drop in oil prices has resulted in changes and some slowdown in economic activity, especially in the petroleum

sector. The focus on costs has increased. Nonetheless, we must not forget that economic activity in the region remains good and incomes high. Only between 15% and 20% of those who live and work in the region are directly employed in the oil industry. At the same time, a proportion of those employed in other industries indirectly depend on what happens due to the drop in oil prices.

SpareBank 1 SR-Bank has a good culture of continuous change and improvement. Our change-oriented culture means we are better adapted to the future than we would be with major programmes of change that are often implemented when the present has become the future. During the last 2 years we have reduced our staff by more than 100 employees, a change of 8%. At the same time, we have restructured our competence by recruiting new and necessary expertise. We hired a total of 72 new employees in 2014 alone. This means we have managed to implement good change processes in a dynamic and flexible manner. In this area too we are well equipped to help shape the future.

A CUSTOMER-CENTRIC STRATEGY

The digitisation of ever more customer processes continues at an ever faster pace. A pace we are both directly helping to increase and, not least, can match. We were, together with the other banks in the SpareBank 1 - alliance, the first to launch a 'wristwatch bank', a link between our mobile bank and a smart watch. This is not business critical in the greater scheme of things, but it is a good example of how we are creating more and more links between the bank and customers and between different technological solutions. We are doing this so that our customers see and experience that we are more accessible and streamlining customer contact. However, this is not enough. We also have to become more relevant. That is why we are developing a new customer relationship management (CRM) system, which will better enable us to identify the needs of each individual customer and when these needs arise. Completely new and necessary expertise has been brought in.

In the last year, we also became more robust as far as the breadth of our sources of income is concerned. Income from sales of products and services, other than traditional balance sheet products such as deposits and loans, rose by NOK 51 million to NOK 1,264 million in 2014. This accounts for no less than 28 percent of our total income and is a good example of how, over time, we can build a robust and sustainable range of income sources.

FOCUSED ON THE FUTURE

The future is unknown, but we have a good starting point. The fact that both households and companies are improving their robustness and are aware of the greater uncertainty are important factors when it comes to how we will manage to meet these changes.

2015 will represent the start of a new era in many ways. But for us, who for 175 years have experienced that the years bring change, new eras will have no effect on our presence. We are here today and we will be here tomorrow. We have nowhere else to go. That is why we want to do our bit to ensure that the companies and people in this region have access to the expertise and capital they need regardless of economic fluctuations.

In our experience, we have to be involved in social development because it concerns us and because it is a good business idea. We stand firm with our region. Both because it is stipulated in our articles of association that we cannot move from here, but most of all because it is here we were created and belong. That is why we know both the business sector and social structure so well. This is an important prerequisite for operating profitably in the best interests of our customers, employees and owners.

We are proud of our history. We are grateful for the trust people, business, owners and the public sector have shown us. We have navigated through upturns and downturns. We are better equipped than ever to continue meeting the region's capital needs. It is a recipe that works in a region with a sea of opportunities.



Arne Austreid
Chief Executive Officer



SPAREBANK 1 SR-BANK ASA IN BRIEF

SpareBank 1 SR-Bank is the leading financial group in Southern and Western Norway with Rogaland, the Agder counties and Hordaland as our market area. We offer a full range of financial services within areas such as loans, savings, advice, insurance, and pensions for personal and corporate customers. We had 50 branches in our market area and total assets of NOK 174.9 billion as at 31 December 2014.

SpareBank 1 SR-Bank is part of the SpareBank 1 Alliance, which is a banking and product alliance between independent, locally based Norwegian banks.

As one of the country's largest financial groups, we believe we have a special responsibility to stimulate growth and development in our market area. SpareBank 1 SR-Bank's aim is to create value for the region of which we are a part.

SpareBank 1 SR-Bank converted from a savings bank to a public limited company ('limited liability savings bank') with effect from 1 January 2012. The Sparebankstiftelsen SR-Bank foundation was established at the same time. The purpose of the foundation is to manage the shares received upon its formation and to exercise and maintain a substantial, long-term and stable ownership interest in SpareBank 1 SR-Bank ASA. The foundation can distribute its surplus and, in line with savings bank traditions, donates to publicly beneficial projects in Rogaland, Aust-Agder, Vest-Agder, and Hordaland.

VISJON

SpareBank 1 SR-Bank - recommended by the customer

The group aims to ensure customer satisfaction that will result in the customer recommending us to others.

CORE VALUES

"The courage to believe - the strength to create" - through long-term thinking, openness, honesty, prudence, respect, and displaying a capacity and willingness to improve.

STRATEGY

We shall be Southern and Western Norway's most attractive provider of financial services based on customer satisfaction, a strong team spirit and professionalism, local roots, decisiveness and financial strength, profitability and the confidence of the market.

FINANCIAL GOALS

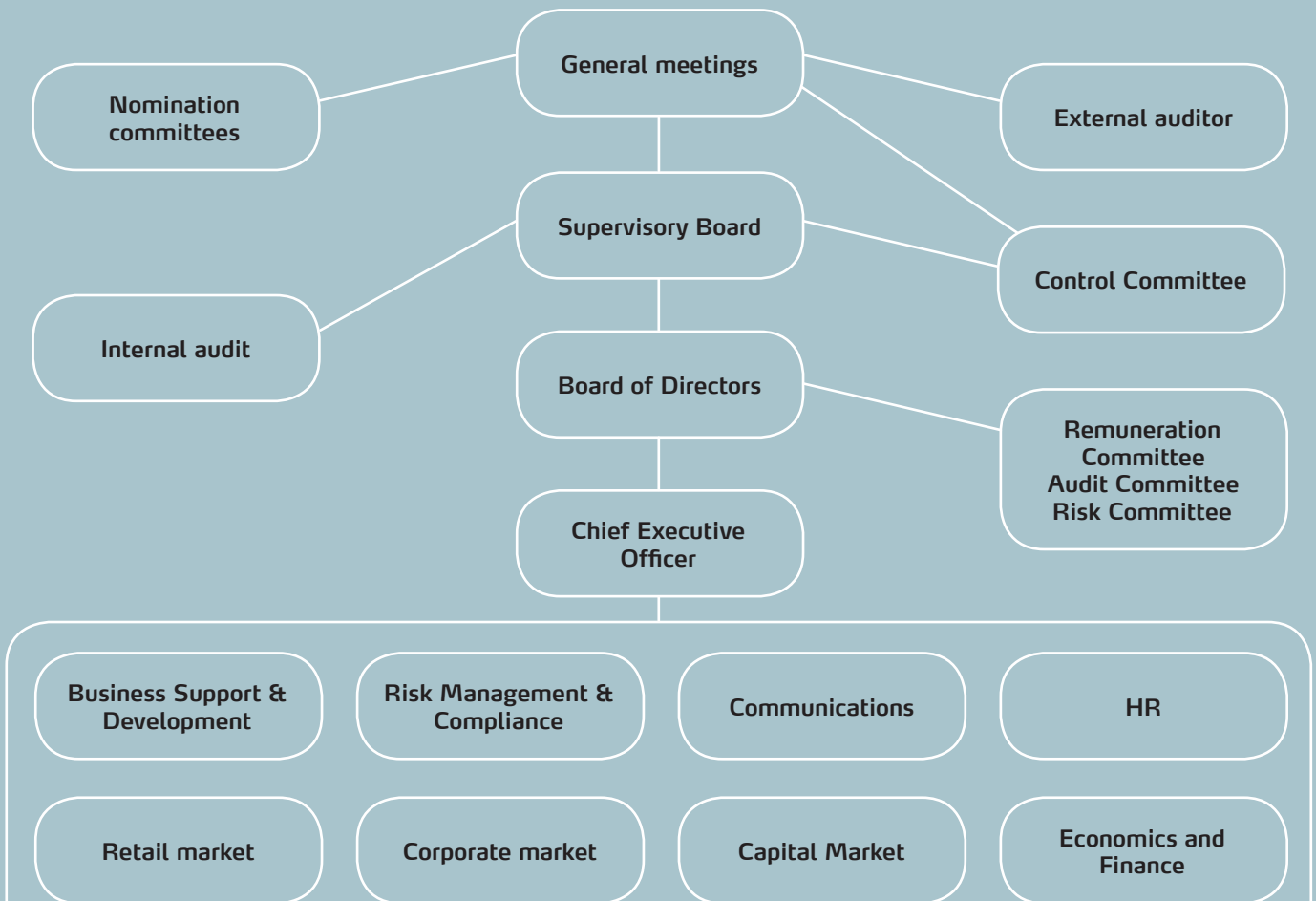
SpareBank 1 SR-Bank's main financial goal is to achieve results that provide a good, stable return on equity, thus providing its owners with a competitive return in the form of dividends and a higher share price.

Financial ambitions in the lead up to 2017:

Return on equity: 10-12%

Core equity capital ratio: above 13.5% as at 30 June 2017

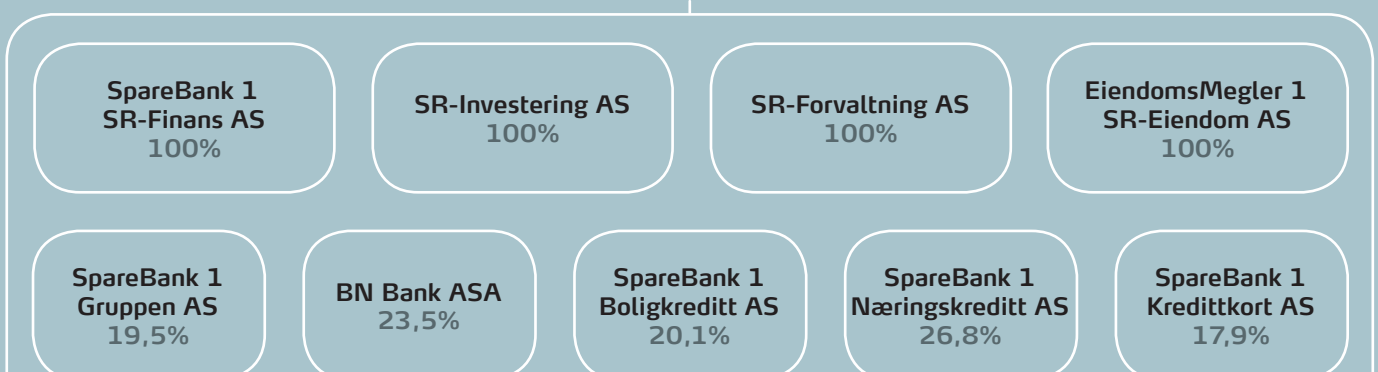
GROUP STRUCTURE



FINANCIAL GROUP SPAREBANK 1 SR-BANK



SpareBank 1 SR-Bank ASA



MARKET AND CUSTOMER BASE

SPAREBANK 1 SR-BANK'S MARKET POSITION AND CUSTOMER BASE

LOCATIONS AND DISTRIBUTION NETWORK

SpareBank 1 SR-Bank is Norway's largest regional bank and the second largest Norwegian-owned bank. SpareBank 1 SR-Bank's core area is Rogaland, although its focus on the Agder counties and Hordaland has produced good growth, both in terms of market share and profitability, in just a few years. The counties in our market area are home to around 1,260,000 inhabitants and approximately 208,000 companies and sole proprietorships are registered in the region.

Over the last 40 years, Southern and Western Norway, and particularly the Stavanger region, have been at the centre of the development of Norway as an oil and energy producer. About 40% of Norwegian oil service companies are located in the Stavanger region, and the majority of the Norwegian operating companies' headquarters are to be found here. Statoil, Norway's largest oil company, has its head office in Forus, Stavanger and the vast majority of the international operating companies also have their Norwegian headquarters in the Stavanger region. These include Total, ENI, ConocoPhillips and Shell. Government agencies such as Petoro, the Norwegian Petroleum Directorate and the Petroleum Safety Authority Norway also have their headquarters in Stavanger, as does the Norwegian Oil Industry Association (OLF). Around 18% of jobs in Rogaland are in the oil industry.

Southern and Western Norway has a diverse and dynamic business sector that is known for its high degree of internationalisation, exports, value creation and innovation. The region is well situated in terms of international communication, the Norwegian Continental Shelf and regional transport routes.

The business sector's international orientation and networks make the region open and accessible to the outside world. In the wake of the Norwegian petroleum adventure, we have seen a sharp increase in entrepreneurship and new business establishments, and in general the region is home to a great deal of innovation.

In the last few years there has been a significant level of industrial investment thanks to the region's main industry, oil and energy. This has provided a basis for greater activity and value creation in the region through ripple effects. Major national and international companies have made large investments on the Norwegian Continental Shelf and positioned themselves in the region. This has led to increased demand for labour and a tighter labour market than elsewhere in the country, as well as a tight housing market. Oil prices dropped dramatically towards the end of 2014. This resulted in a significant change of mood in the region, especially in the oil industry. The focus on costs has increased and investments are being postponed. The region must be prepared for higher unemployment and a weaker housing market going forward. How great the effects will depend on how long oil prices remain at a low level.

The region's industrial structure is dominated by oil and gas related activities, but it also possesses leading expertise in many other areas:

It is one of the most important producers of meat and dairy products and vegetables in Norway. The financial industry, led by

SpareBank 1 SR-Bank, HitecVision and Skagen Fondene, has grown large. It is also home to an extensive food processing industry.

SpareBank 1 SR-Bank's geographic exposure stretches from Grimstad in Aust-Agder to Åsane in Hordaland. However, most of it is still in its core area, namely Rogaland.

SpareBank 1 SR-Bank practises a multi-channel strategy based on building on the personal relationships between the bank and its customers through our 50 branches, while making both traditional and new banking services readily available via digital channels. This simplifies customers' lives and helps strengthen customer relationships.

SpareBank 1 SR-Bank's most important competitors are full-service banks like DNB, Nordea, Handelsbanken and Danske Bank, as well as local savings banks. Thanks to strong economic development in our market area, the competition situation is intense.

CUSTOMER BASE

SpareBank 1 SR-Bank's market area covers about 25% of Norway's population.

Overall, the region has experienced significant growth in employment and economic activity for a long time. The growth in employment in Rogaland has been significantly stronger than in Norway as a whole. The development of the oil industry has in particular provided a basis for growth in the labour market, meaning the county has attracted a significant share of immigration from abroad and domestic migration. The county also has a relatively high birth rate and a relatively young population. However, compared with previous decades, the rate of growth that has been seen in recent years has been particularly rapid. The big drop in oil prices towards the end of 2014 may result in the growth in employment and net migration to the region slowing down and in the worst case scenario falling.

In its latest population forecast, Statistics Norway estimates that the population of Rogaland will grow by around 145,000 people by 2030 (mean estimate), which would imply an annual growth rate of about 1.42%. The long-term forecast indicates that Rogaland will see the strongest growth in the country. This will mean an increase of 35% compared with the current population. In the short-term, up to 2015, the estimated population growth in Rogaland is on a par with growth in Oslo and Akershus at approximately 2% per annum. The significant future rise in population will require sufficient land for house building and jobs for a much larger population than today. This probably means that parts of the population will have to live further away from the current growth centres in Nord-Jæren and the Haugesund region.

Population growth in the Agder counties up to 2015 will be on a par with the national average, about 1.35% per annum, although Statistics Norway's forecasts for 2030 indicate these counties will see annual growth of around 1.20% compared with the national average of about 1.03%.

Statistics Norway's forecasts for Hordaland indicate annual growth up to 2015 of about 1.54% and in the longer term up to 2030 of about 1.18%.

1839



SpareBank 1 SR-Bank's roots go back to 1839. Join us on a journey through our history. The first bank that today forms part of SpareBank 1 SR-Bank is established. Egersund Sparebank is founded with capital of 56 Norwegian specidaler, around NOK 224.



The herring fishery, salting factory and fish exports that provide most people with their livelihoods create the need for a savings bank.

1852



In the middle of the 1800s, an agricultural revolution takes place in Rogaland. The farmers need a dairy and modern equipment to increase food production. Finnøy Sparebank, which later becomes SR-Bank, is one of the first rural banks to furnish the farmers with the credit they need for their new investments.



1913



Theodor Nordaas literally sees the light at the Paris World's Fair in 1895, and brings the idea of electrical light home with him. 18 years later, Sands Herred Sparebank (Sand Sparebank), the future SR-Bank, purchases the waterfall rights to Hiimsfossen as a gift for the municipality. A number of savings banks follow this model and give light to the people.



1976



24 savings banks merge to form Sparebanken Rogaland. SR-Bank's total assets amount to NOK 1.5 billion and it has 350 staff. The Ekofisk find in the North Sea seven years earlier means huge revenues for and massive investments in Rogaland. The region's new need for capital provides the basis for the binding collaboration.



1994



SR-Bank (Sparebanken Rogaland) lists its primary capital certificates on the Oslo Stock Exchange. This is necessary to strengthen the bank's equity at a difficult time for Norwegian banks.

1996



SR-Bank is one of the founders of SpareBank 1, an alliance consisting of SR-Bank, Sparebanken Nord Norge, Sparebanken Vest and Sparebanken Midt Norge. Under the SpareBank 1 name, the banks collaborate on insurance products, fund management, financial services, technology and brand building.



2012



SpareBank 1 SR-Bank is converted into a public limited company so it can continue to fulfil its purpose: to create value in the region of which we are a part. The most important goal is satisfying the region's need for capital. The Group's total assets amount to around NOK 150 billion and it has 1,300 staff.



2039



Our feet are firmly planted in Southern and Western Norway, but we still look to the horizon so we can adapt as our customers' needs change. As the region's most attractive provider of financial services we are the very symbol of Southern and Western Norway's capacity for creation.



THE SRBANK SHARE

FACTS ABOUT THE SHARE

SpareBank 1 SR-Bank converted from an equity certificate bank to a limited liability savings bank on 1 January 2012. Earlier equity certificate holders received one share for each equity certificate they held at the time of the conversion. The share capital amounts to NOK 6,393,777,050 divided into 255,751,082 shares, each with a nominal value of NOK 25.

The ticker code on the Oslo Stock Exchange was changed at the same time from ROGG to SRBANK. SRBANK is included in the OSEAX All-share index and OSE40 Financials/OSE4010 Banks sector index. The liquidity segment is Match.

FACTS ABOUT SPAREBANKSTIFTELSEN SR-BANK

The Sparebankstiftelsen SR-Bank foundation was established as part of the conversion. The purpose of the foundation is to manage the shares received upon its formation and to exercise and maintain a substantial, long-term and stable ownership interest in SpareBank 1 SR-Bank ASA. Ownership should be exercised in accordance with the generally accepted principles of corporate governance and within the limits and guidelines adopted by the general meeting. The ownership interest must represent at least 25% of shares issued.

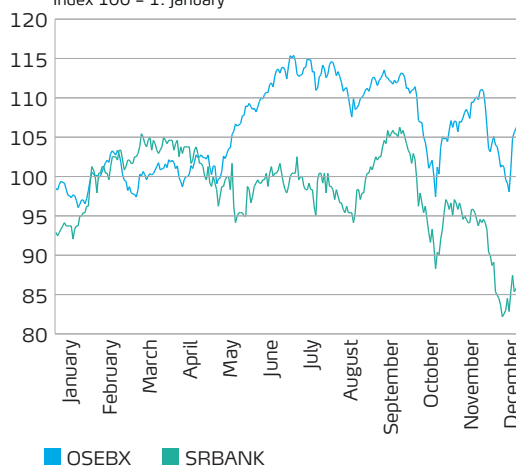
The activities of the foundation should continue its savings bank tradition by participating in capital increases in SpareBank 1 SR-Bank ASA and in other ways. The foundation may allocate its profits and distribute dividend funds to publicly beneficial projects.

As at 31 December 2014, the foundation owned 72,419,305 shares, equivalent to 28.3% of shares issued.

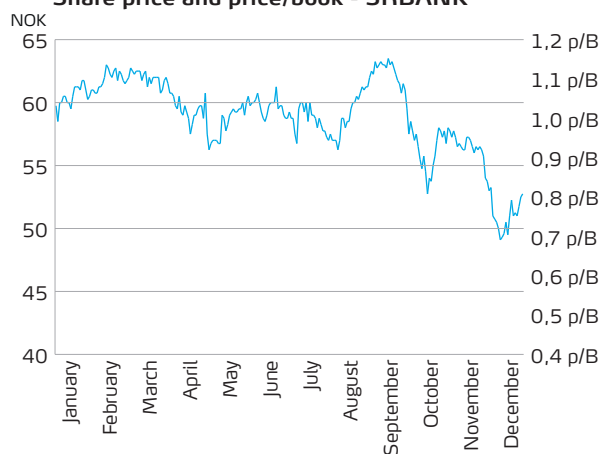
SHARE PRICE AND LIQUIDITY TRENDS

Relative share price trend 2014

Index 100 = 1. January

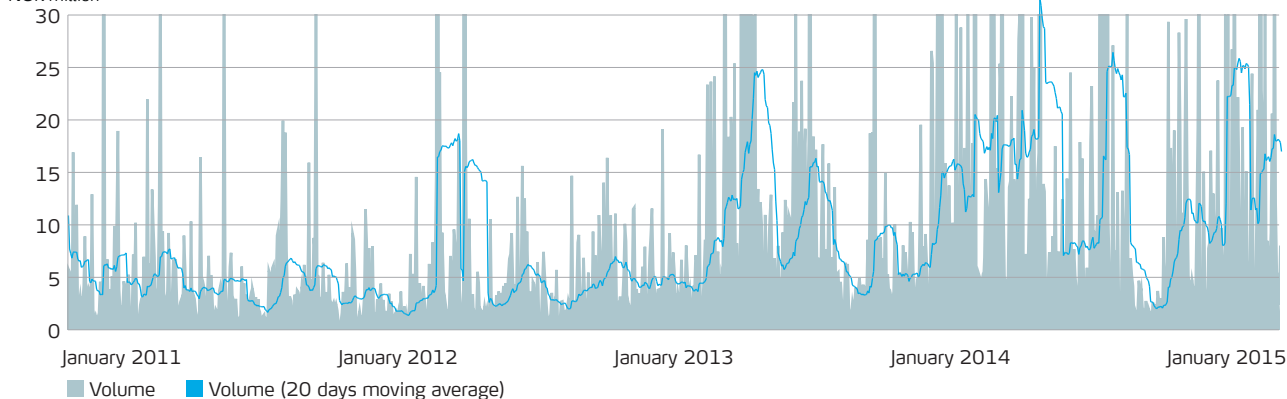


Share price and price/book - SRBANK



Development of trade volume 1.1.2011 to 31.12.2014

NOK million



DIVIDEND POLICY

SpareBank 1 SR-Bank's financial goal for its activities is to achieve results that provide a good, stable return on the bank's equity, thus creating value for the owners in the form of competitive dividends and a higher share price.

Particular account is taken of the group's capital needs, including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend. The level of the annual cash dividend in the lead up to 2017 will take into account the fact that the banking sector is currently building up capital to satisfy new capital requirements. Unless capital requirements dictate otherwise, the board aims to gradually increase the distribution rate such that approximately half of the annual net profit for the year is distributed as cash dividends.

The parent company's distributable profit in 2014 was NOK 1,747 million, equivalent to NOK 6.83 per share. In line with SpareBank 1 SR-Bank's dividend policy, various factors have been taken into consideration in determining the dividend, including, in particular, our financial strength and the core capital adequacy ratio in light of the new regulatory requirements for banks. The requirements, which have now been published, will be gradually raised in the lead up to 30 June 2016.

The board proposes a dividend of NOK 2.00 per share for 2014. This represents a dividend rate of around 24% of the group's earnings per share.

INVESTOR POLICY

SpareBank 1 SR-Bank makes every effort to ensure that accurate, relevant and timely information is disclosed about the group's performance and results in order to maintain the confidence of the investor market. Market information is primarily provided via quarterly investor presentations, websites, press releases and financial statements. Regular presentations are also made to international partners, rating agencies, lenders and investors.

It is in SpareBank 1 SR-Bank's own interests to publish current, financial analyses of the highest possible quality. All analysts are treated equally at all times regardless of their recommendations and views on the bank's share. At the end of 2014, 12 brokerage houses officially covered SRBANK. Updated contact information for these is available at all times on: www.sr-bank.no/ir.

INFORMATION ADDRESSES

SpareBank 1 SR-Bank publishes information for the market online at: www.sr-bank.no.

Other links to financial information: www.ose.no (Oslo Stock Exchange)

2015 financial calendar

General meeting	28 April 2015
Ex dividend date:	29 April 2015
First quarter:	29 April 2015
Second quarter:	12 August 2015
Third quarter:	29 October 2015

Preliminary accounting figures for 2015 will be published in February 2016.

OWNERSHIP

SpareBank 1 SR-Bank aims to ensure the good liquidity of its share and that it has a good range of owners who represent customers, regional investors and Norwegian and international investors.

The share price fell from NOK 60.25 to NOK 52.50 in 2014. Taking into account the paid dividend of NOK 1,60 this represents an effective return of minus 10,2%. The Oslo Stock Exchange Benchmark Index rose by 4.9% in the same period.

There were 10,422 (11,151) owners of SRBANK at year-end 2014. The percentage owned by companies and individuals based abroad rose significantly, from 14.1% to 22.4%, and the percentage owned by companies and individuals resident in Rogaland, the Agder counties and Hordaland fell from 53.0% to 48.9%. The 20 largest shareholders owned a combined total of 64.4% of the shares. The bank owned 231,043 treasury shares. Group employees owned a total of 1.8% of the shares at year-end 2014.

The table below shows the 20 largest shareholders as at 31 December 2014:

SpareBank 1 SR-Bank ASA shares		
20 largest owners as at		
31 December 2014.	Holding	Stake %
Sparebankstiftelsen SR-Bank	72 419 305	28,3%
Gjensidige Forsikring ASA	26 748 416	10,5%
State Street Bank and Trust Co, USA	8 643 971	3,4%
Morgan Stanley & Co LLC, USA	8 231 700	3,2%
National Insurance Scheme Fund	7 069 608	2,8%
SpareBank 1-stiftinga Kvinnherad	6 226 583	2,4%
Wimoh Invest AS	5 761 169	2,3%
Skandinaviska Enskilda Banken, Sweden	3 907 817	1,5%
Vpf Nordea Norge Verdi	3 259 776	1,3%
State Street Bank and Trust Co, USA	3 043 658	1,2%
State Street Bank and Trust Co, USA	2 748 403	1,1%
Clipper AS	2 525 000	1,0%
MSCO Equity Firm Account, USA	2 287 448	0,9%
J.P. Morgan Chase Bank N.A., UK	2 083 137	0,8%
Danske Invest Norske Instit. II	1 924 571	0,8%
The Bank of New York Mellon, USA	1 865 430	0,7%
Westco	1 577 534	0,6%
Pareto Aksje Norge	1 543 600	0,6%
Odin Norge	1 473 591	0,6%
FLPS-Princ All Sec Stock Sub, USA	1 433 800	0,6%
Total 20 largest	164 774 517	64,4%

	2014	2013	2012	2011	2010
Regional share	48,9 %	53,0 %	61,2 %	47 %	47 %
Other Norwegian owners	28,7 %	32,9 %	32,8 %	43 %	43 %
Foreign owners	22,4 %	14,1 %	6,0 %	10 %	10 %
Total owners	10 422 11	151 11	959 11	887 12	031

Key figures¹⁾	2014	2013	2012	2011	2010
Market price 31 Dec, NOK	52,50	60,25	37,20	40,70	57,00
Dividend per share, NOK	2,00	1,60	1,50	1,50	2,75
Direct return ¹⁾	3,8 %	2,7 %	4,0 %	3,7 %	4,8 %
Effective return ²⁾	-10,2 %	66,0 %	-4,9 %	-23,8 %	17,5 %
Book value per share, NOK ³⁾	60,28	55,00	49,48	48,75	47,45
Earnings per share, NOK	8,20	7,28	5,33	5,42	6,84
Payout ratio, net ⁴⁾	24%	22%	28%	32%	44%
No. of shares issued 31 Dec	255 751 082	255 751 082	255 751 082	127 313 361	127 313 361
Treasury shares 31 Dec	231 043	207 645	345 134	133 248	133 248
No. of outstanding shares 31 Dec	255 520 039	255 543 437	255 405 948	127 180 113	127 180 113

¹⁾ From and including 1 Jan 2012, the old equity certificates were converted to shares

¹⁾ Dividend as a percentage of market price at year-end.

²⁾ Appreciation during the year plus dividend paid as a percentage of market price at the beginning of the year.

³⁾ Equity divided by number of shares issued.

⁴⁾ Dividend as a percentage of the Group's net profit for the period

CREDIT RATING

Moody's Investor Services confirmed its A2 credit rating of SpareBank 1 SR-Bank on 11 December 2014, but changed it from "stable outlook" to "negative outlook". The short-term funding rating remained unchanged throughout 2014 at Prime 1.

Fitch Ratings confirmed its A- (long-term) and F2 (short-term) with stable outlook credit ratings of SpareBank 1 SR-Bank on 19 November 2014.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

AN INTEGRAL PART OF SOCIETY

Since the establishment of Egersund Sparebank in 1839, one of our key purposes has been to be a committed, responsible social actor. This has formed part of our basic philosophy ever since. We make judgements about the economy and risk on a daily basis based on our in-depth local knowledge, our proximity to our customers, and the fact that we have a social mission. A mission that involves helping to develop the communities we work in by ensuring the region has capital for both business development and house building, and by helping to make it a good place to grow up in.

We marked our 175th anniversary in 2014. During these years we have been an important engine of social development. We were involved in the major regional joint efforts: the fishing industry, farming industry, development of hydropower and, not least, the establishment of the oil and gas industry.

In our experience, we have to be involved in social development because it concerns us. That is why we have evolved a culture of doing useful things for society. It is not just about duty, it is about a desire to do so. We stand firm with our region. Our history confirms that taking active responsibility for the community of which we are a part is one of our cornerstones and our stated purpose.

SHAREHOLDER STRUCTURE

Sparebankstiftelsen SR-Bank is the largest shareholder with a stake of 28.3%. According to the decision taken by the Ministry of Finance (case 11/1402 of 21/06/2011) concerning converting to a public limited company, one of the conditions for allowing the conversion was that Sparebankstiftelsen SR-Bank must own a stake of equal to or higher than 25% in SpareBank 1 SR-Bank ASA. In addition to this, the foundation's purpose must be to exercise long-term and stable ownership of SpareBank 1 SR-Bank ASA, and through this ensure that SpareBank 1 SR-Bank continues its saving bank operations with local roots in Rogaland. This ensures both business and private households have ready access to a large, regionally anchored financial group with highly qualified personnel, a broad range of services, and good, stable access to capital.

Responsibility is profitable

SpareBank 1 SR-Bank wants to use the group's overall knowledge and expertise to contribute to sustainable development in the communities of which we are a part. We believe that active social involvement creates value directly by reducing risk, opening up new business opportunities, producing motivated staff and, not least, helping to maintain a good reputation.

Our strategy for our corporate social responsibility

SpareBank 1 SR-Bank shall create value for the communities of which we are part. We will build brick by brick. Decisions will be based on a long-term perspective, which means that the bank will avoid short-term gains if they are likely to diminish or harm the communities of which we are part. We shall act with integrity in every context.

Sparebankstiftelsen SR-Bank has allowed the group to reinforce the overall weight behind continuing its savings bank tradition, which represents a key part of our corporate social responsibility strategy. The object of the foundation, providing grants for socially beneficial purposes based on SpareBank 1 SR-Bank's capacity to distribute dividends, is well integrated into the work performed by the group's bank committees. The interaction between the bank committees, organised as local advisory bodies to both the group and Sparebankstiftelsen SR-Bank, is intended to reinforce our local presence and local participation

Integrated into operations

Our work on social issues forms an integral part of our continuous planning. This is how we ensure that ethics, the environment and important social questions remain on the agenda at all times.

Ensuring that daily operations focus strongly on financial value creation in all business areas is, for us, a very important part of fulfilling our corporate social responsibility. This value creation should primarily come from our ability to allocate capital both for developing a robust business sector and financing housing in the region.

We have defined the following four categories, and associated focus areas, which are based on the group's integration of corporate social responsibility:

Menneskelige ressurser	Environment
<ul style="list-style-type: none"> ▪ Ethics committee ▪ Code of conduct ▪ Personnel handbook with a heavy focus on values and attitudes ▪ Training 	<ul style="list-style-type: none"> ▪ Health, Safety and Environment ▪ Video conferencing ▪ Criteria for suppliers ▪ Hybrid cars
Society	Financial
<ul style="list-style-type: none"> ▪ Employment ▪ Inclusive Work company ▪ Anti-corruption ▪ Code of conduct ▪ Fraud prevention measures ▪ Our purpose "creating value for our region" ▪ Financial grants and sponsorship ▪ Competence sharing ▪ Innovation 	<ul style="list-style-type: none"> ▪ Good corporate governance ▪ Risk management ▪ Credit management ▪ Profitability ▪ Financial strength

STATUS 2014

Corporate governance

Corporate governance in SpareBank 1 SR-Bank ASA comprises the objectives and overriding principles according to which the group is governed and controlled, in order to secure the interests of shareholders, customers and other groups. The main principles for corporate governance are: openness, predictability and transparency.

The group complies with the Norwegian Code of Practice for Corporate Governance.

SpareBank 1 SR-Bank has clear guidelines intended to prevent violations of human and labour rights, and employees taking advantage of corruption or contributing to serious environmental harm and/or other actions that could be deemed unethical. We continuously work to ensure that these guidelines are not breached and, each year, every employee must sign to confirm that they have read and understood the contents of the group's code of conduct.

Employees and the organisation

SpareBank 1 SR-Bank aims to be an attractive and inclusive place to work for employees in all age groups and phases of their life. The bank tries to ensure that all employees are

satisfied with the balance between work, home and leisure. We also want to help ensure our employees remain healthy, both by developing a good working environment and by motivating them to exercise. The reason for this is a belief that employees whose needs are catered for will perform better, which benefits both them and the group.

The sick leave rate in SpareBank 1 SR-Bank is relatively low. In December 2014, the sick leave rate was 3.7% compared with 3.9% at the same point in 2013. This results in a healthy rate of 96.3% for 2014.

The balance between gender and age groups is good. We are working to increase the percentage of women in executive positions. In 2014, 43% of senior positions were filled by women. This represents an improvement of 1.4% since 2013. It confirms that the measures we implemented in order to ensure a better gender balance in senior positions are achieving results.

The group has established a well thought through framework for managing organisational matters, including: a personnel handbook, HSE handbook, inclusive workplace agreement, and several internal committees regulated by agreements. The executive management team and the group's two unions work well together in these areas. 2 x 4 contact meetings were held between the executive management team and trade unions in 2014. The most important theme throughout the year has been the issues surrounding adjusting staffing to changes in consumer behaviour (digitisation) including the need for new and different expertise.

The group has established a reimbursement scheme that covers part of employees' regular exercise expenses in order to promote better health, greater motivation and satisfaction.

The Group's working environment is characterised by diversity, respect and consideration. Discrimination and harassment are not tolerated. The group conducts regular organisation surveys with very good results. Overall, the employees gave a score of 815 out of 1,000 in the organisation survey, which represents a slight drop of 15 points compared with 2013. The result is considered good.

Environment

As a responsible financial group, we are proactive in relation to climate challenges, including by setting criteria for environmental prevention measures in our own organisation. The group has a specific environmental strategy and guidelines, which are reviewed annually.

The group regularly introduces measures that are intended to help reduce the consumption of electricity, paper and other resources, as well as ensure that resource-demanding travel is limited. A great deal of attention is also paid to managing technological waste and purchasing environmentally friendly solutions. The bank is always trying to ensure it buys the right technological equipment based on specific assessment criteria for energy and environmental requirements.

All technological equipment is treated as special waste, which ensures the equipment is properly dealt with from an environmental perspective. The group returned 2.3 tons of technological waste in 2014, an increase of 1 ton compared with 2013. This was due to the large-scale replacement of IT hardware that could not be recycled through reuse by others.

An increase in paper consumption of 1.6 tons was also registered in 2014. A review of the consumption shows that some statutory change notices were sent to large customer groups through the post and largely responsible for the increase. The existing routines for sending out information through the post will be reviewed during 2015 to see whether it is possible to make greater use of email.

A number of internal courses were arranged in 2014 to ensure there is a focus on security skills. A nationwide security exercise (catastrophe exercise) was also conducted.

SpareBank 1 SR-Bank took 3,425 flights during 2014, compared with 3,013 flights in 2013. The main reason for the increase was the marking of the group's 175th anniversary in Stavanger in the second half of 2014. In connection with this, the group's employees in the Bergen area were flown to and from the celebration.

The use of video conferences, phone conferences and digital tools for interacting and information sharing is one important means of keeping the group's travel activity at a moderately low level. 25 video conference rooms have now been established in the group, three more than in 2013.

The group's level of expertise within the area of renewable energy was surveyed in 2014. This was used as a starting point for drawing up a strategy for the group's future handling of any business-related projects within, for example, wind power. Together with good expertise within the area of wind power, the group is equipped to handle and contribute to the development of companies that bet on renewable energy.

Ethics and anti-corruption

The group's code of conduct is meant to help improve awareness of and compliance with the high ethical standards required of all employees. The code of conduct is intended to

contribute to, among other things, fighting corruption, extortion, bribery, whitewashing, fraud, terrorism funding and criminal activity funding. In 2014, SpareBank 1 SR-Bank focused heavily on training and raising awareness in relation to the most important ethical risk areas through general meetings for most employees, the bank's mandatory adviser programme, the training programme for new managers, and as a key part of the training programme for all new employees.

The personnel handbook describes how employees should report if they learn about situations that contravene the applicable regulations, material breaches of internal rules, or other materially unacceptable situations.

Whistle-blowers are able to report anonymously, in writing or verbally. No reports were registered in 2014.

Employees of SpareBank 1 SR-Bank shall under no circumstances use their position to achieve personal benefit or act in a manner that could harm the group's reputation or be in breach of Norwegian law.

SpareBank 1 SR-Bank emphasises the prevention of corruption and wants to develop a culture of anti-corruption in the companies that make up the group. The group's code of conduct, which is readily accessible in digital format, contains specific rules on this. They cover 'personal benefit and corruption' and are intended to raise awareness and improve people's knowledge about corruption-related issues. They are also meant to clarify the group's attitude and routines to ensure that all employees comply with anti-corruption legislation. Every year, employees must sign to confirm that they have read and understood the contents of the group's code of conduct.

A new system and better routines for registering and following up breaches of the code of conduct were established in 2014. These were developed in order to gain a better overview of the scope and types of breaches that occur.

Financial investments

SpareBank 1 SR-Bank's investment activities, both on its own account and on behalf of customers, follow rules that are intended to ensure that the group avoids participating in violations of human and labour rights, corruption, serious environmental harm or other actions that could be considered unethical. SpareBank 1 SR-Bank's intends not invest in companies that themselves, or through units they control, produce tobacco or pornography. The same applies for other investments in companies that are involved in anti-personnel mines and cluster weapons, as described in the Convention on the Prohibition of Anti-Personnel Mines and the Convention on Cluster Munitions, or in companies that develop and produce key components of

weapons of mass destruction. Weapons of mass destruction are defined as ABC weapons (atomic or nuclear weapons, biological weapons and chemical weapons).

MEASURES IN 2015

- In-house awareness raising campaign to further increase the focus on anti-corruption in the group.
- Applying to join the UN's Global Compact programme for organisations interested in the sustainable development of society.
- Improving and simplifying the internal whistleblowing process.
- Further developing and improving the group's incident database for adverse events. Simplifying the process for registering and reinforcing learning effects.
- Implementing waste sorting in all of the group's branches.

OVERALL SOCIAL ACCOUNTS

Strategic	2012	2013	2014
Group strategy	Updated	Updated	Updated
CSR strategy	Not established	Established	Implement
Financial			
Taxes and duties (MNOK) *	832	926	937
Net pay/pensions and other benefits (MNOK)	1 082	1 196	1 202
Cash dividend shareholders (MNOK)	384	409	512
Growth capital, retained earnings (MNOK)	827	1 338	1 685
Purchased goods and services (MNOK)	806	823	854
Social factors			
No. of working full time equivalents, incl. temps	1 263	1 214	1 162
Healthy rate	97,1 %	96,1 %	96,7 %
Percentage of women in executive positions	40,5 %	41,6 %	43,0 %
Average age	43,4	43,9	44,0 %
Organisational satisfaction	806	830	815
Inclusive workplace agreement	Continued	Continued	Continued
Life phase strategy	Continued	Continued	Continued
Management development programme	Continued	Continued	Continued
Code of conduct	Continued	Continued	Continued
No. of meetings of ethics committee	0	2	2
Grants for publicly beneficial purposes/sponsorship (MNOK)	20	31,5	21
Environment			
Technological waste (tons)	Not logged	1,3	2,3
Reduction in paper consumption (tons)	Not logged	5,9	-1,6
Air travel	3 476	3 013	3 425
No. of video conferencing rooms	20	22	25
Energy consumption (kWh)	6 370 000	6 400 000	6.323.420

* Incl. corporate tax, tax paid by employees, and employers' National Insurance contributions

Sparebankstiftelsen SR-Bank also awarded 305 different teams and organisations, as well as 21 motivated individuals, a total of NOK 21 million in grants in 2014. The grants, which are provided for socially beneficial purposes in Southern and Western Norway, represent part of the dividends Sparebankstiftelsen SR-Bank receives due to its stake in SpareBank 1 SR-Bank ASA.

HUMAN CAPITAL

CORE VALUES

"The courage to believe - the strength to create" through long-term thinking, openness, honesty, prudence, respect, and displaying a capacity and willingness to improve.

Our core values obligate us. They obligate us in our meetings with customers. They obligate the group as an employer; they obligate our employees in their work. Acting based on our values creates added value.

HUMAN CAPITAL FOR THE BENEFIT OF THE CUSTOMER

Our employees and managers are important resources for creating added value for customers, the region of which we are a part, and for our owners. SpareBank 1 SR-Bank ASA is an attractive place to work where employees and managers thrive, provide good services, and want to continue working - for the benefit of the customer. SpareBank 1 SR-Bank is attractive and many people compete for the vacant posts in the group. This was particularly noticeable as the major changes were taking place in the oil industry in the second half of the year. At year-end 2014, the group had 1,162 full time equivalents. The number of full time equivalents dropped by 52 during the year.

THE COURAGE TO HAVE OPINIONS, THE STRENGTH TO CREATE - WORKING ENVIRONMENT

The group's working environment and organisation survey shows a high level of employee satisfaction. This shows that the quality in relation to important parameters, e.g. job satisfaction, working environment, trust in management, and loyalty to the group as an employer, is good. The survey was conducted in all departments with the aim of strengthening the positive development of the working environment and contributing to transparency and honesty - in line with the group's core values. All employees in the group participate and have an opportunity to both "have opinions and create".

LONG-TERM THINKING, WITH A CAPACITY AND WILLINGNESS TO IMPROVE - SKILLS AND CHANGE

Great importance is attached to providing all employees with thorough training and opportunities to develop their skills. The goal of skills enhancement is to strengthen efficient, proper operations, solid service provision and, most of all, make a positive difference in the competition for customers. Annual employee performance reviews ensure we have clear expectations vis-à-vis delivery and results. It also ensures the continuous, appropriate development of all employees and managers. The group offers good career development opportunities along customer, discipline and management paths. On average, each employee in the group spends half a business day a week improving their skills. An average of NOK 8,000 was spent per employee in 2014 on education, courses and training; a stable use of resources throughout recent years.

The rapid development and change in customer behaviour requires an organisation that is both willing and able to change. SpareBank 1 SR-Bank is such an organisation. In 2014, the production environments were significantly strengthened with Lean certification, which has improved efficiency. The management team was further strengthened by systematic manager training, which has resulted in greater proactivity with respect to customers. We are systematically working to improve our advisers' skills in the line. A larger proportion of customer advisers were authorised during the year.

RESPONSIBILITY AND RESPECT

HSE

The group systematically works on health, safety and the environment, primarily through a HSE committee, which focuses on operations. The group is an IW company. In 2014, the IW committee played a major role in developing preventive measures as a means of increasing wellness in the group. It is also encouraging partial sick leave and focusing on degree of capacity for work during periods of ill health. The wellness rate is stable and high at 96.27%. Where people are on long-term sick leave, we actively work on follow-up and facilitation.

The group's life phase policy enables employees to deliver as desired and planned in various phases of life. It also encourages the group's seniors who want to follow the group's development to stay in work longer. The target retirement age has been increased from 63 to 64.5. The average retirement age in 2014 was 63.3, a reduction of 0.4 years from 2013.

EQUAL OPPORTUNITIES

The ratio between men and women is generally the same as in 2013. SpareBank 1 SR-Bank wants to ensure that men and women have the same opportunities in relation to professional development, pay and careers. In 2014, women accounted for 56% of the full time equivalents in the group and men 44%. The average age was 44 years old and the average length of service was 13 years. The group's executive management team comprises eight men and one woman. The proportion of women managers in the group increased from 41.6% to 43,0% in 2014.

COOPERATION WITH EMPLOYEES ORGANISATIONS AND THE SAFETY SERVICE

One important resource for the group and for the administration of its human capital is the constructive cooperation it has with both employee organisations and the safety service. They both provide appropriate help based on their missions in order to ensure that the group can achieve its goals.

BUSINESS AREAS

RETAIL MARKET

SpareBank 1 SR-Bank is the leader in the retail market in Southern and Western Norway with 268,000 retail customers older than 13. SpareBank 1 SR-Bank had a customer relationship with 25% of retail customers older than 13 and a market share of 20% at year-end 2014. In addition to retail customers, the division also serves 5,600 small business and agricultural customers. A complete range of good digital services, a modern customer service centre, and a well-developed network of branches provide our customers with fast, easy access to financial services and expertise via all channels.

RM	31.12.2014
Gross loans	79 727
Total deposits	44 681
Pre-tax profit	1 349
No. of full time equivalents	463

CORPORATE MARKET

In 2014, the corporate market division was responsible for serving 12,892 corporate customers via a good, broad distribution network. The division has five regional business units and two specialist units: one for the energy and maritime sector and one for the public sector. The overall expertise the division possesses in managing business opportunities and uncovering risk will be crucial when it comes to customers choosing SpareBank 1 SR-Bank as their partner for 2015 as well.

CM	31.12.2014
Gross loans	52 019
Total deposits	32 837
Pre-tax profit	855
No. of full time equivalents	161

CAPITAL MARKET

SpareBank 1 SR-Bank Markets is the region's leading securities firm. Its activities include own account and customer trading in interest rate instruments, foreign exchange and equities, providing advice and facilitating debt and equity funding, as well as administrative securities services. Its primary mission is to serve customers in collaboration with the group's other business areas and help combine special expertise with knowledge and an understanding of the local region.

CAPITAL MARKET	31.12.2014
Total income	144
Customer income	75
Own account	67
Pre-tax profit	69
No. of full time equivalents	32

SUBSIDIARIES:

EIENDOMSMEGLER 1 SR-EIENDOM AS

EiendomsMegler 1 SR-Eiendom AS is the market leader in the group's market area and the largest company in the nationwide EiendomsMegler 1 chain. Its activities cover commercial real estate, as well as brokerage, holiday homes, new builds and existing homes. In 2014, the company sold 7,540 properties via its 35 estate agent branches in Rogaland, the Agder counties and Hordaland.

EM1	31.12.2014
Total income	445
Value of sales	23 mrd
No. of sales	7 540
Pre-tax profit	56
No. of full time equivalents	194

SPAREBANK 1 SR-FINANS AS

SpareBank 1 SR-Finans AS is a financing company that offers lease financing to the business sector, as well as car, boat and personal loans to retail customers. The company is the market leader in Rogaland and is planning to become a significantly stronger market player in Hordaland and the Agder counties as well. Its products are distributed via the bank's distribution network, its own advisers, self-service solutions, and external distributor channels. About half of its new leasing business involves customers who have a business relationship with both SpareBank 1 SR-Finans and SpareBank 1 SR-Bank.

SR-Finans	31.12.2014
Total income	209
Total assets	7,0 mrd
New sales	2 569
Pre-tax profit	146
No. of full time equivalents	33

SR-FORVALTNING AS

SR-Forvaltning is licensed to provide active management and securities management services. The latter were launched in May 2013 and consist of three funds: SR-Utbytte, SR-Kombinasjon and SR-Rente. The company manages portfolios for SpareBank 1 SR-Bank's pension fund and for around 2,000 external customers on the basis of discretionary mandates. The external customer base comprises pension funds, public and private enterprises and affluent individuals.

SR-Forvaltning	31.12.2014
Total income (gross)	83
Assets under management	9,3 mrd
Net new assets	700
Pre-tax profit	27
No. of full time equivalents	13

PART-OWNED COMPANIES: SPAREBANK 1 GRUPPEN AS

The SpareBank 1 banks run the alliance through their ownership and participation in SpareBank 1 Banksamarbeidet DA, while the development and operation of product companies is organised through the banks' ownership of the holding company SpareBank 1 Gruppen AS. The purpose of the alliance is to procure and provide competitive financial services and products, and to exploit economies of scale in the form of lower costs and/or higher quality. The alliance thus helps ensure customers local roots, expertise and a simpler everyday life.

SpareBank 1 Gruppen AS is owned by SpareBank 1 SR-Bank (19.5%), SpareBank 1 Nord-Norge (19.5%), SpareBank 1 SMN (19.5%), Sparebanken Hedmark (12%), Samarbeidende Sparebanker AS (19.5% – owned by 11 savings banks in Southern Norway), together with the Norwegian Confederation of Trade Unions (LO)/ trade unions affiliated to LO (10%). SpareBank 1 Gruppen AS owns 100% of SpareBank 1 Forsikring AS, SpareBank 1 Skadeforsikring AS, ODIN Forvaltning AS, SpareBank 1 Medlemskort AS, Conecto AS and SpareBank 1 Gruppen Finans AS.

SpareBank 1 Gruppen AS bears administrative responsibility for the collaboration processes in the SpareBank 1 Alliance, where technology, brands, expertise, common processes/application of best practice, and procurement are key elements. The alliance is also engaged in development work through three resource centres: learning (Tromsø), payments (Trondheim) and credit (Stavanger).

SPAREBANK 1 BOLIGKREDITT AS AND SPAREBANK 1 NÆRINGSKREDITT AS

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS are mortgage companies operating under licences issued by the Financial Supervisory Authority of Norway and issue covered bonds (with pre-emptive rights) on the bank's home mortgage and commercial properties portfolios respectively that are bought from the owner banks. The companies are owned by the savings banks that make up the SpareBank 1 Alliance and help ensure the owner banks have access to stable, long-term funding at competitive rates.

At year-end 2014, SpareBank 1 Boligkreditt AS's total lending volume amounted to NOK 161.2 billion, NOK 32.3 billion of which were home mortgages bought from SpareBank 1 SR-Bank. The bank holds a 20.1% stake in the company and this is adjusted at the end of each year in line with its share of the volume sold. At year-end 2014, SpareBank 1 Næringskreditt AS's total lending volume amounted to NOK 16.1 billion, NOK 0.6 billion of which were loans that had been bought from SpareBank 1 SR-Bank. The bank owns a 26.8% stake in the company.

BN BANK ASA

SpareBank 1 SR-Bank and the other savings banks in the SpareBank 1 Alliance acquired Glitnir Bank ASA in the fourth quarter of 2008. It has since been renamed BN Bank ASA. SpareBank 1 SR-Bank owns a 23.5% stake.

SpareBank 1 SR-Bank ASA



Capital Market

No. of full time equivalents: 37

Retail market

No. of full time equivalents: 482

Corporate market

No. of full time equivalents: 168

Administration and support

No. of full time equivalents: 219

WHOLLY OWNED SUBSIDIARIES



EiendomsMegler 1 SR Eiendom AS

- Sales of homes and commercial properties



SR-Forvaltning AS

- Active management



SpareBank 1 SR-Finans AS

- Leasing



SR-Investering AS

DELEIDE SELSKAPER

SpareBank 1 Gruppen AS (19.5 %)

- Holding company for the products companies in the SpareBank 1 Alliance

BN Bank ASA (23.5 %)

- Commercial bank with offices in Oslo and Trondheim

SpareBank 1 Boligkreditt AS (20.1 %)

- Mortgage company - issuer of covered bonds (home mortgages)

SpareBank 1 Næringskreditt AS (26.8 %)

- Mortgage company - issuer of covered bonds (commercial property mortgages)

SpareBank 1 Kredittkort AS (17.9 %)

- Card company, based in Trondheim

EXECUTIVE MANAGEMENT TEAM



**CEO
ARNE AUSTREID**

Arne Austreid has been the CEO of SpareBank 1 SR-Bank since January 2011.

He is a trained petroleum engineer and holds an MBA (Master of Business Administration) from the University of Aberdeen, UK. He has previously worked for Transocean ASA and Prosafe SE: offshore, onshore and abroad. His final management position in Prosafe SE was President and CEO. He sits on the board of SpareBank 1 Gruppen AS, Alliansesamarbeidet SpareBank 1 DA and chairman of the board in Pilehagen Invest AS.



**EXECUTIVE VICE
PRESIDENT,
ORGANISATION AND HR
INGLEEN HAUGLAND,**

Ingleen Haugland graduated in economics/administration from Stavanger University College (1996) and also holds a Masters in Management from the Norwegian Business School (BI) (2009). She has worked in various positions in SpareBank 1 SR-Bank since 1983. Haugland has been a member of the retail market division's management team since 1999. She has been responsible for various units and areas, most recently as regional director of Mid-Rogaland, including the bank's customer service centre. She is member of the board of SpareBank 1 SR-finans, SpareBank 1-alliansen kundesenter and Stiftelsen Jærmuseet.



**EXECUTIVE VP RISK
MANAGEMENT &
COMPLIANCE
FRODE BØ**

Frode Bø became Executive VP Risk Management & Compliance in January 2006. He holds a Bachelor of Management and has also completed a master's degree programme in operational auditing and risk management at BI Norwegian Business School. Alongside his EVP position, he has worked as a lecturer in the Department of Industrial Economics, Risk Management and Planning at the University of Stavanger since 2006. He has worked for SpareBank 1 SR-Bank since 2001.



**CFO
INGE REINERTSEN**

Inge Reinertsen became CFO in February 2010. He graduated in business economics (Siviløkonom) from the Norwegian School of Economics and Business Administration (NHH). He has previous experience from various management positions in the SpareBank 1 SR-Bank Group and has worked for the Group since 2001. He is the chairman of the board of SR-Investering AS and SR-Forvaltning AS, the deputy chairman of SpareBank 1 Boligkreditt AS, and sits on the boards of SpareBank 1 Gruppen Finans AS, SpareBank 1 SR-Bank's pension fund, and Conecto AS.



**EXECUTIVE VP
BUSINESS SUPPORT &
DEVELOPMENT
GLENN SÆTHER**

Glenn Sæther became Executive VP Business Support & Development in May 2010. He was educated in economics and business administration at BI Norwegian Business School. He has previously worked as the chief accountant of the municipality of Sandnes, a consultant and marketing executive in Webcenter Unique ASA and a senior consultant in Helse Vest RHF. He has worked for SpareBank 1 SR-Bank since 2005. He sits on the board of SpareBank 1 Skadeforsikring AS and AS Riskafjord.



**EXECUTIVE VP
RETAIL MARKET
JAN FRIESTAD**

Jan Friestad became Executive VP Retail Market in August 2011. He holds a degree in economics and business administration from Stavanger University College and has also taken various masters of management courses within marketing strategy and management at BI Norwegian Business School. He has worked for SpareBank 1 SR-Bank since 1988. He is the chairman of the board of EiendomsMegler 1 SR-Eiendom AS and sits on the boards of Helse Stavanger HF and Odin Forvaltning AS.



**EXECUTIVE VP
CORPORATE MARKET
TORE MEDHUS**

Tore Medhus became Executive VP Corporate Market in January 2000. He holds a Master of Business and Marketing (Handelsøkonom) from Oslo Business School/BI. He has previous experience from Elcon Finans, Forende Credit Finans and Telenor. He has worked for SpareBank 1 SR-Bank since 1994. He is the chairman of the board of SpareBank 1 SR-Finans AS and deputy chairman of BN Bank ASA.



**EXECUTIVE VP
COMMUNICATIONS
THOR-CHRISTIAN
HAUGLAND**

Thor-Christian Haugland became Executive VP Communications in 2005. He was educated at Stavanger University College, the University of Salford and BI Norwegian Business School in economics, communications and management. He has previously worked as the sales and marketing manager in at Radisson SAS in Stavanger and general manager in Brødrene Pedersen AS. He has more than 19 years' experience from various positions in SpareBank 1 SR-Bank. Haugland is a deputy member of the board of SpareBank 1 SR-Bank's pension fund.

CORPORATE GOVERNANCE

The board of directors and executive management team of SpareBank 1 SR-Bank annually review the corporate governance principles and how they are functioning in the group. The formal requirements for this report follow from section 3-3b of the Accounting Act and the Oslo Stock Exchange's requirements concerning complying with, or explaining deviations from, the Norwegian Code of Practice for Corporate Governance of 30 October 2014.

POINT 1 IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

There are no significant deviations between the Code of Practice and SpareBank 1 SR-Bank's compliance with it. Two deviations are described below under sections 7 and 14 respectively.

SpareBank 1 SR-Bank's object is to create value for the region of which we are a part. It is the very foundation of the company's business model. Allocating capital, for both business development and house building, is one of the company's most important social tasks.

SpareBank 1 SR-Bank's vision is: 'Recommended by the customer'. The vision is based on the value 'the courage to believe - the strength to create' - through long-term thinking, openness, honesty, prudence, respect, and displaying a capacity and willingness to improve.

The vision and values provide the basis for the group's code of conduct and corporate responsibility. SpareBank 1 SR-Bank ASA shall be characterised by high ethical standards and good corporate governance. The code of conduct states that employees of the group shall show respect and consideration, and that all communication shall be open, honest and plain.

The group's code of conduct is available from the bank's website.

The group's corporate social responsibility is described in more detail in a separate section of the group's annual report, which states that SpareBank 1 SR-Bank wants to use the group's combined knowledge and resources to contribute to the sustainable development of the society of which the company is a part. Active social involvement creates value directly by reducing risk, opening up new business opportunities, producing motivated staff and, not least, helping to maintain a good reputation.

The corporate responsibility guidelines are available on the company's website.

Deviations from the Code of Practice: None

POINT 2 BUSINESS

SpareBank 1 SR-Bank's business is explained in the company's articles of association. SpareBank 1 SR-Bank's purpose is to manage the funds controlled by the group in a prudent manner and in accordance with the applicable legislation at any given time. SpareBank 1 SR-Bank can perform all normal banking transactions and banking services in accordance with applicable law. SpareBank 1 SR-Bank can also provide investment services within the framework of the licences it holds at any given time. The full text of the articles of association is available on the company's website. The group's goals and main strategies are described in the annual report.

Deviations from the Code of Practice: None

POINT 3 EQUITY AND DIVIDENDS

The board of directors assesses the capital situation on an ongoing basis in light of the company's objectives, strategies and desired risk profile.

As at 31 December 2014, the SpareBank 1 SR-Bank Group had equity of NOK 15.4 billion (incl. allocated dividend).

According to the applicable calculation rules for financial institutions' capital ratio, the group had an overall capital ratio of 14.53% and a common equity tier 1 capital ratio of 11.50% as at 31 December 2014.

The board considers its capital ratio to be satisfactory as at 31 December 2014, but is of the opinion that the capital ratio must be strengthened in coming years in line with the Norwegian authorities' capital strengthening regulations.

Dividends

Particular account is taken of the group's capital ratio, including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend. The level of the annual cash dividend in the lead up to 2017 will take into account the fact that the banking sector is currently building up capital to satisfy new capital requirements. Unless capital requirements dictate otherwise, the board aims to gradually increase the distribution rate such that approximately half of the annual net profit for the year is distributed as cash dividends.

Share buy back

On 29 April 2014, the general meeting authorised the board to acquire and register liens on the bank's own shares for up to 10% of the bank's share capital. The shares must be acquired in the securities market via the Oslo Stock Exchange. Each share can be purchased at a price of between NOK 1 and NOK 150. The authorisation is valid for 12 months from the date it is adopted by the general meeting.

Capital increases

The board is not currently authorised to increase capital in SpareBank 1 SR-Bank.

POINT 4 EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

SpareBank 1 SR-Bank has one class of share. All shares have equal voting rights. In the event of an increase in share capital, existing shareholders have pre-emptive rights, unless special circumstances dictate that these rights can be waived. The background for such a waiver would then have to be explained. In cases where the board asks the general meeting to authorise a share buy back, any buy back must be carried out in the market at market prices.

Largest shareholder

Sparebankstiftelsen SR-Bank is SpareBank 1 SR-Bank's largest shareholder with a stake of 28.32%. The foundation was established on 1 January 2012 when SpareBank 1 SR-Bank was converted into a public limited company. Pursuant to the foundation's articles of association, its purpose is to manage the shares that were transferred to the foundation upon its establishment and to exercise and maintain a significant long-term and stable stake in SpareBank 1 SR-Bank. The ownership interest must represent at least 25% of the outstanding shares of SpareBank 1 SR-Bank.

Transactions with close associates

The instructions issued to the board stipulate that the board shall ensure that the company complies with sections 3-8 and 3-9 of the Public Limited Liability Companies Act in agreements between the company and the parties listed therein. The board shall obtain the opinion of an independent third party when entering into agreements between the company and shareholders, board members or members of the executive management team, or any parties closely related to them. All board members and members of the executive management team must immediately inform the board if they have a direct or indirect interest in a transaction or agreement that the company has entered into or is considering entering into. This applies even if the board member is deemed to be disqualified from considering the matter.

Deviations from the Code of Practice: None

POINT 5 FREELY NEGOTIABLE SHARES

The bank's shares are listed on the Oslo Stock Exchange with the ticker SRBANK and are freely negotiable. The articles of association contain no restrictions on the negotiability of shares.

Deviations from the Code of Practice: None

POINT 6 GENERAL MEETINGS**General meetings**

Pursuant to the articles of association, the annual general meeting must be held before the end of April each year. The notice and registration form must be sent to shareholders and published on the group's website no later than 21 days before the date of the meeting. Procedures for voting and submitting proposals must be specified in the notice. According to the articles of association, the chairman of the supervisory board chairs general meetings. The chairman of the board, supervisory board's chair and the auditor attend general meetings. The minutes of general meetings are available on the company's website.

In general, resolutions require a simple majority. Decisions about disposals of shares, mergers, demergers, sales of a substantial part of SpareBank 1 SR-Bank's operations or issuing shares in the company require the approval of at least two thirds of the votes and share capital represented at the general meeting.

Voting procedures allow for separate votes for each candidate to the various bodies. It is possible for shareholders to issue a proxy to others. A person is also appointed to act as a proxy who can vote for shareholders. To the extent possible, the proxy form is designed in such a way that it allows for voting on each agenda item and for each candidate standing for election.

Deviations from the Code of Practice: None

POINT 7 NOMINATION COMMITTEE

The general meeting and supervisory board have, in accordance with the articles of association, established a nomination committee consisting of five members. The bank's articles of association specify that the committee must be chaired by the chair of the supervisory committee. Members are elected by the general meeting for up to 2 years at a time. The committee has members from both groups on the supervisory board (owners and employees). No board members or members of the executive management team can be members of the nomination committee.

The nomination committee provides detailed recommendations to the general meeting concerning the election of the supervisory board's shareholder-elected members and the members of the control committee and nomination committee. Furthermore,

the nomination committee provides recommendations to the supervisory board concerning the election of the chairman and members of the board. The recommendation should provide pertinent information about the candidates' background and independence. The nomination committee also proposes the remuneration for members of the bodies mentioned above. The supervisory board determines the nomination committee's remuneration.

Information about the nomination committee and information about how to submit contributions to the nomination committee can be found on www.sr-bank.no. The nomination committee held six meetings in 2014.

Deviations from the Code of Practice: The NCGB recommends that the nomination committee's chair be elected by the general meeting. In SR-Bank, the nomination committee's chair is indirectly elected by the supervisory board since the chair of the supervisory board must, pursuant to the articles of association, also be the chair of the nomination committee. Furthermore, it follows from the bank's articles of association that all members of the company's nomination committee are members of the bank's supervisory committee. This is a deviation from the Code of Practice that stipulates that at least one member of the nomination committee should not be a member of the corporate assembly, supervisory board or board. The deviation is due to fact that the independence between the board and supervisory board is safeguarded since one cannot be elected a member of both the board and the supervisory board at the same time and that, furthermore, the supervisory board is elected by the annual general meeting.

POINT 8 SUPERVISORY BOARD AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Supervisory board

The supervisory board's main task is to supervise the board of directors' and the chief executive's management of the company. The supervisory board has 30 members, of whom 22 are shareholder-elected members elected by the general meeting. The emphasis is on ensuring broad representation of the company's shareholders. Furthermore, eight representatives are elected by and from among the employees.

Board of directors

The board consists of nine members and currently has the following composition: Ingvald Løyning, (chairman of the board), Erling Øverland, Gunn-Jane Håland, Birthe Cecilie Lepsøe, Siv Juvik Tveitnes, Tor Dahle, Odd Torland, Sally Lund-Andersen and Oddvar Rettedal. The latter two were elected by and from among the employees. Detailed information about the individual board members is available on the company's website.

Participation in board meetings and board committees in 2014: There were 20 board meetings in 2014: 11 full day meetings and 9 board meetings via phone. The audit committee, remuneration committee and risk committee held six, five and one meeting, respectively.

Board's independence

All board members are independent of the bank's executive management team and important business connections. Tor Dahle is the general manager of the Sparebankstiftelsen SR-Bank foundation and Erling Øverland is a board member of the foundation. The foundation owned 72,419,305 shares and was thus the bank's largest shareholder with an ownership interest of 28.3% as at 31 December 2014.

Participation	Board		Audit committee	Remuneration committee	Risk committee
	Board meetings	Board meetings via phone			
Kristian Eidesvik (until 5 June 2014)	5	3			2
Ingvald Løyning (from 5 June 2014)	6	6			
Erling Øverland	11	9	5		5
Gunn-Jane Håland	11	9		4	
Birthe C. Leøspe (from 19 June 2014 in the audit and risk committee)	11	9	2	3	3
Catharina Hellerud (until 5 June 2014)	4	2	1		
Siv Juvik Tveitnes (from 5 June 2014 in the board and audit committee and from 1 October 2014 in the risk committee)	5	6	1		1
Odd Torland	10	7		4	
Tor Dahle	10	9	5		5
Oddvar Rettedal (from 19 June 2014 in the remuneration committee)	11	9			1
Sally Lund-Andersen	10	9			
Kristian Kristensen, deputy member for the employees' representatives	1				

Election of the board

The supervisory board elects the board of directors. Members are elected for up to 2 years at a time. A suitability assessment is made when board members are being elected that takes into account the need for continuity and independence, as well as the balanced composition of the board. The chief executive is not a member of the board. The individual board members' backgrounds are described on the bank's website.

Board members' shareholdings as at 31 December 2014

- Ingvald Løyning, the chairman of the board, owns 41,052 shares personally.
- Erling Øverland owns 18,935 shares personally and through the company Trifolium AS. Øverland is a board member of the Sparebankstiftelsen SR-Bank foundation, which owns 72,419,305 shares.
- Tor Dahle is employed by the Sparebankstiftelsen SR-Bank foundation, which owns 72,419,305 shares. Tor Dahle and close associates also own 42,870 shares.
- Sally Lund-Andersen, employee-elected board member, owns 2,194 shares personally.
- Oddvar Rettedal, employee-elected board member, owns 8,089 shares personally

Deviations from the Code of Practice: None

POINT 9 THE WORK OF THE BOARD OF DIRECTORS

The board's duties

The board's duties are set out in the board's instructions, which govern the board's duties and responsibilities, the board's procedures, the matters that must be considered by the board, and the rules for convening meetings and considering matters in meetings. The board has also issued instructions to the chief executive. The minutes are available on the company's website.

The board adopts a meeting and work schedule every year that encompasses strategy work, financial reports, prognoses for the group and control work. Matters for the board are prepared by the chief executive in cooperation with the chairman of the board.

The board has established three permanent board committees, which are described in more detail below. The committees make no decisions but supervise, on behalf of the board, the executive management team's work and prepare matters for the board's consideration within their areas of responsibility. The committees are free to draw on resources in the group and on resources, advice and recommendations from sources outside the group.

Remuneration committee

The remuneration committee is chaired by Gunn-Jane Håland with Odd Torland and Oddvar Rettedal as its other members. Besides the members of the committee, meetings are also always attended by the executive vice president organisation and

HR. The committee is tasked with doing the preparatory work for the annual review of the group's remuneration packages and the chief executive's contract and terms by the whole board. The committee's mandate has been incorporated into the board's instructions.

Audit committee

The remuneration committee is chaired by Birthe Cecilie Lepsøe with Erling Øverland, Siv Juvik Tveitnes and Tor Dahle as its other members. The composition of the committee satisfies the Code of Practice's independence and competence requirements. Besides the members of the committee, meetings shall also be attended by the chief financial officer. The audit committee must ensure that the group has an independent and effective external auditor and satisfactory financial reporting in accordance with the law and regulations. The committee's mandate has been incorporated into the board's instructions.

Risk committee

The risk committee is chaired by Tor Dahle with Erling Øverland, Birthe Cecilie Lepsøe and Siv Juvik Tveitnes as its other members. Besides the members of the committee, meetings are also always attended by the executive vice president risk management and compliance. The committee is tasked with ensuring that the group's risk and capital management underpins the group's strategic development and goal attainment, while ensuring financial stability and prudent asset management. The committee's mandate has been incorporated into the board's instructions.

Board's self-assessment

The board annually conducts an evaluation of its activities and competence, and discusses improvements to the organisation and execution of the board's work. The self-assessment report is available to the nomination committee.

Deviations from the Code of Practice: None

POINT 10 RISK MANAGEMENT AND INTERNAL CONTROL

The board of directors of SpareBank 1 SR-Bank focuses on risk management, which is an integral part of its work. The company's overall risk exposure and risk trends are monitored via periodic risk reports for the company's executive management team and board. General risk monitoring and reporting is performed by the risk management and compliance department which is independent of the business units.

The bank's economics and finance department prepares financial reports for SpareBank 1 SR-Bank and ensures that the reporting complies with applicable laws, accounting standards, set accounting policies and the board's guidelines. Processes and controls have been established to ensure the quality assurance of financial reporting.

The core purpose of the banking industry is to create value by assuming deliberate and acceptable risk. The group therefore invests significant resources in the further development of risk management systems and processes in line with leading international practice.

The group's risk and capital management underpins the group's strategic development and goal attainment, while ensuring financial stability and prudent asset management. This is achieved through:

- a strong corporate culture characterised by a high awareness of risk management
- a good understanding of which risks drive earnings
- striving for optimal capital application within the adopted business strategy
- avoiding single events seriously harming the group's financial position and exploiting synergy and diversification effects

In order to ensure an effective and adequate process for risk and capital management, the framework is based on a variety of elements that reflect the manner in which the board and the executive management team run the group. The main elements are:

- Strategic targets
- Risk identification and analysis
- Capital allocation
- Financial projections/stress testing
- Evaluation and measures
- Reporting and follow-up
- Organisation and corporate culture

The framework is described in more detail in note 3 to the financial statements, as well as in the Pillar III document for SpareBank 1 SR-Bank, which is available on the bank's website.

SpareBank 1 SR-Bank focuses on independence in management and control, and this responsibility is divided between the different roles in the organisation.

The board sets the group's risk profile, the overall limits, authorities and guidelines for risk management, and ensures that the group has a satisfactory capital base based on the risk borne by the group and regulatory requirements. The board has adopted a code of conduct that contributes to raising awareness and compliance with the ethical standards set for the group.

The control committee shall monitor that the group operates in an appropriate and satisfactory manner in accordance with the applicable legislation, regulations, statutes, and guidelines adopted by the supervisory board, in addition to directives from the Financial Supervisory Authority of Norway. The control committee is independent of the board and executive management team, and holds meetings regularly.

First line of defence (day-to-day risk management)

The chief executive is responsible for ensuring the group's risk management is monitored within the framework adopted by the board of directors. Business units are responsible for overall risk management within their business area.

Second line of defence (general risk reporting and follow-up)

The risk management and compliance department is organised independent of the business units and reports directly to chief executive. The department is responsible for further development of the limits for risk management, including risk models and risk management systems. The risk management and compliance department is also responsible for independent monitoring and reporting of risk situation and for ensuring compliance by the group with applicable laws and regulations.

Third line of defence (independent confirmation)

The internal audit monitors that the risk management processes are targeted, effective and function as intended. The group's internal audit function has been outsourced, and this ensures that the function has the required independence, competence and capacity. The internal audit function reports to the board. The internal audit function's reports and recommendations for risk management improvements are reviewed and implemented on an ongoing basis in the group.

Financial institutions are currently required to have their own elected audit committee. The control committee is independent of the board and the executive management, and holds meetings regularly. It ensures that the company complies with applicable laws, regulations and other rules issued by the authorities, the company's articles of association and resolutions adopted by decision-making bodies. The committee has full insight into the operations and consists of three members. An overview of the control committee's members and the control committee's instructions are available the bank's website.

The internal control and systems also cover the company's core values, code of conduct and corporate responsibility.

Deviations from the Code of Practice: None.

POINT 11 REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the board's members and subcommittees is fixed by the supervisory board based on the recommendations of the nomination committee. Board members' remuneration is not linked to financial performance or similar factors. None of the directors, other than the employee representatives, has responsibilities to the company beyond their board duties. Information about all remuneration paid to the individual board members is presented in note 22 to the annual financial statements.

Deviations from the Code of Practice: None

POINT 12 REMUNERATION OF EXECUTIVE PERSONNEL

SpareBank 1 SR-bank has established a remuneration scheme that applies to all employees.

The group's remuneration scheme shall be consistent with the group's overall objectives, risk tolerance and long-term interests and shall help to promote and provide incentives for good management and control of the group's risk, discourage excessive or unwanted risk taking, and help to avoid conflicts of interest, and shall comply with the regulations governing remuneration schemes in financial institutions, investment firms and management companies dated 1 December 2010. The total remuneration shall be competitive but the group shall not be a wage leader. It shall ensure that the group attracts, develops and retains competent employees over time.

The scheme will ensure a reward model that is perceived to be fair, predictable and future-oriented and motivating. Fixed salaries shall make up the main element of the total remuneration, which shall also consist of variable pay, pensions and benefits in kind.

The board's guidelines for the remuneration of executive personnel are disclosed in note 22.

Deviations from the Code of Practice: None

POINT 13 INFORMATION AND COMMUNICATIONS

SpareBank 1 SR-Bank has dedicated pages on www.sr-bank.no for investor information. The bank makes every effort to ensure that correct, relevant and timely information about the group's performance and results inspires investor market confidence. All price sensitive information is published in both Norwegian and English. Stock exchange notices, annual and interim reports, presentation materials and web-casts are available on the company's website.

Information for the market is distributed via quarterly investor presentations. Regular presentations are made to international partners, lenders and investors. All reporting is based on openness and the equal treatment of market players in the securities market. The group's financial calendar is published on the company's website.

Deviations from the Code of Practice: None

POINT 14 TAKE-OVERS

The board of directors of SpareBank 1 SR-Bank ASA will deal with any takeover bid in accordance with the principle of equal treatment of shareholders. At the same time, the board will ensure that shareholders receive the most comprehensive information possible in all situations that affect the interests of shareholders. When acquiring shares in a financial institution involving any stake of more than 10% of the share capital, consent must be applied for from the Financial Supervisory Authority of Norway. In connection with SpareBank 1 SR-Bank receiving permission to convert to a public limited company, a condition was set that Sparebankstiftelsen SR-Bank would maintain an ownership stake that would amount to at least 25% of the shares issued in SpareBank 1 SR-Bank.

Deviations from the Code of Practice:

The board has not established explicit general principles for handling take-over bids. The reason for this is the Financial Institutions Act's restrictions on ownership of financial institutions and the licensing conditions in connection with the conversion to ASA. The board endorses the Code of Practice's wording on this point.

POINT 15 AUDITOR

The external auditor presents an annual audit plan to the audit committee and board.

The audit committee recommends the election of an auditor to the board. The board holds at least one annual meeting with the auditor without the executive management team being present. The audit committee makes recommendations to the board concerning approval of the external auditor's fees. The board then presents the proposals concerning fees to the supervisory board and the general meeting for approval.

The external auditor shall provide the audit committee with a report on the main elements of the audit of the previous financial year, including, in particular, any material weaknesses identified with respect to internal control relating to the financial reporting process.

Deviations from the Code of Practice: None

Report on corporate governance pursuant to section 3-3b of the Accounting Act

The report complies with the requirements of the act.

1. SpareBank 1 SR-Bank ASA complies with the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NCGB).
2. The Code of Practice is available on www.nues.no
3. Any deviations from the Code of Practice are commented on in the board's report on corporate governance.
4. Point 10 of the report provides a description of the main elements of the internal control and risk management systems associated with financial reporting processes.
5. SpareBank 1 SR-Bank has no articles of association that deviate from chapter 5 of the Public Limited Liability Companies Act that deals with general meetings.
6. An account is provided of the composition of the board, its working committees, the supervisory board, and the control committee, and a description is provided of the main elements of the guidelines and mandates for these bodies in points 8 and 9 of the report.
7. An account of the provisions of the articles of association that regulate the appointment and replacement of board members is provided in point 8 of the report.
8. An account of the provisions of the articles of association and authorisations that empower the board to decide that the enterprise will buy back or issue its own shares is provided in point 3 of the report.

GOVERNING BODIES

SUPERVISORY BOARD

Shareholder-elected members

Per Sekse, chair, Sandnes (1 625)
 Arvid Langeland, Jørpeland (35 808)
 Bente Thurmann-Nielsen, Erfjord (16 883)
 Berit Rustad, Trondheim (0)
 Egil Fjogstad, Stavanger (2 525 000)
 Hanne Eik, Stavanger (15 162)
 Helge Leiro Baastad, Oslo (26 748 416)
 Hilde Lekven, Nesttun (72 419 305)
 Jan Atle Toft, Lyngdal (2 872)
 Jorunn Kjellfrid Nordtveit, Valen (6 226 583)
 Jørgen Ringdal, Oslo (26 748 416)
 Leif Inge Slethei, Røyneberg (675 000)
 Leif Sigurd Fiskekjøn, Egersund (40 000)
 Liv Gøril Johannessen, Vedavågen (639)
 Ove Iversen, Hundvåg (112 000)
 Steinar Haugli, Jevnaker (415 437)
 Svein Kj. Søyland, Ålgård (72 419 305)
 Terje Nysted, Forsand (654 930)
 Terje Vareberg, Stavanger (186 163)
 Tone Haddeland, Sandnes (3 502)
 Tore Heggheim, Hafrsfjord (72 419 305)
 Trygve Jacobsen, Hafrsfjord (1 577 534)

Employee-elected members

Anne Nystrøm Kvale, Stavanger (26 809)
 Arne Geir Larsen, Bjerkreim (329)
 Astrid Saurdal, Egersund (9 251)
 Elin Garborg, Bryne (4 874)
 Frode Sandal, Sola (3 559)
 Silje Eriksen Bølla, Bryne (4 300)
 Smiljana Divjak, Flekkefjord (0)
 Thomas Fjellidal Gaarder, Bergen (165)

CONTROL COMMITTEE

Odd Jo Forsell, chair, Stavanger (0)
 Vigdis Wiik Jacobsen, Stavanger (18 581)
 Egil Fjogstad, Stavanger (2 525 000)

BOARD OF DIRECTORS

Ingvald Løyning, chairman, Stavanger (41 052)
 Gunn Jane Håland, Stavanger (0)
 Erling Øverland, Stavanger (18 935)
 Tor Dahle, Stavanger (72 462 175)
 Birthe Cecilie Lepsøe, Bergen (0)
 Siv Juvik Tveitnes, Sola (0)
 Odd Torland, Stavanger (0)
 Sally Lund-Andersen, Haugesund (ansattes representant) (2 194)
 Oddvar Rettedal, Stavanger (ansattes representant) (8 089)

NOMINATION COMMITTEE

Per Sekse, chair, Sandnes (1 625)
 Hilde Lekven, Nesttun (72 419 305)
 Trygve Jacobsen, Hafrsfjord (1 577 534)
 Helge Leiro Baastad, Oslo (26 748 416)
 Thomas Fjellidal Gaarder, Bergen (165)

AUDIT COMMITTEE

Birthe Cecilie Lepsøe, chair, Bergen (0)
 Erling Øverland, Stavanger (18 935)
 Siv Juvik Tveitnes, Sola (0)
 Tor Dahle, Stavanger (72 462 175)

RISK COMMITTEE

Tor Dahle, chair, Stavanger (72 462 175)
 Birthe Cecilie Lepsøe, Bergen (0)
 Erling Øverland, Stavanger (18 935)
 Siv Juvik Tveitnes, Sola (0)

REMUNERATION COMMITTEE

Gunn-Jane Håland, chair, Stavanger (0)
 Odd Torland, Stavanger (0)
 Birthe Cecilie Lepsøe (0)

EXECUTIVE MANAGEMENT

CEO Arne Austreid (16 999)
 CFO Inge Reinertsen (40 822)
 Executive VP Retail Market Jan Friestad (28 508)
 Executive VP Corporate Market Tore Medhus (32 299)
 Executive VP Communications Thor-Christian Haugland (11 456)
 Executive VP HR Inglen Haugland (23 939)
 Executive VP Business Support & Development Glenn Sæther (12 137)
 Executive VP Risk Management & Compliance Frode Bø (14 452)

EXTERNAL AUDITOR

PricewaterhouseCoopers AS
 v/Gunnar Slettebø, State Authorised Public Accountant (Norway)

(The figures in brackets provide an overview of the number of shares in SpareBank 1 SR-Bank ASA owned by the person concerned as of 31 December 2014. The figures also include shares belonging to immediate family members and companies where the person has a determining influence, ref. Accounting Act, section 7-26. In addition to this, the shares of the institution the individual representative was elected on behalf of are included.)



BOARD OF DIRECTORS



INGVALD LØYNING
(1956),
CHAIRMAN
OF THE BOARD

Ingvald Løyning is CEO of Det Stavangerske Dampskibsselskap (DSD). He was previously CEO of Kverneland Group until Desember 2014. From 1995 to 2006 he worked in various positions in the Nutreco system, including as managing director in Skretting and the chief executive of Marine Harvest, and had global responsibility at Nutreco for fish feed. A complete overview of the board he sits on is available on: www.sr-bank.no/IR. Løyning graduated in trade and economics from the Oslo School of Business Administration/BI. Standing for re-election in 2016.



GUNN-JANE HÅLAND
(1963),
BOARD MEMBER

Special adviser within gas strategy and portfolio in Petoro AS, Stavanger. She also has 15 years' experience from banking and finance. She holds a Master in Business Administration (MBA) from BI Norwegian Business School. Standing for re-election in 2015



TOR DAHLE
(1952),
BOARD MEMBER

General Manager, Sparebankstiftelsen SR-Bank, Stavanger. He has experience from various management positions in SpareBank 1 SR-Bank, most recently as managing director of SR-Investering AS. He is the chairman of the board of EM Software Partners AS and EMT Eiendom AS. He graduated in business economics (Siviløkonom) from the Norwegian School of Economics and Business Administration (NHH). Standing for re-election in 2016.



BIRTHE CECILIE LEPSØE
(1971),
BOARD MEMBER

Former Finance Manager of Grieg Shipping Group, Bergen. She has many years of experience from the shipping division in DnB. She graduated in business economics (Siviløkonom) from BI Norwegian Business School. Standing for re-election in 2016.



ERLING ØVERLAND
(1952),
BOARD MEMBER

General Manager, Trifolium AS, Stavanger. He has previous experience from various managerial positions in Statoil ASA and as president of the Confederation of Norwegian Enterprise (NHO). He is the chairman of the board of PCI Biotech Holding ASA, the Business Sector's NOx Fund, and Pulpit Rock Energy AS, and sits on the boards of Sparebankstiftelsen SR-Bank and the University of Stavanger. He graduated in business economics (Siviløkonom) from the Norwegian School of Economics and Business Administration (NHH). Standing for re-election in 2015.



SIV JUVIK TVEITNES
(1974),
BOARD MEMBER

Managing director of Stavanger Aftenblad since 2013 and has previously been the director in charge of finance and staff at Bergens Tidende. She is the chairman of the board of Nykirkebakken 1. Juvik Tveitnes graduated in media sciences, psychology and business administration at the University of Bergen and also holds a Master of Science in Management from the University of Bath, England. Standing for re-election in 2016.



ODD TORLAND
(1964),
BOARD MEMBER

CEO, Smedvig AS, Stavanger. He is the former chief executive of Scana Industrier ASA. He sits on the boards of a number of companies. A complete overview is available on: www.sr-bank.no/IR. He qualified as a state authorised public accountant at the Norwegian School of Economics and Business Administration (NHH). Standing for re-election in 2015.



ODDVAR RETTEDAL
(1953),
EMPLOYEE-ELECTED
BOARD MEMBER

Financing product manager at SpareBank 1 SR-Bank ASA. Standing for re-election in 2016.



SALLY LUND-ANDERSEN
(1961),
EMPLOYEE-ELECTED
BOARD MEMBER

Chief employee representative in SpareBank 1 SR-Bank ASA. She sits on the board of SpareBank 1 Gruppen AS and is the chairman of the board of the Rogaland branch of the Finance Sector Union of Norway. Standing for re-election in 2015.

REPORT OF THE BOARD OF DIRECTORS

The SpareBank 1 SR-Bank Group achieved a pre-tax profit of NOK 2,601 million in 2014. The net profit for the year amounted to NOK 2,095 million, compared with NOK 1,860 million in 2013. The return on equity after tax was 14.2%, compared with 14.0% in 2013.

The SpareBank 1 SR-Bank Group achieved a pre-tax profit of NOK 2,601 million in 2014. The net profit for the year amounted to NOK 2,095 million, compared with NOK 1,860 million in 2013. The return on equity after tax was 14.2%, compared with 14.0% in 2013.

The board of directors is very satisfied with the result for 2014. The staunch efforts of the staff, good credit quality of the loan portfolio, and close customer relationships were important drivers behind a strong result. Our market position as Southern and Western Norway's leading financial group was further strengthened by 5,900 new retail customers aged 13 and above and 700 new corporate customers.

Lending, including loans sold to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, grew by 4.7% in 2014. The growth in deposits increased from 6.0% in 2013 to 13.7% in 2014. The deposit coverage ratio, measured in terms of deposits as a percentage of gross loans, fell from 59.6% to 57.5% during 2014.

Net interest income totalled NOK 2,404 million in 2014, compared with NOK 2,119 million in 2013. Net interest income as a percentage of average total assets amounted to 1.45% in 2014, up from 1.42% in 2013. The improvement was primarily due to lower funding costs.

Net commissions and other operating income totalled NOK 1,732 million in 2014, down from NOK 1,824 million in 2013. The reduction was largely due to the buy back of home mortgages that had previously been sold to SpareBank 1 Boligkreditt AS. Income from sales of savings and insurance products, as well as arrangement/customer fees, increased moderately during the same period. The net return on financial investments amounted to NOK 778 million in 2014, compared with NOK 555 million in 2013. This includes the group's share of the profit from SpareBank 1 Gruppen AS, BN Bank ASA, SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. The profit from the sale of the shares in Nets Holding AS amounted to NOK 202 million.

The group's operating costs amounted to NOK 2,056 million for the year, compared with NOK 2,019 million in 2013. This represents an increase of NOK 37 million (1.8%) compared with

2013. Personnel costs rose by NOK 6 million (0.5%) to NOK 1,202 million, while other costs increased by NOK 31 million (3.7%) to NOK 854 million. The cost/income ratio, measured as operating costs in relation to income, was improved from 44.9% to 41.8%.

Impairment losses on loans totalled NOK 257 million, compared with NOK 132 million in 2013. Impairments on groups of loans increased by NOK 75 million in 2014. The group increased group write-downs due to external market conditions and greater uncertainty because of lower oil prices.

The allocation of the year's profit is based on the parent bank's distributable profit of NOK 1,908 million for 2014. The board proposes that NOK 512 million be paid in dividends, corresponding to NOK 2.00 per share, while NOK 1,396 million be allocated to other equity and enhancing the group's financial strength.

The common equity tier 1 capital ratio increased in 2014, from 11.1% at year-end 2013 to 11.5% at year-end 2014. The tier 1 capital ratio (including hybrid tier 1 capital) was reduced in the same period to 12.3% from 12.8%. This was due to one tier 1 capital instrument maturing in the fourth quarter of 2014 and not being replaced. At year-end 2014, SpareBank 1 SR-Bank is in a solid financial position and well-equipped to meet the stricter regulatory requirements for financial strength while developing its leading position in Norway's strongest growing region in the last 10 years. Its financial strength well exceeds the minimum target set by the board for 2014 of a common equity tier 1 capital ratio of 11%.

NATURE OF THE BUSINESS

The SpareBank 1 SR-Bank Group consists of the parent bank, SpareBank 1 SR-Bank ASA, and subsidiaries.

The most important subsidiaries are: SpareBank 1 SR-Finans AS, EiendomsMegler 1 SR-Eiendom AS, SR-Investering AS and SR-Forvaltning AS.

SpareBank 1 SR-Bank's head office is in Stavanger and it has 48 branches in the counties of Rogaland, Hordaland, Vest-Agder and Aust-Agder. The group's primary activities are selling and procuring a wide range of financial products and services, investments services, and leasing and estate agency.

GROUP'S PERFORMANCE

SpareBank 1 SR-Bank recorded good progress in all of the group's business areas in 2014. The group further strengthened its position as the market leader in the retail and corporate markets in Rogaland. The capital market division has established itself as the region's leading expert environment in its field. The group's position in the estate agency market has helped EiendomsMegler 1 become the largest chain of estate agents in Norway. EiendomsMegler 1 SR-Eiendom AS is the market leader in Rogaland, and further strengthened its position in Hordaland and the Agder counties in 2014.

The group's subsidiaries and its strategic stakes in the SpareBank 1 Alliance's product companies make a significant contribution to SpareBank 1 SR-Bank's earnings. Among the subsidiaries, the level of activity remained high in the estate agency company and the financing company SpareBank 1 SR-Finans. Collaboration between the group's various business areas was further strengthened and clarified in 2014 by operationalising and refining our strategic 'One door in' concept. This is helping to ensure the group delivers a complete and competitive range of products and services to a steadily larger customer base.

The banking market was again highly competitive in 2014. The competition within financing home mortgages is more intense than that within financing corporate loans due to steadily clearer signals that significantly stricter requirements will be introduced vis-à-vis the industry's financial strength. The moderate growth in lending was due to a combination of greater competition in the market for home mortgages, slightly lower growth in the Norwegian economy, and weak price growth for homes in our main market, Rogaland. Lending to corporate customers increased somewhat towards the end of the year, largely due to the weaker NOK exchange rate. Deposit margins were tight, although they expanded slightly in the retail market during the year due to a heavy focus within the organisation on strengthening income from deposits. Deposits grew by no less than 13.7% in 2014. Overall, earnings were better in 2014 than in 2013.

Net commissions and other operating income decreased from 2013 to 2014. The reduction was primarily attributable to lower commissions from SpareBank 1 Boligkreditt AS due to the buy back of home mortgages in 2014. Income from sales of insurance products, savings and investment products, and income from arrangement/customer fees were slightly higher than in 2013.

The equity and interest rate markets were again volatile in 2014, especially in the second half of the year. This was in part a consequence of falling oil prices. Capital gains from securities totalled NOK 140 million for the full year. This includes the

profit from the sale of the shares in Nets Holding AS, which amounted to NOK 202 million.

Impairment losses on loans totalled NOK 257 million in 2014, compared with NOK 132 million in 2013. Impairments on groups of loans increased by NOK 75 million in 2014. The group increased group write-downs due to external market conditions and greater uncertainty because of lower oil prices. Impairments as a percentage of gross loans amounted to 0.20%. The board is satisfied with the quality of the loan portfolio and believes the risk management is good.

DEVELOPMENTS IN THE GROUP'S MARKET AREAS

Households have become somewhat less optimistic as far as the development of the Norwegian economy is concerned, which is partly reflected in the level of activity in the housing market and partly by the lower consumer growth. Mainland Norway's gross domestic product (GDP) is expected to grow by around 1% in 2015, a reduction from 2.4% in 2014. Lower oil prices and a reduction in oil investments have dampened activity in the Norwegian economy to some extent.

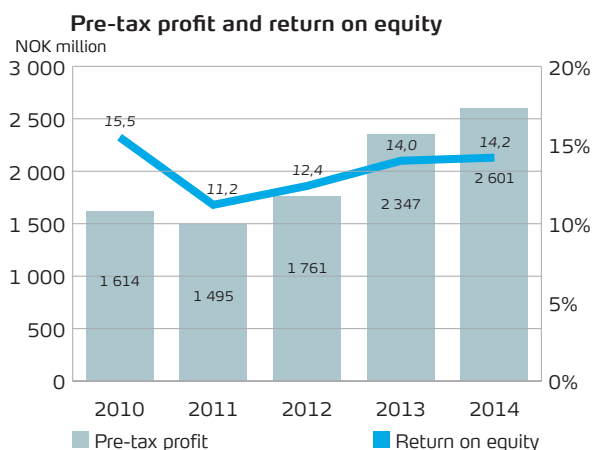
Demographic development trends are very important for the group's framework conditions. For a long time now, the group's primary area has seen high migration and population growth. The percentage of people with a disability is also significantly lower than the national average. The population is relatively young in and around the regional centres, and along the coast of Southern and Western Norway. The population growth trend has continued in recent years and Rogaland and Hordaland have in particular seen increases above the national average, while growth in the Agder counties has been in line with the national average. Statistics Norway's population growth forecasts reinforce expectations that growth in Rogaland and Hordaland especially will remain above the national average. On the other hand, the expected drop in oil investments in the next few years has made the aforementioned forecast more uncertain.

According to the Norwegian Labour and Welfare Administration (NAV) the unemployment rate in Norway was 2.9% at the end of December 2014. In Rogaland the unemployment rate was 2.4%, in Hordaland it was 2.5%, and in Vest-Agder and Aust-Agder it was 3.1% and 4.0% respectively.

The risk of lower growth in the Norwegian economy has increased in part due to lower oil prices. Estimates vary from simply a minor negative effect to more serious consequences for employment, all depending on whether oil prices remain low over time or not.

Housing prices flattened out in 2014 and in the group's market area were approximately 0-2% higher at year-end 2014 than they were a year earlier. The poor price trend in the

housing market, combined with expectations of slightly higher unemployment in the future, may result in the building of fewer new homes in 2015.

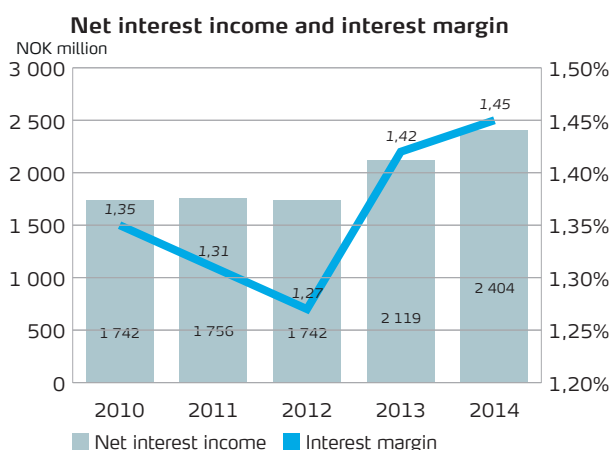


FINANCIAL PERFORMANCE

NET INTEREST INCOME

The group's net interest income increased by NOK 285 million from NOK 2,119 million to NOK 2,404 million in 2014. The interest margin amounted to 1.45% of average total assets, up from 1.42% in 2013.

Net interest income performance must be viewed in the context of the sale of loan portfolios to the mortgage companies. Income from these loans is recognised as commissions after their sale. By year-end 2014, the bank had sold NOK 32.9 billion of loans to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, compared to NOK 46.4 billion at year-end 2013. Commissions dropped during the year and amounted to NOK 468 million at the end of the year, compared with NOK 611 million in 2013.



OTHER OPERATING INCOME

Net commissions and other operating income totalled NOK 1,732 million in 2014, compared with NOK 1,824 million in 2013.

Net commissions were NOK 1,292 million in 2014 and NOK 1,380 million the year before. NOK 143 million of the NOK 88 million year-on-year reduction is attributable to lower commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. The reduction was due to the group reducing the proportion of sold loans to the mortgage companies by a total of NOK 13.5 billion in 2014. Other commissions were up by around 7% from 2013, with the growth in income primarily due to arrangement fees, brokerage commissions and insurance income.

Other operating income amounted to NOK 440 million, a slight reduction from NOK 444 million in 2013. This was primarily income from the group's estate agency business.

Net income from financial investments was NOK 778 million in 2014, an increase from NOK 555 million in 2013. NOK 140 million of this amount was capital gains on securities (capital losses of NOK 81 million) and NOK 96 million (NOK 248 million) was capital gains on interest rate and foreign exchange trading. Furthermore, income from ownership interests totalled NOK 506 million (NOK 355 million) and dividends NOK 36 million (NOK 33 million).

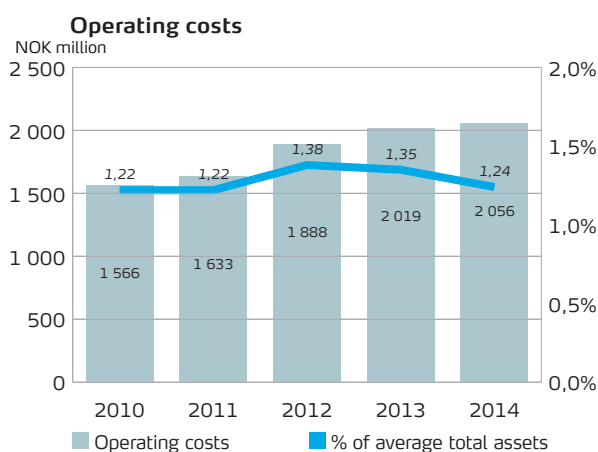
Capital gains on securities of NOK 140 million in 2014 were derived from capital gains of NOK 232 million from the portfolio of equities and equity certificates, NOK 202 million of which was profit from selling the shares in Nets Holding AS, and capital losses of NOK 92 million from the interest portfolio.

Income from ownership interests in 2014 amounted to NOK 506 million (NOK 355 million). The share of the net profit for the year from SpareBank 1 Gruppen amounted to NOK 356 million (NOK 216 million), from SpareBank 1 Boligkreditt AS it amounted to NOK 49 million (NOK 66 million), and from SpareBank 1 Næringskreditt AS it amounted to NOK 32 million (NOK 7 million). The share of the profit from BN Bank was NOK 66 million (NOK 59 million).

OPERATING COSTS

The group's operating costs totalled NOK 2,056 million in 2014. This represents an increase of NOK 37 million (1.8%) compared with 2013. The costs in 2014 was affected by non-recurring items relating to personnel-related restructuring amounting to NOK 13 million and non-recurring effects from pension-related items of NOK 2 million.

The group's cost/income ratio, costs measured as a percentage of income, was 41.8% in 2014 (44.9%).

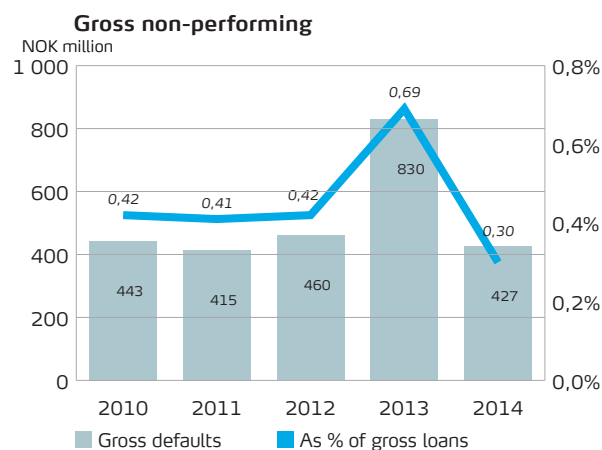


At year-end 2014, the group had 1,162 full time equivalents, of which 1,106 were full-time employees. The full time equivalents figure decreased by 52 in 2014, compared with decreasing by of 49 in 2013.

LOSSES AND DEFAULTS

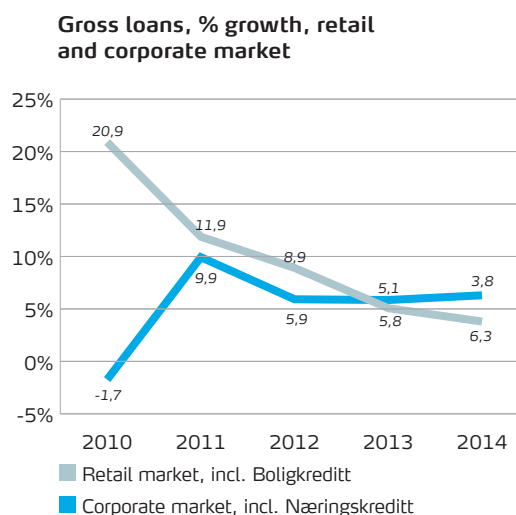
The group recognised NOK 257 million in net impairment losses on loans in 2014 (NOK 132 million). This corresponds to impairments as a percentage of gross loans of 0.20% (0.11%). Impairments on groups of loans were increased by NOK 75 million in 2014. Closely monitoring customers and preventive work are important tools in maintaining this good credit quality, and contribute to the continued moderate write-downs on loans.

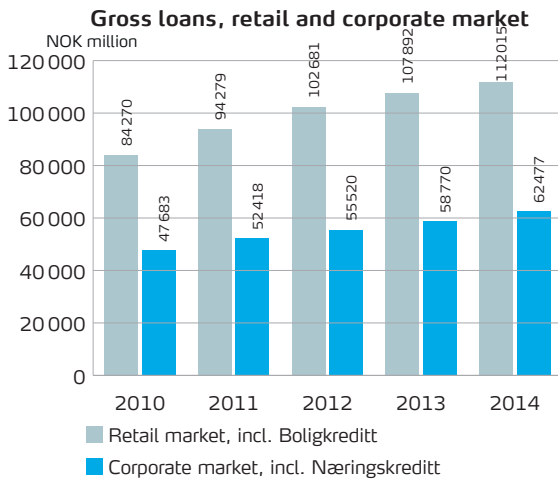
Gross non-performing commitments amounted to NOK 427 million in 2014 (NOK 830 million). This corresponds to 0.30% of gross loans (0.69%). The portfolio of performing problem loans totalled NOK 513 million (NOK 439 million). This corresponds to 0.36% of gross loans (0.37%). Total non-performing and impaired loans in 2014 came to NOK 940 million (NOK 1,269 million). In terms of gross lending this represents a reduction from 1.06% to 0.66% in 2014. The loan loss provisions ratio, measured as individual impairments as a percentage of non-performing and impaired loans, was 22% (26%) and 45% (53%), respectively, at year-end 2014.



BALANCE SHEET

The group's total assets recognised on the balance sheet increased from NOK 157.0 billion to NOK 174,9 billion in 2014. The increase was due to lending growth and the buy back of lending portfolios from SpareBank 1 Boligkreditt AS. At year-end 2014, SpareBank 1 SR-Bank had sold loans worth NOK 32.9 billion to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, compared with NOK 46.4 billion at year-end 2013. If the loan portfolios of these part-owned mortgage companies are taken into account, lending growth amounted to 4.7% and total loans NOK 174.5 billion at year-end 2014. Retail market lending rose by 3.8% while lending to the corporate market and public sector increased by 6.3%. The division between loans to the retail market (including SpareBank 1 Boligkreditt AS) and the corporate market/public sector (including SpareBank 1 Næringskreditt AS) was 63.0% to 37.0%, respectively, at year-end 2014, compared with 63.4% to 36.6% in 2013.

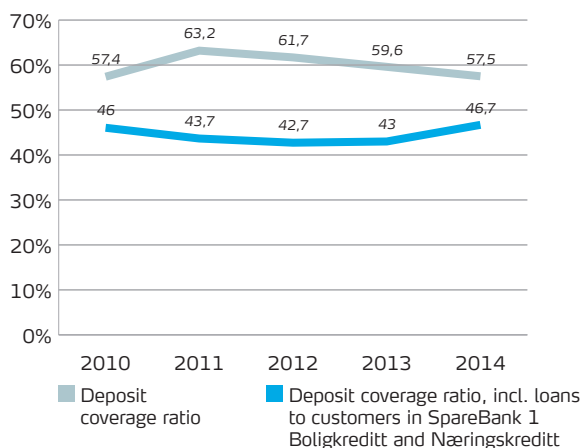




Deposits from customers rose by 13.7% (6.0%) over the last 12 months to NOK 81.5 billion (NOK 71.7 billion). Deposits from the corporate market and public sector accounted for 52.5% (49.5%) of the group's customer deposits at year-end 2014.

At year-end 2014, the deposit coverage ratio, measured as deposits as a percentage of gross loans, was 57.5% (59.6%). In a highly competitive market, the group has maintained both a good deposit coverage ratio and at the same time strengthened its long-term funding. The Financial Supervisory Authority of Norway's Liquidity Indicator 1 (the proportion of liquid assets funded by debt with a maturity of more than 1 year) was 109.0% for the parent bank and 110.7% on a consolidated basis. In addition to ordinary customer deposits, the group had NOK 15.5 billion (NOK 13.9 billion) under management, primarily through SR-Forvaltning AS and ODIN Forvaltning AS.

Deposit coverage ratio



RETAIL MARKET DIVISION

The retail market division's contribution before impairment losses on loans was NOK 1,370 million at year-end 2014. The improvement of NOK 44 million from last year was due to higher net interest, an increase in commissions, and good cost management. Commissions from payment systems grew weakly, while the growth within insurance and investment services was good.

In 2014, the division grew lending by 4.2% and deposits by 8.9%. The lower lending growth was due to the competition situation and the somewhat subdued development of house prices. Throughout the year, the division enjoyed strong progress in sales of deposit, savings and pension products, which is a result of a long-term focus on investment advice.

The division gained 5,900 new customers aged 13 and above in 2014. The systematic development of existing customer portfolios, targeted growth and the launch of new payment products contributed to this growth.

The proportion of bank customers who use digital channels is very high and the focus on digital services and channels will continue. SpareBank 1 launched the first 'wristwatch bank' in Norway in the fourth quarter of 2014. This enables SpareBank 1 customers to check their balance and latest transactions using their smart watch. This change in customer behaviour is expected to continue as new digital banking services are developed and launched.

Net impairment losses on loans remained low and the percentage of non-performing loans was 0.30% of total loans.

CORPORATE MARKET DIVISION

The corporate market division's contribution before impairment losses on loans was NOK 1,082 million in 2014. This is NOK 123 million higher than in 2013. The increase in net interest income and other operating income and concurrent reduction in costs largely explain the year-on-year improvement in the result.

In the last 12 months, the division increased its lending by 5.2% and deposits by 21.6%. It is actively working on across-the-board sales of the group's products, and product coverage is increasing. Commissions and other operating income were up compared with 2013.

Net individual write-downs of NOK 164 million were recognised in 2014, compared with NOK 130 million in 2013. The division increased group write-downs in 2014 due to external market conditions and greater uncertainty because of lower oil prices. The total level of write-downs is below the long-term expected average and the proportion of non-performing loans is low.

Priority areas for the division are balanced and long-term volume growth, good customer relationships and a well-developed range of products.

CAPITAL MARKET DIVISION

The division's areas of expertise complement traditional banking operations and the group's resources within securities activities and management. Securities activities are organised under the SR-Bank Markets brand and include customer and own account trading in fixed income instruments, foreign exchange and equities, analysis and corporate finance services. Capital management is performed via a separate subsidiary, SR-Forvaltning AS.

In 2014, SR-Bank Markets saw an operating result before the allocation of customer income to other business areas of NOK 71 million (NOK 107 million). Lower income from interest rate and currency instruments, as well as a fall in the value of the bank's bond portfolio, had a negative impact on the result in relation to the same period last year. The bulk of our income still comes from customer trading in interest rate and currency instruments.

Corporate finance has enjoyed good activity with more completed transactions, while income from the sale of equities and bonds has been relatively stable.

SUBSIDIARIES

The subsidiaries' products and services enable the group to offer a broader range to customers and enhance the bank's earnings basis. Good internal teamwork and joint marketing make the group a one-stop provider of financial products and services.

EiendomsMegler 1 SR-Eiendom AS is well represented throughout the group's entire market area and has 35 branches from Grimstad to Bergen. It is the leading estate agent in Rogaland and Vest-Agder, and is also increasing its market share in both Hordaland and Aust-Agder. The company achieved a pre-tax profit of NOK 55.5 million (NOK 41.9 million). The improvement in the result is an effect of increased volume, cost reducing measures and more efficient operations.

7,540 properties were sold in 2014 compared with 7,246 in 2013. In total the company sold properties worth NOK 22.5 billion. The supply of new assignments was good and on a par with 2013. The company has strengthened its market position since the same point in 2013. It holds a strong position in Rogaland with a market share of more than 40%. Its market positions in the Agder counties and Hordaland have also been

strengthened in the same period. The influx of orders within commercial property for both premises for lease and sale is good. The number of transactions was on a par with 2013. We are noting a rise in the number of vacant office premises in the Forus area, and this may have a negative effect on the commercial property market.

SpareBank 1 SR-Finans AS main activities are lease financing for the business sector and secured car and boat loans. The company achieved a pre-tax profit of NOK 145.9 million in 2014 (NOK 149.0 million). The reduction in pre-tax profit in 2014 is primarily attributable to the fact that the result in 2013 was affected by lower losses due to a reversal of previous impairment losses on loans. Profit before impairments and losses was NOK 155.1 million (NOK 149.9 million). Net lending has increased by 8.8% in 2014 and at year-end 2014 it amounted to NOK 6.8 billion (NOK 6.2 billion).

6,907 new contracts were established in 2014 (7,083). The company's total new sales in 2014 amounted to NOK 2.6 billion (NOK 2.4 billion).

SR-Forvaltning AS is an investment firm licensed to provide active management and fund management services. Pre-tax profit was NOK 26.7 million in 2014 (NOK 22.4 million). The company had assets of NOK 9.3 billion under management at year-end 2014. This represents an increase of NOK 1.6 billion since the start of 2014.

SR-Investering AS's object is to contribute to the long-term creation of value through investments in the business sector in the group's market area. The company primarily invests in private equity funds and companies in the SMB segment that need capital to develop and grow further. Its pre-tax profit amounted to NOK 0.5 million in 2014, which is a reduction from NOK 11.8 million in 2013. At year-end 2014, the company had investments of NOK 155.6 million (NOK 164.7 million) and residual commitments linked to these of NOK 80.4 million (NOK 82.7 million).

SPAREBANK 1 BOLIGKREDITT AS AND SPAREBANK 1 NÆRINGSKREDITT AS

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS are licensed mortgage companies that issue covered bonds secured by home mortgage or commercial real estate portfolios sold by the owner banks. The companies are owned by the savings banks that make up the SpareBank 1 Alliance and help ensure the owner banks have access to stable, long-term funding at competitive rates.

At year-end 2014, SpareBank 1 Boligkreditt AS's total lending volume amounted to NOK 161.2 billion, NOK 32.3 billion of which were home mortgages bought from SpareBank 1 SR-Bank. The bank currently owns a 20.1% stake in the company. This is updated at the end of each year in line with the volume sold.

At year-end 2014, SpareBank 1 Næringskreditt AS's total lending volume amounted to NOK 16.1 billion, NOK 0.6 billion of which were loans that had been bought from SpareBank 1 SR-Bank. The bank owns a 26.8% stake in the company.

THE SPAREBANK 1 ALLIANCE

The SpareBank 1 Alliance's purpose is to acquire and provide competitive financial services and products and to exploit economies of scale in the form of lower costs and/or higher quality. Thus, the alliance helps ensure private individuals and companies local roots, expertise and a simpler everyday life. The alliance is also intended to help secure the participating banks' value creation for the benefit of their own regions and the banks' owners.

The SpareBank 1 banks run the alliance through their ownership and participation in SpareBank 1 Banksamarbeidet DA, while the development and operation of product companies is organised through the banks' ownership of the holding company SpareBank 1 Gruppen AS.

SpareBank 1 Gruppen AS is owned by SpareBank 1 SR-Bank (19.5%), SpareBank 1 Nord-Norge (19.5%), SpareBank 1 SMN (19.5%), Sparebanken Hedmark (12%), Samarbeidende Sparebanker AS (19.5% – owned by 11 savings banks in Southern Norway), together with the Norwegian Confederation of Trade Unions (LO)/trade unions affiliated to LO (10%).

SpareBank 1 Gruppen AS owns 100% of SpareBank 1 Forsikring AS, SpareBank 1 Skadeforsikring AS, ODIN Forvaltning AS, Conecto AS, SpareBank 1 Medlemskort AS and SpareBank 1 Gruppen Finans AS.

SpareBank 1 Gruppen AS delivered a net profit for 2014 of NOK 1,849 million in 2014 (NOK 1,097 million). The improvement in the result was due to good profit performance in the group's major business areas. SpareBank 1 Skadeforsikring made a particularly significant contribution with a NOK 585 million improvement on its result from 2013. The good progress made by SpareBank 1 Skadeforsikring was due to an improvement in the insurance result because of lower compensation costs and higher profit prior years. SpareBank 1 SR-Bank's share of the profit in 2014 was NOK 360.5 million, compared with NOK 218.1 million in 2013.

SpareBank 1 Gruppen AS bears administrative responsibility for the collaboration processes in the SpareBank 1 Alliance, where technology, brands, expertise, common processes/application of best practice, and procurement are key elements. The alliance is also engaged in development work through three resource centres: learning (Tromsø), payments (Trondheim) and credit (Stavanger). Among other things, the alliance is focusing more heavily on refining self-service digital and mobile solutions in 2014.

BN BANK ASA AND BANK 1 OSLO AKERSHUS AS

SpareBank 1 SR-Bank and the other savings banks in the SpareBank 1 Alliance acquired Glitnir Bank ASA towards the end of 2008. It has since been renamed BN Bank ASA. SpareBank 1 SR-Bank's owned a 23.5% stake in it at year-end 2014. The share of the profit from BN Bank increased from NOK 59.2 million in 2013 to NOK 66.0 million in 2014.

EVENTS AFTER THE BALANCE SHEET DATE

In January 2015, the group agreed to acquire Swedbank's branch in Stavanger. In January 2015, the group acquired the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet AS, which includes three offices in Stavanger, Sandnes and Ålgård. Both acquisitions were effective from the first quarter of 2015.

On 24 February 2015, SpareBank 1 SR-Bank received permission from the Financial Supervisory Authority of Norway to use Advanced IRB for the corporate market.

No material events have been recorded after 31 December 2014.

ACCOUNTING POLICIE

SpareBank 1 SR-Bank prepares its parent bank and consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The description of the accounting policies applied by the group, in Note 2 to the accounts, sets out a more detailed account of important factors relating to treatment for accounting purposes in accordance with IFRS.

CORPORATE GOVERNANCE

Corporate governance in SpareBank 1 SR-Bank ASA comprises the objectives and overriding principles according to which the group is governed and controlled, to secure the interests of shareholders, customers and other groups. Governance of the group's activities shall ensure prudent asset management and greater assurance that publicly declared goals and strategies are reached and realised.

The corporate governance principles are based on three main pillars: openness, predictability and transparency. The group has defined the following main corporate governance principles:

- Value creation for shareholders and other interest groups
- A structure that ensures goal-oriented and independent management and control
- Systems that ensure good measurability and accountability
- Effective risk management
- Well set-out, easily understood and timely information
- Equal treatment of shareholders and a balanced relationship with other interest groups
- Compliance with legislation, regulations and ethical standards

SpareBank 1 SR-Bank has no provisions in its articles of association that restrict the right to sell the company's shares. The board is not aware of any agreements between shareholders that limit opportunities to sell shares or to exercise voting rights for shares. According to the terms of the licence, the Sparebankstiftelsen SR-Bank foundation must own at least 25% of outstanding shares. The board approves the guidelines for remuneration to senior executives each year. The guiding policies for the coming financial year are presented to the general meeting for an advisory vote, while the binding guidelines for the allocation of shares, etc. as part of the group's remuneration scheme for the coming financial year are presented to the general meeting for approval.

The group's corporate governance policy is based on the Norwegian Code of Practice for Corporate Governance. Further information on corporate governance, pursuant to section 3-3b of the Accounting Act, is provided in a separate section of the annual report. There is also a special section on corporate social responsibility. The information has also been published on: www.sr-bank.no/InvestorRelations.

RISK MANAGEMENT

SpareBank 1 SR-Bank's core activity is to create value by assuming recognised and acceptable risks. The group, therefore, invests significant resources in maintaining and developing risk management systems and processes that are in line with leading international practice. The board of SpareBank 1 SR-Bank has established its own risk committee.

The risk and capital management should underpin the group's strategic development and goal attainment, while ensuring financial stability and prudent asset management. This shall be achieved through:

- A strong organisational structure characterised by high awareness of risk management
- A good understanding of what risks drive earnings
- Striving for optimal capital allocation within the adopted business strategy
- Preventing unexpected single events from damaging the group's financial position to a serious extent
- Making the most of all synergy and diversification effects

The group's risk is quantified, inter alia, by computing expected losses and risk-adjusted capital so it can cover any unexpected losses. Expected losses describe the amount one statistically expects to lose during a 12-month period, while risk-adjusted capital describes how much capital the group believes it needs to cover the actual risk to which the group is exposed.

The most important risks the group is exposed to are credit risk, market risk, liquidity risk, operational risk and ownership risk.

CREDIT RISK

Credit risk is managed via the framework procedures for granting credit, monitoring commitments and portfolio management. The general credit strategy stipulates that the group shall have a moderate risk profile. Non-performance developed positively in 2014, while lending losses increased slightly due to increased write-downs of groups of loans. The group increased group write-downs due to external market conditions and greater uncertainty because of lower oil prices. A good and sustained focus on risk management has helped maintain the good credit quality of the portfolio.

The quality of the corporate market portfolio is good and has improved slightly when compared with 2013. The quality of the retail market portfolio remains very good and its development in 2014 was characterised by slightly lower loan-to-collateral value ratios that further improve the portfolio's already low risk profile. Most of the portfolio is secured by mortgages on real estate, and the LTV is, for the most part, moderate. This implies that potential losses are limited as long as the values are not significantly impaired.

MARKET RISK

Market risk is managed on the basis of conservative limits for positions in interest instruments and currencies, as well as investments in shares and bonds. The board reviews and approves the limits at least once a year.

Part of the group's market risk is linked to investments in bonds and commercial papers. At the end of 2014, the group's holdings of liquid assets in the form of bonds and certificates totalled NOK 15.1 billion. When quantifying risks linked to impairment in the value of the liquidity portfolio, SpareBank 1 SR-Bank distinguishes between systematic risk (market risk) and unsystematic risk (default risk). Default risk associated with the aforementioned portfolio is quantified as credit risk.

Risk activities relating to trading in foreign exchange, interest rate instruments and securities arise within the limits, authorities and credit lines for counterparties that are adopted at any time. SpareBank 1 SR-Bank assumes, to a limited extent, the interest rate and foreign exchange risk in connection with trading activities for own account. As far as possible, income from operations is generated in the form of customer margins in order to ensure earnings are as stable and reliable as possible.

The group's market risk exposure is deemed moderate.

LIQUIDITY RISK

The bank's framework for managing liquidity risk shall reflect the bank's conservative risk profile. Liquidity risk shall be low. The group's lending is financed primarily by customer deposits and long-term funding, including the sale of home mortgage portfolios to SpareBank 1 Boligkreditt AS. The liquidity risk is restricted by diversifying securities issued in terms of markets, funding sources, instruments and maturity periods.

The group had good access to funding in 2014. Deposits from customers represent the group's main source of funding. Deposits increased by NOK 9.8 billion for the group as a whole in 2014. The deposit coverage ratio fell from 59.6% at year-end 2013 to 57.5% at year-end 2014, primarily due to the buy back of loan portfolios from SpareBank 1 Boligkreditt AS in 2014.

Funding costs fell slightly during 2014 and access to market funding was good. The risk premium in the money market interest rate (3 months NIBOR) has fallen towards the levels it was at prior to the financial crisis. The risk premium the bank pays in excess of the money market interest rate on covered bonds and unsecured bonds also fell during the year.

SpareBank 1 SR-Bank has continued to focus on adapting to

the new regulatory requirements by acquiring more long-term funding and increasing holdings of liquid securities. The liquidity buffer amounted to NOK 18.2 billion at year-end 2014. This level ensures that the bank can maintain normal operations for 24 months without access to extra funding. In addition to the liquidity buffer, the bank has NOK 27.4 billion in home mortgages ready for covered bond funding.

OPERATIONAL RISK

The processes for managing operational risk shall ensure, as far as possible, that no single incident caused by operational risk is able to seriously harm the group's financial position. The risk management is based on insight into and an understanding of what creates and drives operational risk in the group, and must, as far as possible, reconcile effective processes with the desired level of exposure.

The group uses a systematic process to identify and quantify operational risks that the group is exposed to at any time, and it has established its own systems for reporting adverse events and following up improvement measures. This helps SpareBank 1 SR-Bank continue to be a dominant organisation over time through proper prioritisation and continuous improvement.

As part of its on-going skills enhancement, SpareBank 1 SR-Bank has established a partnership with the University of Stavanger and the SpareBank 1 Alliance for a research and development project that will deliver new knowledge and specific tools for better managing operational risk in the financial industry. The goal of the project is to establish the Norwegian financial industry as a professional centre in Europe for education, innovation and applications relating to methods and processes for managing operational risk, and to position the alliance and University of Stavanger as leading environments within the management of operational risk. The project was started in the autumn of 2007 and is scheduled for completion in 2015.

OWNERSHIP RISK

Ownership risk: the risk that SpareBank 1 SR-Bank bears if it suffers negative results from stakes in strategically owned companies and/or the need to inject fresh capital into these companies. Ownership is defined as companies in which SpareBank 1 SR-Bank has a significant stake and influence. SpareBank 1 SR-Bank is mainly exposed to ownership risk through its stakes in SpareBank 1 Gruppen AS (19.5%), SpareBank 1 Boligkreditt AS (20.1%), SpareBank 1 Næringskreditt AS (26.8%) and BN Bank ASA (23.5%).

COMPLIANCE

SpareBank 1 SR-Bank is cognisant of the need to have good processes to ensure compliance with legislation and regulations. The board adopts the group's compliance policy that describes the main principles for responsibility and organisation.

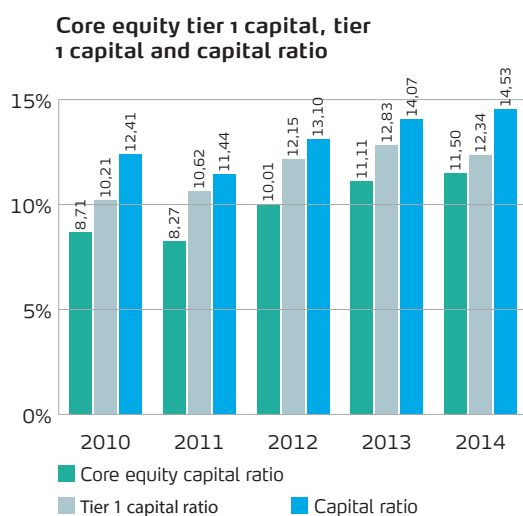
The EU's systematic work on harmonising regulations within the EU/EEA results in new regulations to which the group must adapt. The group's continuously assesses the best way of adapting to new regulations and rules to ensure compliance and effectiveness of the organisation. New regulations and rules that affect the group's operations must be included in routines and guidelines on an ongoing basis.

SpareBank 1 SR-Bank's compliance function is the responsibility of the risk management and compliance department and is organised independently of the business units. The department bears overall responsibility for the framework, monitoring and reporting within the area.

CAPITAL MANAGEMENT

Capital management shall ensure that SpareBank 1 SR-Bank balances the relationship between:

- Effective funding and capital allocation in relation to the group's strategic objectives and adopted business strategy
- Competitive returns on equity
- Satisfactory capital ratio on the basis of the adopted risk profile and the regulations issued by the authorities, as well as the demands of market players at any time
- Competitive terms and ample access to long-term funding from the capital markets
- Exploitation of growth opportunities in the group's defined market area



A capital plan is drawn up every year to ensure long-term, effective capital management. These projections take into

account both expected developments in the coming years and a situation involving a serious economic recession over several years. Various stress tests are carried out of both individual factors and scenario analyses where the group is exposed to a range of negative macroeconomic events over several years. In addition, SpareBank 1 SR-Bank has prepared contingency plans for dealing with such crises as effectively as possible should they nevertheless arise. SpareBank 1 SR-Bank is in a solid financial position and is a market leader in the region in Norway enjoying the strongest growth in the last 10 years. At year-end 2014, the common equity tier 1 capital ratio was 11.5% (11.1%) while the tier 1 capital ratio was 12.3% (12.8%) and the capital ratio was 14.5% (14.1%). Because of the transitional rules, the minimum requirement for capital adequacy cannot amount to less than 80% of the corresponding amount calculated according to the Basel I rules. The transitional rule was binding for SpareBank 1 SR-Bank up to and including 30 June 2014 and will apply again in connection with A-IRB approval for corporate market loans, effective from the first quarter of 2015.

New, stricter capital adequacy regulations were adopted by the EU in June 2013. Norway has chosen to introduce the requirements slightly faster than it is required to by the implementation deadline in the international rules. From 1 July 2014, the common equity tier 1 capital ratio requirement is 10.0% and the capital ratio requirement is 13.5%, and these have thus been met by a good margin by SpareBank 1 SR-Bank.

In addition to the above-mentioned capital requirements, there will be a requirement in Norway for a so-called countercyclical capital buffer in the range of 0-2.5% in the form of common equity tier 1 capital. On 26 September 2014, on the advice of Norges Bank, the Ministry of Finance set the countercyclical buffer at 1 percentage point from 30 June 2015. The Ministry of Finance will set the buffer requirement every quarter and any increase in the buffer requirement will normally not come into effect until at least 12 months after being set. However, any reduction in the requirement can come into effect immediately.

On 12 May 2014, the Ministry of Finance issued regulations concerning systemically important financial institutions (SIFI). Institutions with total assets of at least 10% of Mainland Norway's GDP, or at least a 5% share of the market for loans, will be covered by this definition. Upon implementation, DNB, Nordea Bank Norway and Kommunalbanken Norway were defined as systemically important. The three SIFI banks will thus be subject to a special capital buffer requirement from 1 July 2015. From 1 July 2016, when the new capital requirements have been fully implemented, the systemically important institutions must satisfy a minimum requirement for their common equity tier 1 capital ratio of 12%, while the

minimum requirement for other institutions will be 10%. The countercyclical capital buffer comes on top of this. SpareBank 1 SR-Bank is close to the SIFI requirement concerning market share and takes account of this in its capital planning.

On 1 July 2014, the Financial Supervisory Authority of Norway published a circular on the further tightening of risk weighting for home mortgages for banks that use internal methods, so-called IRB methods. In combination with a higher minimum level for loss given default, the so-called LGD floor, the tightening of probability of default models from 1 January 2014 will increase the average risk weighting for SpareBank 1 SR-Bank's home mortgages portfolio to around 22-24%. The change must be reflected in capital adequacy reporting by no later than the first quarter of 2015.

EXTERNAL AUDIT

The group's external auditor is PricewaterhouseCoopers AS (PwC).

INTERNAL AUDIT

Internal audits are carried out by Ernst & Young AS (EY). Internal audits report directly to the board.

EMPLOYEES AND WORKING ENVIRONMENT

SpareBank 1 SR-Bank's employees are its most important resources for creating value for the benefit of its customers, the region and the bank. At year-end 2014, the group had 1,162 full time equivalents, of which 1,106 were full-time employees. The number of full time equivalents decreased by 59 in 2013. The group is an important knowledge-based workplace in the region and is perceived as an attractive employer providing good development opportunities.

The group's organisational and working environment surveys for 2014 show that employees are satisfied and have a good relationship with the group as an employer. The surveys are reviewed and followed up in all units in order to prevent negative trends and strengthen a healthy working environment characterised by a long-term approach, openness, honesty and security in line with the group's basic values.

SKILLS DEVELOPMENT

The group has purposely invested in developing in-house expertise over many years in order to satisfy the growing demands of customers. The goal is for customers to recognise that the company offers better advice and service than its competition. On average, between 5 and 10% of working hours are spent on updating and developing skills. Around NOK 8,000 per employee was invested in skills development in 2014.

HEALTH, SAFETY AND THE ENVIRONMENT

Health, safety and environment (HSE) work is a high priority in the group. A good working structure has been established and we deem the cooperation with employees' representatives to be very good. Compulsory HSE training was introduced for all managers and safety representatives in 2012, and the group constantly strives to improve safety routines through various training measures. The bank suffered one robbery in 2014. A total of 26 HSE related adverse incidents were reported, half of which were incidents involving aggressive customers.

The group has established a good training standard and good procedures for crisis management. Its crisis management abilities were tested in 2014 due to a number of interruptions to ICT operations, and a robbery at a branch. The group constantly strives to improve systems for reporting adverse events, injuries and accidents.

The group strives to ensure sustainable environmental management and seeks to contribute both through its own operations and by influencing customers and suppliers to make environmental and climate-friendly choices. The group's direct environmental impact is primarily related to greenhouse gas emissions and waste production through office operations, while its indirect impact is through the purchase of goods and services, as well as demands made of customers and suppliers.

SICK LEAVE AND THE INCLUSIVE WORKPLACE SCHEME

The group has a set a long-time target for sick leave of less than 3%, i.e. 97% presence. At the year-end 2014, the healthy rate was 96.3%. Over time, the group has worked comprehensively and systemically to promote and improve the employees' health, maintain this over time and help those who become sick to return to work. The group constantly strives to lower sick leave through participation in the Inclusive Workplace scheme (IA) and good follow-up by managers.

SpareBank 1 SR-Bank has prepared a life-phase document in order to offer employees a range of measures that are suited to the individual's life-phase and that will generally improve the employee's everyday life and contribute to a rise in the retirement age. The target retirement age is 64.5 and the average retirement age in 2014 was 63.3, a reduction of 0.4 years from 2013.

EQUAL OPPORTUNITIES

SpareBank 1 SR-Bank shall provide men and women with equal opportunities for personal development, pay and other career related issues. In 2014, women accounted for 56% of the full time equivalents in the group and men 44%. There was no significant change in the gender ratio from 2013. The average

age was 44.0 years old and the average length of service 12.8 years. The group's executive management team comprises eight men and one woman. The proportion of women managers in the group increased from 41.6% to 43.0% in 2014.

THE BANK'S SHARES

The conversion of SpareBank 1 SR-Bank from an equity certificate bank to a public limited company (ASA) took place with effect from 1 January 2012 and the Sparebankstiftelsen SR-Bank foundation was established as part of this conversion process and is currently the largest owner. From 2012, the ticker on the Oslo Stock Exchange was changed to SRBANK.

The bank's share price (SRBANK) was NOK 52.50 at year-end 2014. This represents a drop of 12.8% since year-end 2013. The main Oslo Stock Exchange index rose by 4.9% in the same period. Trading in the SRBANK share increased significantly in 2014.

There were 10,422 (11,151) shareholders of SRBANK at year-end 2014. The proportion owned by companies and people aboard increased from 14.1% at year-end 2013 to 22.4% at year-end 2014, while 48.9% were resident in Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned a combined total of 64.4% of the shares. The bank held 231,043 treasury shares at year-end 2014, while the group's employees owned 1.8% of the shares.

The group profit per share was NOK 8.20 in 2014. The board proposes the payment of a dividend of NOK 2.00 per share for 2014, which corresponds to around 24% of the group profit per share. The dividend for the 2013 financial year was NOK 1.60, which corresponds to a distribution rate of around 22%.

GOING CONCERN

Financial strength was significantly strengthened in 2014. The profit outlooks and macroeconomic framework conditions also appear to be relatively good. Together with implemented and planned measures, this contributes to a good prospect of further progress for the group in 2015. The annual financial statements have been prepared on the assumption that the group is a going concern.

ALLOCATION OF PROFIT FOR THE YEAR/DIVIDEND

SpareBank 1 SR-Bank's financial goal for its activities is to achieve results that provide a good, stable return on the bank's equity, thus creating value for the owners in the form of competitive dividends and a higher share price. Consideration is given to financial needs, including capital adequacy requirements and the group's targets and strategic plans, when determining the

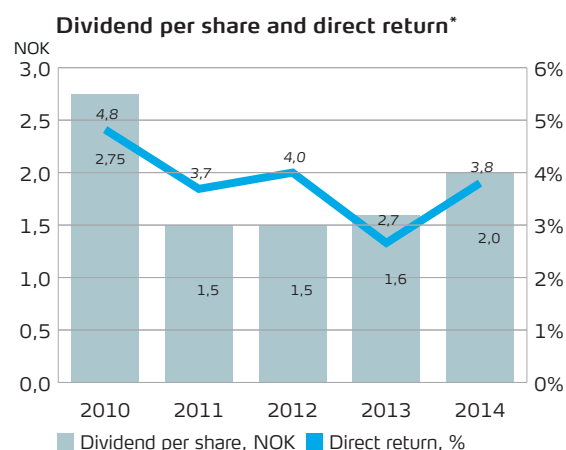
annual dividend. Unless capital requirements dictate otherwise, the goal of the board is for up to half of the annual net profit for the year to be distributed as dividends.

The dividend distributed is based on the parent bank's profit. The parent company's profit for 2014 was NOK 1,806 million or NOK 7.06 per share. In line with the dividend policy, various factors are taken into consideration when proposing dividends, with particular weight being attached to capital requirements and the tier 1 capital ratio. The board, therefore, proposes a dividend of NOK 2.00 per share for 2014, which corresponds to around 24% of the group profit per share.

The board proposes the following allocations for the 2014 financial year:

	NOK million
Parent company net profit for the year	1 806
Transferred from the fund for valuation differences	103
Distributable	1 909
Dividend (NOK 2.00 per share)	512
Retained earnings	1 397
Total	1 909

In the opinion of the board, following the proposed allocations and other completed and planned actions, SpareBank 1 SR-Bank's financial strength will be good and it will have sufficient flexibility to support the group's planned activities for the future.



*Dividend divided by share price at years end.

OUTLOOK FOR 2015

Oil prices fell dramatically in the latter half of 2014 and the low prices have lasted into 2015. The drop in oil prices has resulted in greater uncertainty, especially in the petroleum sector. Oil investments flattened out in 2014 after having increased by almost 9% annually in each of the preceding 3 years. A reduction of around 15% in relation to 2014 is expected in 2015. Both oil companies and the supplier industry are in the process of rationalising operations and reducing costs. The risk of lower growth in the Norwegian economy has consequently increased. Estimates vary from simply a minor negative effect to more serious consequences for employment, all depending on whether oil prices remain low over time or not.

In the last year, the Stavanger region has seen somewhat weaker rises in house prices than the rest of the country; however the turnover volume is still high. This development must be seen in the context of house prices having grown much more in recent years in Stavanger and Rogaland than in the rest of the country. A higher degree of uncertainty about how the economy will develop may contribute to dampening the demand for loans, while lower interest rates and wages growth have the opposite effect. Non-performance and loan loss provisions are therefore expected to remain moderate in 2015 as well. The board would like to stress that a certain level of uncertainty is associated with assessments of future conditions.


Competition in the banking market is increasing and significantly so with respect to home mortgage customers. The group

therefore announced at the beginning of January that it has decided to lower its home mortgage rate. The negative effect on the group's net interest margin will partly be countered by the terms for deposits also being adjusted, as well as falling costs for the group's external funding.

SpareBank 1 SR-Bank is a solid, profitable group, but must, like other banks, continue to strengthen its solidity in line with the authorities' new capital requirements. Because of its good earnings from a business model with good breadth and efficient operations, the group is well-positioned to implement the necessary build-up of capital, while ensuring good competitiveness.

The board would like to thank the group's customers, owners and other partners for their loyal support of SpareBank 1 SR-Bank in 2014 and assure them that it will make every effort to ensure that this teamwork continues in the future as well. A good mutual relationship between the region's inhabitants, the business sector and the bank is important for growth in the group's market area. The board would also like to thank the group's employees and elected officers for their good contributions and good teamwork in 2014.

Stavanger, 5 March 2015


Ingvald Løyning
Chairman of the Board


Gunn-Jane Håland



Erling Øverland



Tor Dahle


Birthe Cecilie Lepsøe


Siv Juvik Tveitnes


Odd Torland


Sally Lund-Andersen
Employee representative


Oddvar Røttedal
Employee representative


Arne Austreid
Chief Executive Officer

ÅRSREGNSKAP

INNHold

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INCOME STATEMENT

Parent bank		(Figures in NOK million)	Note	Group	
2013	2014			2014	2013
5 442	5 918	Interest income	19	6 137	5 644
3 535	3 736	Interest costs	19	3 733	3 525
1 907	2 182	Net interest income		2 404	2 119
1 409	1 319	Commissions	20	1 370	1 452
73	73	Commission costs	20	78	72
12	6	Other operating income	20	440	444
1 348	1 252	Net commissions and other operating income		1 732	1 824
33	24	Dividends		36	33
412	473	Income from ownership interests	38	506	355
249	125	Net income from financial investments	21	236	167
694	622	Net yield from financial investments		778	555
3 949	4 056	Total net income		4 914	4 498
906	900	Payroll costs	22	1 202	1 196
632	656	Other operating costs	23	854	823
1 538	1 556	Total operating costs before impairment losses on loans		2 056	2 019
2 411	2 500	Operating profit before impairment losses on loans		2 858	2 479
116	248	Impairment losses on loans and guarantees	11	257	132
2 295	2 252	Pre-tax profit		2 601	2 347
457	446	Taxes	25	506	487
1 838	1 806	Net profit for the year		2 095	1 860
		Statement of Comprehensive Income			
-67	-415	Actuarial gains/losses on pensions		-444	-72
19	112	Tax effect of actuarial gains/losses on pensions		120	20
-1	-	Change in value of financial assets available for sale		-	-1
-49	-303	Total items not reclassified through profit or loss		-324	-53
-6	-	Tax change actuarial gains/losses		-	-6
-	-	Share of comprehensive income in associated companies and joint ventures		5	4
-6	-	Total items that can be reclassified through profit or loss		5	-2
-55	-303	Year's comprehensive income		-319	-55
1 783	1 503	Total comprehensive income		1 776	1 805
		Earnings per share			
7,19	7,07	Earnings per share		8,20	7,28
7,19	7,06	Diluted earnings per share		8,19	7,27

BALANCE SHEET

Parent bank		(Figures in NOK million)	Note	Group	
2013	2014			2014	2013
Assets					
1 265	1 847	Cash and receivables from the central bank	36	1 847	1 265
6 669	8 117	Loans to and receivables from financial institutions	7	2 222	1 253
113 312	134 158	Loans to customers	8,12,14	140 920	119 525
21 052	15 248	Certificates and bonds	27	15 261	21 065
4 929	7 344	Financial derivatives	28	7 340	4 923
780	477	Equities, units and other equity interests	29	626	938
84	22	Operations that will be sold	41	22	85
3 552	3 250	Investments in ownership interests	38	4 727	4 710
950	1 226	Investments in group companies	38	-	-
-	-	Intangible assets	30	20	39
336	295	Tangible fixed assets	31	327	362
2 662	1 310	Other assets	32	1 614	2 820
155 591	173 294	Total assets		174 926	156 985
Liabilities					
3 746	6 145	Debt to financial institutions	7	6 139	3 742
6 429	-	Public deposits related to covered bond swap scheme		-	6 429
71 840	81 723	Deposits from customers	33	81 489	71 667
52 328	63 253	Securities issued	34	63 253	52 328
2 013	3 317	Financial derivatives	28	3 317	2 013
280	102	Payable tax	25	206	377
707	855	Deferred tax liabilities	25	821	671
1 540	1 138	Other liabilities	35,24	1 334	1 698
4 004	2 964	Subordinated loan capital	37	2 964	4 004
142 887	159 497	Total liabilities		159 523	142 929
Equity					
6 394	6 394	Share capital	40	6 394	6 394
1 587	1 587	Share premium reserve		1 587	1 587
409	512	Allocated dividend		512	409
162	59	Fund for unrealised gains		59	162
4 152	5 245	Other equity		6 851	5 504
12 704	13 797	Total equity		15 403	14 056
155 591	173 294	Total liabilities and equity		174 926	156 985

Stavanger, 5 March 2015



Ingvald Løyning
Chairman of the Board



Gurn-Jane Håland



Erling Øverland



Tor Dahle




Birthe Cecilie Lepsøe



Siv Juvik Tveitnes



Odd Torland



Sally Lund-Andersen
Employee representative



Oddvar Rettedal
Employee representative



Arne Austreid
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

(Figures in NOK million)

Parent bank	Share capital	Share premium reserve	Other equity	Fund for unrealised gains	Total equity
Equity as at 1 Jan 2013	6 394	1 587	3 243	72	11 296
Net profit for the year			1 747	91	1 838
Actuarial gains/losses after tax on pension schemes			-54		-54
Revaluation equities available for sale				-1	-1
Year's comprehensive income			1 693	90	1 783
Dividend from 2012, finally resolved in 2013			-384		-384
Trade in treasury shares			9		9
Transactions with shareholders			-375		-375
Equity as at 31 Dec 2013	6 394	1 587	4 561	162	12 704
Net profit for the year			1 909	-103	1 806
Actuarial gains/losses after tax on pension schemes			-303		-303
Year's comprehensive income			1 606	-103	1 503
Dividend from 2013, finally resolved in 2014			-409		-409
Trade in treasury shares			-1		-1
Transactions with shareholders			-410		-410
Equity as at 31 Dec 2014	6 394	1 587	5 757	59	13 797
Group	Share capital	Share premium reserve	Other equity	Fund for unrealised gains	Total equity
Equity as at 1 Jan 2013	6 394	1 587	4 584	72	12 637
Net profit for the year			1 769	91	1 860
Actuarial gains/losses after tax on pension schemes			-58		-58
Revaluation equities available for sale				-1	-1
Share of comprehensive income from associated companies			4		4
Year's comprehensive income			1 715	90	1 805
Corrected equity in associated companies			-11		-11
Dividend from 2012, finally resolved in 2013			-384		-384
Trade in treasury shares			9		9
Transactions with shareholders			-375		-375
Equity as at 31 Dec 2013	6 394	1 587	5 913	162	14 056
Net profit for the year			2 198	-103	2 095
Actuarial gains/losses after tax on pension schemes			-324		-324
Share of comprehensive income from associated companies			5		5
Year's comprehensive income			1 879	-103	1 776
Corrected equity in associated companies			-19		-19
Dividend from 2013, finally resolved in 2014			-409		-409
Trade in treasury shares			-1		-1
Transactions with shareholders			-410		-410
Equity as at 31 Dec 2014	6 394	1 587	7 363	59	15 403

STATEMENT OF CASH FLOW

(Figures in NOK million)

Parent bank				Group	
2013	2014		Note	2014	2013
-10 382	-20 812	Change in loans to customers	8	-21 347	-10 760
4 724	5 214	Interest receipts from loans to customers		5 570	5 116
4 084	9 883	Change in deposits from customers	33	9 822	4 073
-1 777	-1 760	Interest payments on deposits from customers		-1 734	-1 764
-2 220	-4 602	Change in receivables and deposits with financial institutions	7	-4 129	-2 048
-327	-256	Interest on receivables and debt to financial institutions		-438	-501
-2 380	5 804	Change in certificates and bonds	27	5 804	-2 388
530	480	Interest receipts from certificates and bonds		480	530
893	2 075	Commission receipts		2 557	1 405
125	267	Capital gains from sale of trading		267	125
-1 376	-1 537	Payments for operations		-2 084	-1 837
-132	-280	Paid tax	25	-377	-209
1 530	1 487	Other accruals		1 563	1 552
-6 708	-4 037	A Net change in liquidity from operations		-4 046	-6 706
-61	-70	Investments in tangible fixed assets	31	-81	-73
15	47	Receipts from sale of tangible fixed assets	31	47	15
-177	-456	Long-term investments in equities		-466	-203
338	870	Receipts from sales of long-term investments in equities		884	363
442	497	Dividends from long-term investments in equities		509	442
557	888	B Net change in liquidity from investments		893	544
15 830	15 659	Increase in securities issued	34	15 659	15 830
-8 330	-8 292	Repayment - securities issued		-8 292	-8 330
-820	-1 058	Interest payments on securities issued		-1 058	-820
499	44	Borrowing and sale of own subordinated loans	37	44	499
-694	-1 115	Repayments - subordinated loans	37	-1 115	-694
-220	-222	Interest payments on subordinated loans		-222	-220
-	-	Share issues	40	-	-
-384	-409	Dividend to shareholders		-409	-384
5 881	4 607	C Net change in liquidity from financing		4 607	5 881
-270	1 458	A+B+C Net change in cash and cash equivalents in the year		1 454	-281
1 796	1 526	Cash and cash equivalents 1 Jan		1 542	1 823
1 526	2 984	Cash and cash equivalents 31 Dec		2 996	1 542
		Specification of cash and cash equivalents			
1 265	1 847	Cash and receivables from the central bank		1 847	1 265
261	1 137	Receivables from financial institutions at call		1 149	277
1 526	2 984	Cash and cash equivalents 31 Dec		2 996	1 542

Cash and cash equivalents include cash and deposits in the central bank, and that part of total loans to and deposits in financial institutions that relate to pure placements in financial institutions. The statement of cash flow shows how the parent bank and Group generated liquid assets and how these were applied. In total, the group's cash and cash equivalents increased by NOK 1,454 million in 2014.

NOTE 1 GENERAL INFORMATION

The SpareBank 1 SR-Bank Group consists of the parent bank SpareBank 1 SR-Bank ASA ("the bank") and its subsidiaries: SpareBank 1 SR-Finans AS, EiendomsMegler 1 SR-Eiendom AS, SR-Investering AS, SR-Forretningsservice AS, SR-Forvaltning AS, Finansparken Bjergsted AS, Etis AS and Rygir Industrier AS with subsidiaries (repossessed assets).

As at 31 December 2014, the bank owned a 20.1% stake in SpareBank 1 Boligkreditt AS, a 26.8% stake in SpareBank 1 Næringskreditt AS, a 23.5% stake in BN Bank ASA and a 17.9% stake in SpareBank 1 Kredittkort AS. The group treats these as associated companies.

The bank also owns a stake of 19.5% in SpareBank 1 Gruppen AS and a stake of 17.7% in SpareBank 1 Banksamarbeidet DA. These stakes are treated as joint ventures.

SpareBank 1 SR-Bank, SpareBank 1 SMN, SpareBank 1 Nord-Norge and Samarbeidende Sparebanker AS each own 19.5% of SpareBank 1 Gruppen AS. Other owners are Sparebanken Hedmark (12.0%) and the Norwegian Confederation of Trade Unions (LO) (10.0%). The SpareBank 1 Alliance's management structure is regulated by an agreement between the owners. SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge each own 23.5% of BN Bank ASA. SpareBank 1 SMN owns 33.0% and Samarbeidende Sparebanker AS owns 20.0%. BN Bank ASA's management structure is regulated by an agreement between the owners.

The bank's head office is in Stavanger and it has 50 branches in Rogaland, Vest-Agder, Aust-Agder and Hordaland. Some of the branches share premises with EiendomsMegler 1 SR-Eiendom AS. All of the subsidiaries have their head offices in Stavanger.

The group's primary activities are selling and procuring a wide range of financial products and services, investments services, and leasing and estate agency.

The consolidated financial statements were approved by the board on 5 March 2015. The annual general meeting is the bank's supreme authority.

NOTE 2 ACCOUNTING POLICIES

BASIS FOR PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The bank's financial statements and the consolidated financial statements for 2014 for SpareBank 1 SR-Bank ('the group') have been prepared in accordance with International Finance Reporting Standards (IFRS) as adopted by the EU. This includes interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor the Standing Interpretations Committee (SIC).

The annual financial statements of SpareBank 1 SR-Bank for 2014 have been prepared in accordance with the IFRS regulations for parent banks and groups.

SpareBank 1 SR-Bank is a public limited company registered as based in Norway with its head office in Stavanger. SpareBank 1 SR-Bank is listed on the Oslo Stock Exchange.

The basis for measurement used in both the bank's and the consolidated financial statements is acquisition cost, with the following modifications: financial derivatives, financial assets and financial liabilities are recognised at fair value with value changes through profit or loss.

Preparing financial statements in accordance with IFRS requires the use of estimates. Furthermore, applying international reporting standards requires management to use its judgement. Areas that involve a great deal of discretionary estimates, a high degree of complexity, or areas where assumptions and estimates are significant for the bank's and the consolidated financial statements are described in note 3.

The annual financial statements are presented in accordance with IFRS and interpretations that are obligatory for annual financial statements presented as at 31 December 2014. The annual financial statements have been prepared on the assumption that the group is a going concern.

New and revised standards that were applied in 2014:

The following standards that influence the financial statements in a material way were adopted on 1 January 2014:

Amendment to IAS 32 Financial Instruments that clarifies when financial assets and instruments can be presented net. The right of set-off cannot be contingent on a future event. The right of set-off must also be legally enforceable in all situations (ordinary business, default, insolvency or bankruptcy) in which the company and counterparties may end up. The amendment also considers settlement mechanisms. The amendment had no material effect on the consolidated financial statements.

Amendments to IAS 36 Impairment of Assets that eliminated the requirement to disclose recoverable amounts for individual cash generating units that had inadvertently been included in IAS 36 upon the implementation of IFRS 13.

Amendment to IAS 39 Financial Instruments - Recognition and Measurement concerning novation of derivatives and continuation of

hedge accounting. The amendment deals with legislative changes that introduce a requirement for clearing centres for bilateral agreements. Under IAS 39, novation to a clearing centre would result in the discontinuation of hedge accounting. The amendment results in hedge accounting not discontinuing when novation of a hedging instrument fulfils specific criteria. The amendment had no material effect on the consolidated financial statements.

IFRIC 21 Levies regulates the recognition of obligations to pay levies that fall within the scope of IAS 37 Provisions. The interpretation deals with what events trigger levies being recognised as an liability. The interpretation resulted in no material changes in when the group should recognise levies.

Other standards, amendments and interpretations that came into force for the 2014 financial year were not material for the group.

New standards and interpretations that have not been adopted yet:

A number of new standards, amendments to standards and interpretations will be compulsory in future annual financial statements. The most important of these that the group has chosen not to implement early are described below:

IFRS 9 Financial Instruments deals with the classification, measurement and recognition of financial assets and obligations, as well as hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces those parts of IAS 39 that deal with equivalent issues. Under IFRS 9, financial assets must be classified into three categories: fair value through other comprehensive income, fair value through profit or loss and measured at amortised cost. The measurement category must be determined upon the initial recognition of the asset. Classification depends on the unit's business model for managing financial instruments and the attributes of the individual instrument's cash flows. Equity instruments should basically be measured at fair value through profit or loss. However, an undertaking can choose to present changes in value through other comprehensive income, but the choice is binding and in the event of a subsequent sale the gain/loss cannot be reclassified through profit or loss. Falls in value due to credit risk must now be recognised on the basis of expected loss instead of the current model where losses must be incurred. The standard largely continues the requirements of IAS 39 as far as financial liabilities are concerned. The biggest change occurs in cases where the fair value option is used for a financial liability where changes in fair value due to changes in own credit risk are recognised in other comprehensive income. IFRS 9 simplifies the requirement for hedge accounting in that the hedging effect is tied more closely to the management's risk management and provides greater room for judgement. At the same time, hedging documentation is still required. The standard comes into effect for the 2018 financial year, but early application is permitted. The group has still not assessed the full effect of IFRS 9.

IFRS 15 Revenue from Contracts with Customers deals with recognising revenue. The standard requires the division of the customer contract into the individual performance obligations. An performance obligation can be a good or a service. Revenue is recognised when a customer achieves control over a good or service and is thus able

to determine the use of, and benefit from, the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and pertinent interpretations. The standard comes into effect for the 2017 financial year, but early application is permitted. The group is currently assessing the effects of IFRS 15.

There are no other standards or interpretations which are not currently in effect and would be expected to have a material effect on the consolidated financial statements.

PRESENTATION CURRENCY

The presentation currency is Norwegian kroner (NOK), which is also the group's functional currency. All figures are in NOK million unless otherwise stated.

SUBSIDIARIES

Subsidiaries' assets are valued using the cost method of accounting in the bank's financial statements. Investments are assessed at the acquisition cost of the shares assuming that no write-downs have been necessary.

Dividends, group contributions and other distributions are recognised as income in the year that they are approved by the annual general meeting. If the dividend/group contribution exceeds the share of the retained profit after the acquisition, the amount in excess represents a repayment on invested capital, but is, pursuant to the amended IAS 27, recognised as income in the year that it is paid.

CONSOLIDATION

The consolidated financial statements include all subsidiaries. Subsidiaries are all units (including structured units) over which the group has control. Control over a unit arises when the group experiences variation in the return from the unit and has the ability to influence this return because of its power over the unit. Subsidiaries are consolidated from the day control arises and deconsolidated when control ceases.

The acquisition method is used for acquisitions of business. The remuneration paid is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. The fair value of all assets or liabilities according to the agreement on conditional consideration are also included in the remuneration. Identifiable assets, liabilities and contingent liabilities are recognised at their fair value on the acquisition date. Minority interests in the acquired business are measured from time to time at either fair value or their share of the net assets of the acquired business.

Costs linked to the acquisition are recognised as costs when they are incurred.

When an acquisition occurs in multiple steps, the assets from previous acquisitions must be revalued at fair value on the date the check is made and the change in value recognised.

Conditional consideration is measured at fair value on the acquisition date. Subsequent changes in the fair value of the conditional consideration must, under IAS 39, be recognised or posted as a change

in other comprehensive income if the conditional consideration is classified as an asset or liability.

No new measurement is made of conditional consideration that is classified as equity and subsequent settlements are recognised against equity.

Intra-group transactions, intra-company balances and unrealised profit between group companies are eliminated.

Unrealised losses are also eliminated. Reported figures from subsidiaries are, if necessary, restated so they correspond with the group's accounting policies.

The minority interests' share of the group's profit is presented on a separate line under net profit in the income statement. Their share of the minority's equity is shown as a separate item.

CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT ANY LOSS OF CONTROL

Transactions with minority interests (non-controlling owners) in subsidiaries that do not entail any loss of control are treated as equity transactions. In the event of further acquisitions, the difference between the remuneration and the shares' proportional share of the carrying amount for net assets in the subsidiary is recognised against the equity of the parent company's owners. Gains or losses from sales to minority interests are similarly recognised against equity.

DISPOSAL OF SUBSIDIARIES

In the event of a loss of control, any remaining ownership interest is measured at fair value with changes recognised through profit or loss. Fair value will thereafter constitute the acquisition cost for further accounting, as an investment in an associated company, joint venture or financial asset. Amounts that were previously recognised in other comprehensive income relating to this company are treated as if the group had disposed of the underlying assets and liabilities. This could entail amounts that have previously been recognised in other comprehensive income being reclassified to the income statement.

ASSOCIATED COMPANIES

Associated companies are entities in which the group has a significant interest but not control. Normally, significant influence arises when the group has a stake of between 20% and 50% of the voting capital. Investments in associated companies are recorded in accordance with the cost method of accounting in the bank's financial statements and the equity method in the consolidated financial statements.

New investments are recorded at acquisition cost in consolidated financial statements. Investments in associated companies include goodwill/badwill identified at the time of the acquisition, reduced by any possible later write-downs.

The group's share of profits or losses in associated companies are recorded and added to the book value of the investments. The group's share of the comprehensive income in the associated company is recognised in other comprehensive income in the group and is also supplemented with the carrying amount for the investments. The group does not recognise the share of any loss if this makes the

carrying amount of the investment negative (including unsecured receivables from the unit), unless the group has assumed obligations or made payments on behalf of the associated company.

JOINT ARRANGEMENTS

The group has adopted IFRS 11 for all joint arrangements. Under IFRS 11, investments in joint arrangements must be classified as either a joint operation or a joint venture, depending on the contractual rights and obligations of each investor. SpareBank 1 SR-Bank has assessed its joint arrangements and determined that they are joint ventures. Joint ventures are recognised using the equity method in the group and the cost method in the financial statements.

When the equity method is used joint ventures are recognised at their original acquisition cost. The carrying amount is thereafter adjusted to recognise the share of the results after the acquisition and the share of comprehensive income. When the group's share of a loss in a joint venture exceeds the carrying amount (including other long-term investments that in reality are part of the group's net investment in the venture) no further loss is recognised, unless liabilities have been assumed or payments made on behalf of the joint venture.

Unrealised gains from transactions between the group and its joint ventures are eliminated in relation to the ownership interest in the venture. Unrealised losses are also eliminated unless the transaction provides evidence of a fall in the value of the transferred asset. Amounts reported from joint ventures are, if necessary, restated to ensure they correspond with the group's accounting policies.

LENDING AND IMPAIRMENT LOSSES ON LOANS

Loans with variable rates are measured at amortised cost in accordance with IAS 39. The amortised cost is the acquisition cost minus repayments on the principal, taking into account transaction costs, plus or minus cumulative amortisation using the effective interest method, and less any amount for impairment in value or exposure to loss. The effective interest rate is the interest that exactly discounts estimated future cash receipts and payments over the expected life of the financial instrument.

Fixed rate loans to customers are earmarked upon initial recognition at fair value, with value changes through profit or loss, in accordance with IAS 39.9. Gains and losses resulting from changes in fair value are recorded through profit or loss as a change in value. Accrued interest and premiums/discounts are recorded as interest. The bank uses the fair value option for measuring fixed rate loans, as this largely eliminates inconsistencies in measuring other comparable instruments in the balance sheet.

SALES OF LOANS

The bank has concluded an agreement concerning the sale of loans with good security and collateral in real estate to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. In line with the administration contract between the bank and financial institutions, the bank administers the loans and maintains the contact with customers. The bank receives a fee in the form of commissions for the duties involved in administering the loans. There is a residual

involvement related to sold loans upon possible limited settlement of losses against commissions. According to the administration contract with the bank, the financial institutions can sell on loans that are purchased from the bank while the bank's right to administer customers and receive commissions follow the loans. Should the bank be unable to serve customers, the right to serve and commissions may lapse. The bank also has the option to buy back loans under certain conditions and thus the bank is considered to have retained genuine control of the sold loans based on IAS 29.30.c. The bank has thus neither retained nor transferred the material risk and return associated with the sold loans. The bank recognises the amount associated with the residual involvement as an asset or liability. The bank also recognises as a liability the fair value of the residual credit risk associated with sold loans. This has been calculated as very small. Based on an assessment of significance, the bank has not recognised any amount for residual involvement in the sold loans. This is described in note 9.

ASSESSMENT OF IMPAIRMENT OF FINANCIAL ASSETS

On each balance sheet date, the group assesses whether there is any objective evidence that the cash flow expected when the item was initially recorded will not be realised and that the value of the financial asset or group of financial assets has been reduced. An impairment in value of a financial asset assessed at amortised cost or group of financial assets assessed at amortised cost has been incurred if, and only if, there is objective evidence of impairment that could result in a reduction in future cash flows to service the commitment. The impairment must be the result of one or more events that have occurred after the initial recognition (a loss event) and it must be possible to measure the result of the loss event (or events) in a reliable manner. Objective evidence that the value of a financial asset or group of financial assets has been reduced includes observable data that is known to the group relating to the following loss events:

- The issuer or borrower is experiencing significant financial difficulties
- Breach of contract, such as a default or delinquency in payment of instalments and interest
- The bank granting the borrower special terms for financial or legal reasons relating to borrower's financial situation
- Likelihood of the debtor entering into debt negotiations or other financial reorganisation
- Disappearance of an active market for the financial asset because of financial difficulties
- Observable data indicating that there is a measurable decline in future cash flows from a group of financial assets since the initial recognition of those assets, even though the decline cannot yet be fully identified with the individual financial assets in the group including:
 - adverse changes in the payment status of the borrowers in the group
 - national or local economic conditions that correlate with defaults of the assets in the group

The group first considers whether there is individual objective evidence of impairment of financial assets that are significant individually. For financial assets that are not individually significant,

the objective evidence of impairment is considered individually or collectively. If the group decides that there is no objective evidence of impairment of an individually assessed financial asset, significant or not, the asset is included in a portfolio of financial assets with the same credit risk characteristics. The group is tested for any impairment on a portfolio basis. Assets that are assessed individually with respect to impairment, and where an impairment is identified or continues to be identified, are not included in a general assessment of impairment. See note 3.

If there is objective evidence that impairment has occurred, the amount of the loss is calculated as the difference between the asset's book value (carrying value) and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's latest effective interest rate. The book value of the asset is reduced using an allowance account and the loss is recorded in the income statement.

Future cash flows from a group of financial assets that are tested for impairment on a portfolio basis are estimated on the basis of the contractual cash flows for the group and historical losses on assets with a similar credit risk. Historical losses are adjusted for existing observable data in order to take into account the effects of existing circumstances that were not present at the time of the historical losses and to adjust for the effect of earlier circumstances that do not exist today.

NON-PERFORMING AND LOSS EXPOSED COMMITMENTS

The total commitment to a customer is considered to be in default (non-performing) and included in the group's summaries of defaulted loans when an instalment or interest is not paid 90 days after due date, a line of credit is overdrawn for 90 days or more, or the customer is bankrupt. Loans and other commitments that are not in default, but where the customer's financial situation makes it likely that the group will incur a loss, are classified as loss exposed commitments.

REALISED LOSSES

When it is highly probable that the losses are final, the losses are classified as realised losses. Realised losses that are covered by earlier specific loss provisions are recorded against the provisions. Realised losses without cover by way of impairment losses on loans and over or under coverage in relation to previous impairment losses on loans are recognised through profit or loss.

REPOSSESSED ASSETS

As part of the handling of non-performing loans and guarantees, the group acquires, in some cases, assets that have been lodged as security for such commitments. At the time of takeover, the assets are valued at their assumed realisation value and the value of the loan commitment is adjusted accordingly. Repossessed assets that are to be realised are classified as operations that will be sold, holdings or fixed assets held for sale and recorded in accordance with the relevant IFRS standards (normally IAS 16, IAS 38, IAS 39 or IFRS 5).

LEASES

Financial leases are recorded in the balance sheet under the main item "Net lending to customers" and recognised in accordance with the amortised cost principle. All fixed income during the expected term of the lease is included when calculating the lease's effective interest.

The group has no sale and lease back contracts covering property, plant and equipment.

SECURITIES

Securities comprise equities and units, commercial paper and bonds. Equities and units are recognised either as held for sale or at fair value with change in value through profit or loss. Certificate papers and bonds are classified either as held for sale, at fair value with value change through profit or loss, as held to maturity or as a receivable. The group uses the price on the trade date upon initial recognition of securities.

All financial instruments that are classified as held for sale or at fair value with value change through profit or loss, are measured at fair value, and changes in the value from the opening balance are recorded as income from financial investments. The group is of the opinion that financial instruments classified at fair value with value change through profit or loss provide more relevant information about the values of these items in the balance sheet than if they were assessed at amortised cost. The financial instruments included in this category are regularly reported and managed based on fair value.

Certificates and bonds that are classified as held to maturity or as a receivable are measured at amortised cost using an effective interest rate method. See description of this method in the section on lending.

DERIVATIVES AND HEDGING

Derivatives consist of currency and interest rate instruments. Derivatives are recognised at fair value through profit or loss.

The group uses derivatives for operational and accounting (funding) hedging purposes to minimise the interest rate risk in fixed rate instruments (fixed rate funding and fixed rate loans), bonds (assets and liabilities), and certificates (assets and liabilities). The efficiency of the hedging is assessed and documented both when the initial classification is made and on an ongoing basis. When fair value hedging is used the hedging instrument is recognised at fair value, but as far as the hedging object is concerned changes in fair value linked to the hedged risk are recognised. See note 28 for further information.

GOODWILL/BADWILL

Goodwill is the positive difference between the cost of acquiring a business and the fair value of the bank's share of the net identifiable assets in the business at the time of acquisition. Goodwill on the acquisition of subsidiaries is classified as intangible assets. Goodwill on the acquisition of shares in associated companies and joint ventures is included in the investment and tested for depreciation as part of the book (carrying) value of the investment. Goodwill is not

subject to amortisation, but is subject to annual impairment testing with the purpose of identifying any indications that impairment may have occurred, in accordance with IAS 36. Any assessment of a fall in value is assessed at the lowest level in the undertaking where goodwill is followed up for internal management purposes. Write-downs of goodwill cannot be reversed. In those cases where the cost of acquiring a business is lower than the fair value of the bank's share of net identifiable assets at the time of acquisition, so-called badwill, the difference is immediately recorded as income and included in income from ownership interests.

TANGIBLE FIXED ASSETS

Tangible fixed assets comprise buildings, plots of land and operating equipment. Buildings and operating equipment are recognised at cost less depreciation and write-downs. Plots of land are recorded at cost price less write-downs. Plots of land are not depreciated. The cost price includes all direct costs related to the acquisition of the asset. Depreciation is on a straight-line basis in order to allocate the cost price, less possible residual value, over the useful life of the operating equipment.

OPERATIONS/ASSETS THAT WILL BE SOLD

These items in the balance sheet contain the group's assets it has decided to sell. The items include assets and liabilities relating to repossessed properties and property companies that are to be syndicated and disposed of by selling parts to customers. The items are recognised at fair value.

FUNDING

Funding is initially recorded at the cost at which it is raised, which is fair value of the proceeds received after deducting transaction costs. Loans raised with variable rates are thereafter measured at amortised cost, and any discount/premium is accrued over the term of the loan. Fixed rate funding is assessed at fair value with discounting according to the applicable interest curve, though not taking into account changes in own credit spreads and transaction costs, since the group use fair value hedging for such funding. Deposits from customers and financial institutions are assessed at amortised cost.

PENSIONS

SpareBank 1 SR-Bank has various pension schemes, both defined contribution schemes and defined benefit schemes.

Defined benefit schemes

A defined benefit scheme is defined as a scheme that is not a defined contribution scheme.

A defined benefit scheme will typically define an amount an employee will receive from and including the date of retirement, usually dependent of age, number of years worked and pay.

The liability that must be recognised for the defined benefit scheme is the present value of the liability on the balance sheet date, with deductions for the fair value of the pension assets. The gross liability is calculated by an independent actuary using the unit credit method. The gross liability is discounted to the present value using the

interest rate on high quality corporate bonds with almost the same term to maturity as the payment horizon of the liability.

Gains and losses that occur with the recalculation of the liability due to experience gains and losses, and changes in actuarial assumptions, are recognised against equity via the comprehensive income statement in the period they arise.

The effects of changes in the schemes' plans are recognised immediately.

The defined benefit scheme was closed for new members from and including 1 April 2011.

Defined contribution scheme

In the case of defined contribution plans, the company pays a fixed contribution to an insurance company. The company has no legal or self-imposed obligation to inject further assets if there proves to be insufficient assets to pay all employees the benefits linked to their earnings in this or earlier periods. The subscriptions are recorded as a payroll cost. Any pre-paid subscription is recorded as an asset (pension asset) to the extent that the subscription can be refunded or reduces future subscription payments.

CONTINGENT LIABILITIES

The group issues financial guarantees as part of its ordinary business. Gross latent liabilities are specified in note 35. Impairment assessments are made as part of assessing impairment losses on loans and in accordance with the same policies, and are reported with these, ref. note 11. Provisions are made for other uncertain liabilities if it is more probable than not that the liability will materialise and the financial consequences can be reliably calculated. Information is disclosed about contingent liabilities that do not satisfy the criteria for balance sheet recording if they are significant.

Provisions are made for restructuring costs when the group has a contractual or legal obligation, payment is probable and the amount can be estimated, and the size of the obligation can be estimated with sufficient reliability.

SUBORDINATED LOANS AND HYBRID TIER 1 CAPITAL

Subordinated loans have a lower priority than all other debt. 50% of the dated subordinated loans can be regarded as tier 1 capital in the capital ratio, whilst 100% of perpetual subordinated loans can be included in tier 1 capital. Subordinated loans are classified as subordinated loan capital in the balance sheet and are measured at fair value with value change through profit or loss or amortised cost in the same way as other long-term loans. The bank uses fair value hedging for measuring fixed-rate loans.

Hybrid tier 1 capital are bonds with nominal interest, but the group is not obliged to pay any interest in periods when no dividend is paid and the investor cannot later claim any interest that has not been paid, i.e. interest is not accumulated. Hybrid instruments are approved as tier 1 capital elements limited upward to 15% or 35% of the total tier 1 capital depending on the type of hybrid tier 1 capital. The Financial Supervisory Authority of Norway (Finanstilsynet) can demand that hybrid instruments be written down proportionally with

equity if the bank's tier 1 capital ratio falls below 5%, or the capital ratio falls below 8%. The written down amount relating to the hybrid tier 1 capital shall be written up before dividends can be disbursed to shareholders. Hybrid tier 1 capital is classified as subordinated loan capital in the balance sheet and is measured at fair value with changes in value through profit or loss.

DIVIDENDS

Dividends are recognised as equity in the period prior to being approved by the bank's annual general meeting.

INTEREST INCOME AND INTEREST COSTS

Interest income and interest costs related to assets and liabilities that are measured at amortised cost are recorded continuously in the income statement in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of the expected cash flow over the expected life of a financial asset or liability being equal to the book value (carrying value) of the respective financial asset or liability. When calculating an effective interest rate, the cash flow effect inherent in the agreement is estimated, without taking into account future impairment. The calculations take therefore into account inter alia fees, transaction costs, premiums and discounts.

If a financial asset is written down due to impairment, a new effective interest rate is calculated based on adjusted estimated cash flows.

Interest income and costs for financial instruments measured at fair value are classified as interest income and interest costs respectively. Other changes in value are classified as income from financial instruments.

COMMISSIONS AND COMMISSION COSTS

Commissions and commission costs are generally accrued in line with the delivery/receipt of a service. Fees relating to interest-bearing instruments are not recognised as commissions, but are included in the calculation of the effective interest rate and recognised accordingly through profit or loss. Advisory/consultancy fees are accrued in accordance with the signed agreement, typically at the time the service is delivered.

The same applies to day-to-day management services. Fees and charges related to the sale or brokerage of financial instruments, properties or other investment objects that do not generate balance sheet items in the consolidated financial statements, are recognised when the transaction is completed.

TRANSACTIONS AND BALANCE SHEET ITEMS IN FOREIGN CURRENCY

Transactions involving foreign currencies are converted into Norwegian kroner using the exchange rates at the time of the transactions. Gains and losses linked to executed transactions, or to the conversion of holdings of balance sheet items, in foreign currency are recognised on the balance sheet date. Gains and losses on non-monetary items are included in the income statement in the same way as the corresponding balance sheet item.

The exchange rate on the balance sheet date is used when converting balance sheet items.

TAXES

Taxes consist of payable tax and deferred tax. Payable tax is the estimated tax on the year's taxable profit.

Payable tax for the period is calculated according to the tax laws and regulations enacted or substantively enacted on the balance sheet date.

Deferred taxes are accounted for using the liability method in accordance with IAS 12. Deferred tax assets or liabilities are calculated based on all the temporary differences, which are the differences between the book values of assets and liabilities for accounting purposes and for taxation purposes. Nonetheless, no deferred tax liability or benefit is calculated on goodwill that does not provide tax-related deductions, or on initially recognised items that affect either the accounting or taxable result.

Deferred tax assets are calculated for tax loss carry forwards. Assets with deferred tax are included only to the extent that future taxable profits are expected to make it possible to exploit the related tax benefit.

STATEMENT OF CASH FLOW

The statement of cash flow shows cash flows grouped by source and application area. Cash is defined as cash, deposits in central banks, and deposits in financial institutions with no period of notice. The statement of cash flow is prepared using the direct method.

SEGMENT REPORTING

A business segment is part of an entity that is engaged in providing individual products or services that are subject to risks and returns that are different from those of other business segments. A geographic market (segment) is a part of a business that supplies products and services within a limited geographic area that is subject to risks and returns that are different from other geographic markets. As regards segment reporting, the group's executive management team is considered to be supreme decision-making authority. The figures in the segment reporting are based on internal reporting to Group's executive management team.

EVENTS AFTER THE BALANCE SHEET DATE

The financial statements are published after the board of directors has approved them. The supervisory board, the annual general meeting and the regulatory authorities may refuse to approve the published financial statements subsequent to this but they cannot change them.

Events occurring up to the time when the financial statements are approved for publication involving issues that were already known on the balance sheet date will form part of the information basis for determining accounting estimates and will thus be fully reflected in the financial statements. Events that were not known on the balance sheet date will be reported if they are significant.

The financial statements have been prepared on the basis of a going concern assumption.

The board's proposed dividend is specified in the Board of Directors' Report and note 42. The proposed dividend is classified as equity until it has finally been approved.

NOTE 3 CRITICAL ESTIMATES AND JUDGEMENTS CONCERNING USE OF THE ACCOUNTING POLICIES

IMPAIRMENT LOSSES ON LOANS AND GUARANTEES

The group assesses its entire corporate market portfolio annually. Large commitments, non-performing loans and high-risk exposures are subject to quarterly assessments. Loans to retail customers are subject to evaluation when they are in default for more than 60 days. Large non-performing loans are evaluated on a quarterly basis.

The group's risk classification systems are described under financial risk management.

The group makes write-downs if there is objective evidence that can be identified for an individual commitment, and the objective evidence entails a reduction in future cash flows for servicing the commitment. Objective evidence may be default, bankruptcy, insolvency or other significant financial difficulties.

Individual write-downs are calculated as the difference between the loan's book (carrying) value and the present value of future cash flows based on the effective interest rate at the time of the calculation of the initial individual write-down. Subsequent changes in interest rates are taken into account for loan agreements with variable rates if these changes affect the expected cash flow.

Group write-downs are calculated on groups of loans where there is objective evidence indicating that a loss event has occurred after the initial recording of the loans. Objective evidence includes observable data that results in a measurable reduction in estimated future cash flows from the group of loans, including negative changes in the payment status of debtors in the groups of loans, or national or local economic conditions that correlate with default in the group of loans. If objective evidence of a fall in value exists, loan losses shall be calculated as the difference between the carrying amount (book value) and the present value of the estimated future cash flows, discounted at the effective interest rate.

FAIR VALUE OF EQUITY INTERESTS

Financial assets assessed at fair value through profit or loss will normally be traded in active markets and the fair value can thus be determined with reasonable certainty. For assets classified as held for sale, this is not necessarily the case. Similarly, market values for assets and liabilities that are recognised at amortised cost and appear in notes may be estimates based on discounted expected future cash flows, multiplier analyses or other calculation methods. Such methods can be subject to significant uncertainty. With the exception of a few equities, liquidity in the Norwegian stock market is poor. Share prices will under most circumstances be the last known traded price.

FAIR VALUE OF DERIVATIVES

The fair value of derivatives is usually determined by using valuation methods where the price of the underlying object, for example, interest and currency rates, is obtained from the market. In the case of options, volatility will be either observed implicit volatility or calculated volatility based on historical price movements for the underlying object.

PENSIONS

Net pension liabilities and the pension costs for the year are based on a number of estimates, the most important of which are the yield on pension assets, future interest and inflation rates, future wage development, staff turnover, development in the Norwegian National Insurance basic amount (G) and the general development in the number of persons receiving disability benefits and life expectancy. Uncertainty is largely related to gross liabilities and not to net liabilities that are shown in the balance sheet. Changes in estimates because of changes in the above parameters will be recorded via other comprehensive income on an ongoing basis.

INCOME TAX

When calculating the group's income tax, a considerable degree of discretion is called for. For many transactions and calculations, uncertainty will be linked to the final tax liability. The group records tax liabilities linked to future decisions in tax cases and disputes based on the additional tax liability that will accrue. If the final outcome of a case differs from the amount originally allocated amount, the difference will affect the recorded tax costs and allocations for deferred tax in the period the difference is established.

Continue note 4

31 Dec 2013	Retail market	Corporate market	Capital market	Staff/ support parent bank	Eiendoms-Megler 1	SR-Finance	Other operations	Eliminations	SR-Bank Group
Interest income	1 920	1 507	923	1 094	15	387	1	-203	5 644
Interest costs	1 016	597	870	1 053	10	171	-	-192	3 525
Net interest income ^{1) 2)}	904	910	53	41	5	216	1	-11	2 119
Commissions ²⁾	1 059	308	39	2	-	4	82	-42	1 452
Commission costs	36	28	4	5	-	19	22	-42	72
Other operating income	-	-	-	12	433	-	-	-1	444
Net commissions and other operating income	1 023	280	35	9	433	-15	60	-1	1 824
Dividends	-	-	3	30	-	-	-	-	33
Income from ownership interests	-	-	-	412	-	-	-	-57	355
Net income from financial investments ²⁾	13	10	83	143	-	-	12	-94	167
Net yield from financial investments	13	10	86	585	-	-	12	-151	555
Payroll costs	414	189	53	249	242	32	26	-9	1 196
Administration costs	115	27	12	227	39	8	3	1	432
Other operating costs	85	25	5	136	115	11	9	5	391
Total operating costs	614	241	70	612	396	51	38	-3	2 019
Operating profit before impairment losses on loans	1 326	959	104	22	42	150	35	-160	2 479
Change in individual impairment losses on loans and guarantees	17	130	10	-	-	-9	-	15	162
Change in group impairment losses on loans and guarantees	13	-53	-	-	-	10	-	-	-30
Pre-tax profit	1 296	882	95	22	42	149	35	-175	2 347
¹⁾ Net interest income									
Net external interest income	904	910	53	-128	-10	390	-	-	2 119
Net internal interest income	-	-	-	169	15	-174	1	-11	-
Net interest income	904	910	53	41	5	216	1	-11	2 119
Balance Sheet									
Gross loans to customers	62 182	49 335	-	2 448	-	6 319	-	-11	120 273
Individual write-downs	-64	-342	-	-	-	-40	-	-	-446
Write-downs on groups of loans	-34	-213	-	-	-	-55	-	-	-302
Other assets	-	-	545	41 734	186	160	387	-5 552	37 460
Total assets per segment	62 084	48 780	545	44 182	186	6 384	387	-5 563	156 985
Deposits from customers	41 045	27 002	-	3 793	-	-	-	-173	71 667
Other liabilities and equity ³⁾	21 039	21 778	545	40 389	186	6 384	387	-5 390	85 318
Total assets and liabilities per segment	62 084	48 780	545	44 182	186	6 384	387	-5 563	156 985
Total loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	45 710	679							46 389

²⁾ The capital market division serves customers throughout the group. Previously, most of the income this division generates was recognised in the division. On 1 January 2014, the policy for internal income recognition changed and income is now recognised in its entirety in the business area to which the customer belongs. Historical accounting figures have not been changed since the accounting effect is considered to be insignificant.

³⁾ Other liabilities contains allocated arrangements between the segments.

The interest on intercompany receivables for the divisions is determined on the basis of expected observable market interest rates (NIBOR) plus expected additional costs in connection with the group's long-term funding (credit premium).

Continue note 4

The group primarily operates in a geographical area bounded by Grimstad in the south east and Bergen in the north west. Important asset classes (loans and deposits) are also segmented geographically in separate notes under loans and deposits.

Geographic distribution	Rogaland		Agder		Hordaland		SR-Bank Group	
	2014	2013	2014	2013	2014	2013	2014	2013
Net interest income	1 999	1 746	204	173	201	200	2 404	2 119
Net commissions and other operating income	1 435	1 536	149	162	148	126	1 732	1 824
Net yield from financial investments	766	553	2	1	10	1	778	555
Operating costs	1 807	1 746	127	142	122	131	2 056	2 019
Operating profit before impairment losses on loans	2 393	2 089	228	194	237	196	2 858	2 479
Impairment losses on loans and guarantees	123	-10	71	25	63	117	257	132
Pre-tax profit	2 270	2 099	157	169	174	79	2 601	2 347
Gross loans to customers	115 260	97 393	14 248	11 746	12 112	11 134	141 620	120 273
Individual write-downs	-179	-188	-99	-88	-44	-170	-322	-446
Write-downs on groups of loans	-364	-290	-6	-5	-8	-7	-378	-302
Other assets	33 943	37 414	29	21	34	25	34 006	37 460
Total assets per segment	148 660	134 329	14 172	11 674	12 094	10 982	174 926	156 985
Deposits from customers	73 527	65 138	4 239	3 134	3 723	3 395	81 489	71 667
Other liabilities and equity ³⁾	75 133	69 191	9 933	8 540	8 371	7 587	93 437	85 318
Total assets and liabilities per segment	148 660	134 329	14 172	11 674	12 094	10 982	174 926	156 985
Total loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	28 809	39 967	2 554	4 294	1 509	2 128	32 872	46 389

NOTE 5 CAPITAL ADEQUACY

(Figures in NOK million)

On 22 August 2014, the Ministry of Finance stipulated amendments to the capital requirements regulations with effect from 30 September 2014. The amendments are adjustments implemented to comply with the EU's new capital adequacy regulations for banks and investment firms (CRD IV/CRR) and entail the minimum requirement for common equity tier 1 capital ratio gradually increasing in the run up to 1 July 2016.

SpareBank 1 SR-Bank has permission from the Financial Supervisory Authority of Norway to use internal measurement methods (Internal Rating Based Approach) for quantifying credit risk. The use of IRB requires the bank to comply with extensive requirements relating to organisation, expertise, risk models and risk management systems. In June 2013, SpareBank 1 SR-Bank applied for transition to Advanced IRB for the corporate portfolios that are currently reported according to Foundation IRB.

Investments in associated companies and joint ventures are recognised in the group using the equity method and in accordance with the acquisition method in the parent bank. The investments are treated identically for the purposes of determining the capital ratio except for the group's investments in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt and BN Bank. A proportionate consolidation is carried out for the group's capital adequacy.

Parent bank			Group	
2013	2014		2014	2013
6 394	6 394	Share capital	6 394	6 394
1 587	1 587	Share premium reserve	1 587	1 587
409	512	Allocated dividend	512	409
162	59	Fund for unrealised gains	59	162
4 152	5 245	Other equity	6 851	5 504
12 704	13 797	Total recorded equity	15 403	14 056

Continue note 5

Parent bank			Group	
2013	2014		2014	2013
		Tier 1 capital		
-	-	Deferred tax, goodwill and other intangible assets	-24	-43
-	-	Fund for unrealised gains, available for sale	-	-
-409	-512	Deduction for allocated dividend	-512	-409
-401	-	50% deduction for primary capital in other financial institutions	-	-104
-353	-622	Deduction in expected losses IRB less loss provisions	-676	-356
-	-	50% capital adequacy reserve	-	-587
	-	Deduction common equity tier 1 capital for essential investments in financial institutions	-326	
	-35	Value of derivative liabilities at fair value	-48	
11 541	12 628	Total common equity tier 1 capital	13 817	12 557
1 823	794	Tier 1 capital instruments	1 011	1 954
13 364	13 422	Total tier 1 capital	14 828	14 511
		Tier 2 capital		
-	-	Hybrid tier 1 capital in excess of 15% and 35%	-	-
2 100	2 069	Non-perpetual subordinated capital	2 697	2 451
-401	-	50% deduction for primary capital in other financial institutions	-	-104
-353	-	50% deduction in expected losses IRB less loss provisions	-	-356
	-60	Deduction for essential investments in financial institutions	-60	
	-	50% capital adequacy reserve	-	-587
1 346	2 009	Total tier 2 capital	2 637	1 404
14 710	15 431	Net primary capital	17 465	15 915
		Credit risk Basel II		
18 771	21 786	Participation in enterprises SMB	21 789	18 771
28 175	30 354	Participation in specialised enterprises	32 685	28 175
8 467	8 429	Participation in other enterprises	8 789	8 467
550	1 011	Participation in mass market SMB	1 144	650
5 763	14 468	Participation in mass market - mortgage on real estate	20 661	10 713
663	823	Participation in other mass market	845	762
8 275	6 944	Equity positions	-	-
70 663	83 815	Total credit risk IRB	85 913	67 538
2 288	2 086	Debt risk	1 978	2 088
675	598	Equity risk	598	675
-	-	Currency risk	-	-
2 525	5 780	Participations calculated after other market risk	6 869	3 675
	524	Weaker creditworthiness, counterparty (CVA)	1 127	
4 738	4 760	Operational risk	6 220	5 713
-	-	Transitional scheme	-	14 487
5 400	5 296	Participations calculated using standard method	17 484	20 362
-800	-	Deduction from basis for calculation	-	-1 463
85 488	102 859	Risk-weighted balance sheet	120 189	113 075
	4 629	Minimum requirement common equity tier 1 capital 4.5%	5 409	
		Buffer requirement		
	2 571	Capital conservation buffer 2.5%	3 005	
	3 086	System risk buffer 3%	3 606	
	5 657	Total buffer requirement for common equity tier 1 capital	6 610	
	2 342	Available common equity tier 1 capital after buffer requirement	1 798	
17,21%	15,00%	Capital ratio	14,53%	14,07%
15,63%	13,05%	tier 1 capital ratio	12,34%	12,83%
1,57%	1,95%	tier 2 capital ratio	2,19%	1,24%
13,50%	12,28%	Common equity tier 1 capital ratio	11,50%	11,11%
17,21%	15,00%	Capital ratio IRB	14,53%	16,14%
15,63%	13,05%	Tier 1 capital ratio, IRB	12,34%	14,72%
13,50%	12,28%	Common equity tier 1 capital ratio, IRB	11,50%	12,74%

NOTE 6 FINANCIAL RISK MANAGEMENT

The core purpose of the banking industry is to create value by assuming deliberate and acceptable risk. SpareBank 1 SR-Bank invests significant resources in developing risk management systems and processes that are in line with leading international practice.

SpareBank 1 SR-Bank is exposed to various types of risk:

Credit risk: the risk of loss resulting from the customer's inability or unwillingness to fulfil his obligations

Liquidity risk: the risk that the group is unable to refinance its debt or does not have the ability to fund increases in assets without significant additional costs

Market risk: the risk of loss due to changes in observable market variables such as interest rates, foreign exchange rates and securities markets

Operational risk: the risk of losses due to weak or inadequate internal processes or systems, human error or external incidents.

Ownership risk: the risk that SpareBank 1 SR-Bank bears if it suffers negative results from stakes in strategically owned companies and/or the need to inject fresh capital into these companies. Ownership is defined as companies in which SpareBank 1 SR-Bank has a significant stake and influence.

Compliance risk: the risk that the group incurs public sanctions/penalties or financial loss as a result of failure to comply with legislation and regulations.

Business risk: the risk of unexpected income and cost variations due to changes in external factors such as market conditions or government regulations

Reputation risk: the risk of a failure in earnings and access to capital because of lack of trust and reputation in the market, i.e. customers, counterparties, stock market and authorities

Strategic risk: the risk of losses resulting from the wrong strategic decisions.

Concentration risk: the risk of an accumulation of exposure to an individual customer, sector or geographical area arising. Sectoral concentration risk is exposure that can arise across different types of risk or business areas in the group, e.g. due to common underlying risk drivers such as the price of oil.

SpareBank 1 SR-Bank's risk and capital management underpins the group's strategic development and goal attainment, while ensuring financial stability and prudent asset management. This is achieved through:

- A strong organisational structure characterised by high awareness of risk management
- A good understanding of what risks drive earnings
- Striving towards an optimal application of capital within the adopted business strategy
- Preventing unexpected single events from damaging the group's financial position to a serious extent.
- Making the most of all synergy and diversification effects

In order to ensure an effective and adequate process for risk and capital management, the framework is based on a variety of elements that reflect the manner in which the board and the executive management team run the group. The principal elements are described below.

The group's strategic targets: SpareBank 1 SR-Bank shall be Southern and Western Norway's most attractive supplier of financial services based on:

- Good customer experiences
- A strong team spirit and professionalism
- Local roots and decision-making authority
- Financial strength, profitability and confidence in the market

Risk identification and analysis: The process for risk identification is based on the group's strategic targets. The process is forward-looking and covers all of the group's significant risk areas. In areas where the effect of the established control and management measures is not considered satisfactory, improvement measures are implemented. Measures that reduce probability shall take precedence over measures that reduce consequences.

Capital allocation: Return on economic capital is one of the most important strategic result measurements for the internal control of SpareBank 1 SR-Bank. This implies that capital is allocated to business areas in accordance with the calculated risk of the operation and the return on capital is monitored continuously.

The group's risk is quantified, inter alia, through calculations of expected losses and the need for risk-adjusted capital to be able to cover any unexpected losses. Expected losses describe the loss that statistically must be expected in a portfolio over a 12-month period (long-term outcome). Risk-adjusted capital describes how much capital the group believes it needs to cover the real risk that the group has assumed.

The group has decided that the risk-adjusted capital shall, in principle, cover 99.99% of possible unexpected losses. In the case of the ownership risk associated with SpareBank 1 Gruppen AS, the group has chosen a confidence level of 99.5% as a result of the risk being, to a great extent, insurance risk with a different loss distribution. A confidence level of 99.5% for insurance risk is in line

with the international Solvency II regulations. Statistical methods has been used to calculate risk-adjusted capital where the group has adequate data. In other areas, the calculations are based on qualitative assessments.

Financial projections and stress tests: A projection is drawn up of the expected financial development based on the strategic picture and business plan, as is a projection of a situation involving a serious economic setback in the economy. The projections have a 5-year time horizon. In addition to this, an annual inverse stress test is conducted with the aim of assessing the magnitude of losses the group can bear before the group breaches critical limits for financial strength or funding. The purpose of the stress tests is to increase the understanding of how extreme, but credible, shocks affect the group's profitability, funding situation and compulsory savings. The stress tests also provide a basis for assessing the vulnerability of portfolios or activities to such shocks, and for identifying weaknesses in the group's risk strategies and process as a means of helping to develop risk reducing measures and plan contingency measures for crises.

Evaluation and measures: The analyses provide the executive management team and the board with sufficient understanding of the risk so that they can assess whether the group has an acceptable risk profile and ensure that the group is adequately capitalised in light of the risk profile and strategic targets.

SpareBank 1 SR-Bank prepares capital plans in order to achieve long-term and effective capital management and ensure that the group's capital adequacy is acceptable taking into account the risk exposure. The capital plan takes into account both expected developments and a situation with a serious economic downturn over a number of years. SpareBank 1 SR-Bank has also prepared contingency plans for such critical situations.

Reporting and follow-up: The group's overriding risk exposure and risk trends are followed up through periodic risk reports that are submitted to the executive management team and the board. General risk monitoring and reporting is performed by the Risk Management and Compliance Department which is organised independently of the business units. The department reports directly to the chief executive.

Organisation and organisational culture: SpareBank 1 SR-Bank aims to maintain a strong organisational culture characterised by a high level of risk management awareness. The corporate culture comprises management philosophy and the people in the organisation with their personal attributes, such as integrity, core values and ethics. It is difficult to compensate for an inadequate organisational culture by using other control and management measures. SpareBank 1 SR-Bank has established clear core values and a code of conduct and made the entire organisation aware of them.

SpareBank 1 SR-Bank seeks independence in its risk management and the responsibility for risk management is therefore split between various roles in the organisation.

RISK EXPOSURE IN SPAREBANK 1 SR-BANK

SpareBank 1 SR-Bank is exposed to various types of risk and the most important risk groups are described below:

Credit risk is managed via the framework procedures for granting credit, monitoring commitments and portfolio management. The group's credit strategy comprises overriding credit strategy limits to ensure a diversified portfolio and a satisfactory risk profile. This limits the probability of default, expected losses, risk-adjusted capital and how high the total loan exposure can be in the corporate market.

The group particularly focuses on the concentration risk associated with exposure to large individual customers and certain industries. In order to avoid undesirable concentration risk, the strategic credit limits also set restrictions in relation to exposure and risk profile at a portfolio level, and for different industries and individual customers. These restrictions are additional to the limits stipulated by the Regulation regarding Major Commitments. The group's credit policy guidelines stipulate minimum requirements that apply to all types of financing, except commitments granted as part of the exercise of special credit hedging authorities. In addition to the general credit policy guidelines, a set of more specific credit policy guidelines related to sectors or segments that can entail a special risk have been prepared. For example, in the case of financing property commitments, minimum requirements are imposed for equity, advance sales of housing projects and degree of financing in relation to rental income on rental property.

The board is responsible for the group's granting of loans and credit, but delegates the responsibility to the chief executive, within certain limits. The chief executive then delegates these within his own authority. Delegated credit authority is linked to a commitment's expected losses and the probability of default. The authority is personal. The credit review routines regulate in detail all factors related to the granting of credit by the group and follow-up of commitments.

The group utilises credit models for risk classification, risk pricing and portfolio management. The risk models are based on three main components:

1. Probability of default: Customers are classified into default classes based on the probability of them defaulting on their obligations during a period of 12 months, based on a long-term outcome in a complete loss cycle. The probability of default is calculated on the basis of historical series of data for financial key figures related to earnings and deterioration, as well as the basis of non-financial criteria such as conduct and age. Nine default classes (A – I) are used to classify the customers according to the probability of default. The group has two additional default classes (J and K) for customers with defaulted and/or written-down commitments.
2. Exposure at default: This is an estimate of what the group's exposure will be were a customer to default. This exposure consists of lending volume, guarantees and approved, but not drawn limits respectively. For the retail market, approved, but not drawn limits are multiplied by a conversion factor of 100%. For the corporate market, approved but not drawn facilities are multiplied by a conversion factor that for customers with a normal score varies

between 60% - 90%, depending on the customer's probability of default. Guarantees are multiplied by a conversion factor of either 50% or 100%, depending on the type of guarantee.

3. Loss given default: This is an estimate of how much the group can potentially lose if the customer defaults on his obligations. The valuation takes in account the value of underlying securities and the costs the group incurs from recovering defaulted commitments. The group sets realisation values on collateral security lodged based on experience over time, and such that these, based on a conservative assessment reflect the expected realisation value in a period of recession. Seven different classes are used (1 - 7) for classifying commitments in relation to loss given default.

The group continuously develops and tests the risk management system and the credit granting process to ensure that it is of high quality over time. Quantitative validation is intended to ensure that the estimates used for the probability of default, exposure at default and loss given default are always of adequately good quality. Analyses are carried out to assess the models' ability to rank the customers according to risk (discrimination ability), and the ability to determine the correct level for the risk parameters. In addition, the stability of the models' estimates and the models' cyclical sensitivity are analysed. The quantitative validation will, in certain circumstances, be supplemented by more qualitative valuations, especially if only limited statistical data is available.

In addition to the credit risk in the lending portfolio, the group has credit risk through its exposure in the liquidity reserve portfolio. This portfolio consists mainly of low risk commercial paper and bonds that qualify for loans from Norges Bank. The group is also exposed to credit risk through the portfolio in SpareBank 1 SR-Finans AS, which principally consists of leasing and car loans. The portfolio accounts for around 5% of total lending exposure. For further information please see notes 7 to 14.

Liquidity risk is managed via the group's general liquidity strategy, which is reviewed and adopted by the board at least once a year. Liquidity management is based on conservative limits and reflects the group's moderate risk profile. The group's Treasury Department is responsible for liquidity management, while the Risk Management and Compliance Department monitors and reports on the utilisation of limits in accordance with the liquidity strategy.

The group's lending is mainly funded by customer deposits and long-term security debt. The liquidity risk is restricted by diversifying securities issued in terms of markets, funding sources, instruments and maturity periods. Sales of well-secured home mortgages to the mortgage company help dampen funding needs and thus the liquidity risk to which SpareBank 1 SR-Bank is exposed.

For further information see notes 17 and 18.

Market risk is managed through the market risk strategy, which defines the group's willingness to assume risk. The strategy and the associated specification of the necessary risk ceilings, reporting procedures and authorities are reviewed and adopted by the board at least once a year.

Market risk in SpareBank 1 SR-Bank primarily relates to the group's long-term investments in securities. In addition, the group is exposed to some market risk through trading activities in interest rate and currency markets, as well as from activities that underpin ordinary funding and lending activities. The group's market risk is measured and monitored on the basis of conservative limits that are renewed and approved by the board at least once a year. The size of the limits is determined on the basis of stress tests and analyses of negative market movements.

The group's exposure to market risk is moderate.

Interest rate risk is the risk of losses incurred due to changes in interest rates. The group's interest rate risk is regulated by limits for maximum value change following a change in the interest rate level of 1%. The interest rate commitments for the group's instruments are mostly short-term and the group's interest rate risk is low.

Currency rate risk is the risk of losses due to fluctuations in foreign exchange rates. The group measures currency risk on the basis of net positions in the different currencies in which the group has exposure. Currency risk is regulated by nominal limits for maximum aggregate currency positions and maximum positions within individual currencies. The scope of the group's trading in foreign currency is modest and the currency rate risk is considered moderate.

Price risk is the risk of losses that arise following changes in the value of the group's commercial paper, bonds and equity instruments. The spread risk is defined as the risk of changes in the market value of bonds as a result of general changes in the credit spreads. In other words, credit spread risk expresses the potential loss in the bond portfolios beyond the bankruptcy risk. Quantification of the risk-adjusted capital for spread risk in the bond portfolios is calculated based on the Financial Supervisory Authority of Norway's model for risk-based supervision of market risk in insurance companies. The group's risk exposure to this type of risk is regulated through limits for maximum investments in the different portfolios.

For more information see notes 15, 16 and 28.

Operational risk is managed via the risk strategy, which is set annually. According to the strategy, the group must have a moderate risk profile and be one of the leading managers of operational risk in the Nordic region. This will be achieved through a very good corporate risk culture, continuously learning from adverse events, and developing leading methods for identifying, quantifying and balancing risk based on a cost/benefit assessment. This requires the group to strive for a good balance between trust and control that ensures efficiency is safeguarded, at the same time as ensuring it is not exposed to unnecessary risk.

In order to ensure that risk is managed according to an updated and relevant risk picture, annual working meetings are held with process owners and managers from all important business areas and support processes in the group. The purpose of the working meetings is to assess the analysed risk picture and identify and quantify new risk factors, as well as assess potential measures for reducing operational risk exposure.

SpareBank 1 SR-Bank regards corporate culture as the most important single factor in operational risk management. Therefore, every second year every employee in the organisation is surveyed on operational risk culture. The survey has been developed as part of a research project in collaboration with the University of Stavanger, and provides valuable insight into the group's risk culture and how it varies between units and regions.

Ownership risk is managed via limits for risk-adjusted capital that are reviewed and adopted by the board at least once a year. Ownership is defined as companies in which SpareBank 1 SR-Bank has a significant stake and influence. SpareBank 1 SR-Bank is mainly exposed to ownership risk through its stakes in SpareBank 1 Gruppen AS (19.5%), BN Bank ASA (23.5%), SpareBank 1 Boligkreditt AS (20.1%), SpareBank 1 Næringskreditt AS (26.8%) and SpareBank 1 Kredittkort AS (17.9%).

Compliance risk is managed via the framework regulations for compliance that are primarily based on EBA Internal Governance GL44, Basel Committee on Banking Supervision, 'Compliance and the compliance function in banks', ESMA 'Guidelines on certain aspects of the MiFID compliance function requirements ESMA/2012/388', and the Financial Supervisory Authority of Norway's 'Module for evaluating overriding management and control'. SpareBank 1 SR-Bank's compliance policy is intended to ensure the group does not incur any public sanctions/penalties, or any financial loss, due to a failure to implement or comply with legislation and regulations. The group's compliance policy is adopted by the board and describes the main principles for responsibility and organisation.

SpareBank 1 SR-Bank is cognisant of the need for good processes to ensure compliance with legislation and regulations. Focus areas are continuous monitoring of compliance with the current regulations and ensuring that the group has adapted to future regulatory changes as best as it can.

SpareBank 1 SR-Bank's compliance function is the responsibility of the risk management and compliance department and is organised independently of the business units. The department bears overall responsibility for the framework, monitoring and reporting within the area. The investment firm and subsidiaries have a dedicated compliance officer where this is required.

NOTE 7 FINANCIAL INSTITUTIONS - RECEIVABLES AND LIABILITIES

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
		Loans to and receivables from financial institutions		
828	1 480	At call	1 492	843
5 841	6 637	With agreed maturities or notice	730	410
6 669	8 117	Total	2 222	1 253
		Specified by the most important currencies		
5 532	6 456	NOK	1 085	582
554	914	EUR	914	554
419	608	USD	133	9
164	139	Other currencies	90	108
6 669	8 117	Total	2 222	1 253
2,2 %	2,3 %	Average interest rate	2,3 %	2,2 %
		Debt to financial institutions		
2 325	2 990	At call	2 984	2 322
1 378	3 130	With agreed maturities or notice	3 130	1 377
43	25	Accrued interest	25	43
3 746	6 145	Total	6 139	3 742
		Specified by the most important currencies		
1 550	1 404	NOK	1 402	1 546
1 791	4 177	EUR	4 177	1 791
343	538	USD	534	343
19	1	Other currencies	1	19
43	25	Accrued interest	25	43
3 746	6 145	Total	6 139	3 742
1,0 %	0,9 %	Average interest rate	0,9 %	1,0 %
		The average interest rate is calculated on the basis of the actual interest during the year as a percentage of the average balance with financial institutions.		
		Received securities that can be sold or mortgaged		
		Resale agreements		
566	343	Certificates and bonds	343	566
566	343	Total received securities	343	566
		Of which received securities that are sold or mortgaged		
-	-	Certificates and bonds	-	-

Securities that are bought due to a buy back agreement are not recognised since the risks and rewards of ownership of the assets has not been transferred. Such transactions generally involve interest-bearing securities. Received securities, including collateral, are recognised off the balance sheet independent of whether the group is allowed to sell or mortgage the security. When received securities are sold, the group will recognise a liability on the balance sheet. The balance sheet item 'Loans to and receivables from financial institutions' includes receivables with resale agreements.

NOTE 8 LOANS TO AND RECEIVABLES FROM CUSTOMERS

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
		Distribution by type of receivable		
-	-	Financial leasing	5 194	4 819
19 879	22 194	Overdraft facilities and operating credits	22 193	19 879
3 946	4 680	Building loans	4 680	3 946
89 630	107 156	Instalment loans	108 817	91 139
205	423	Excess value of fixed rate lending and amortisation of front-end fees	411	209
304	323	Accrued interest	325	281
113 964	134 776	Gross loans	141 620	120 273
-405	-302	Individual write-downs	-322	-446
-247	-316	Write-downs for groups of loans	-378	-302
113 312	134 158	Loans to customers	140 920	119 525
		Distribution by market		
58 481	76 107	Retail customers	77 651	59 848
54 360	57 761	Corporate customers	62 880	59 128
614	162	Public sector	353	807
205	423	Excess value of fixed rate lending and amortisation of front-end fees	411	209
304	323	Accrued interest	325	281
113 964	134 776	Gross loans	141 620	120 273
-405	-302	Individual write-downs	-322	-446
-247	-316	Write-downs for groups of loans	-378	-302
113 312	134 158	Loans to customers	140 920	119 525
		Of which subordinated loan capital		
43	46	Primary capital in other financial institutions	46	43
43	46	Subordinated loan capital recording as lending	46	43
2 038	1 975	Loans to employees	2 562	2 662
962	775	Of which loans sold to SpareBank 1 Boligkreditt AS	1 005	1 293
		The terms are one percentage point lower than the standardised rate set by the Ministry of Finance.		
45 747	32 288	Loans sold to SpareBank 1 Boligkreditt	32 288	45 747
605	462	Received commissions from SpareBank 1 Boligkreditt	462	605
642	584	Loans sold to SpareBank 1 Næringskreditt	584	642
5	6	Received commissions from SpareBank 1 Næringskreditt	6	5
		Total commitments by probability of default in %		
62 939	79 763	0.00 - 0.50	81 753	64 637
55 610	61 951	0.50 - 2.50	65 696	58 885
19 013	22 802	2.50 - 99.9	23 847	20 254
1 583	966	Commitments in default	1 031	1 679
139 146	165 482	Total commitments	172 326	145 455
-13 673	-17 827	Grants	-17 827	-13 673
-11 509	-12 879	Guarantees	-12 879	-11 509
113 964	134 776	Gross loans	141 620	120 273
		Gross loans by probability of default in %		
52 364	66 605	0.00 - 0.50	68 614	54 085
44 134	48 912	0.50 - 2.50	52 651	47 403
15 506	17 613	2.50 - 99.9	18 653	16 747
1 450	901	Commitments in default	966	1 547
509	746	Excess value of fixed rate lending and amortisation of front-end fees including accrued interest	736	490
113 964	134 776	Gross loans	141 620	120 273

Continue note 8

Parent bank			Group	
2013	2014		2014	2013
		Individual write-downs by risk class ¹⁾		
405	302	Commitments in default	322	446
405	302	Total	322	446

¹⁾ In the event of a write-down, all the loan capital is moved to the default class irrespective of earlier classification.

		Expected annual average net individual write-downs by probability of default in % ²⁾		
13	13	0.00 - 0.50	13	13
90	94	0.50 - 2.50	94	98
205	212	2.50 - 99.9	212	222
24	15	Commitments in default	15	28
332	334	Total	334	361

²⁾ The expected average annual net individual write-downs is the amount that the parent bank and the group statistically expect to lose in the lending portfolio over a 12-month period. The calculations are based on a long-term average over an economic cycle. New internal calculation models for expected and unexpected losses were used for 2013 and 2014. The figures for 2013 have been restated so they are comparable with 2014.

		Total commitments by sector and industry		
5 970	6 991	Agriculture/forestry	7 224	6 214
611	738	Fisheries/fish farming	867	731
3 569	4 910	Mining operations/extraction	5 041	3 657
4 320	3 665	Industry	4 341	5 049
3 232	4 493	Power and water supply/building and construction	5 332	4 072
3 536	3 796	Wholesale and retail trade, hotels and restaurants	4 151	3 984
8 214	8 066	Overseas shipping, pipeline transport and other transport	8 663	8 778
33 961	36 382	Property management	36 523	34 107
7 949	8 576	Service sector	10 590	9 712
5 057	4 572	Public sector and financial services	4 763	5 057
76 419	82 189	Total industry	87 495	81 361
62 727	83 293	Retail customers	84 831	64 094
139 146	165 482	Total	172 326	145 455
		Gross lending by sector and industry		
4 082	4 225	Agriculture/forestry	4 458	4 326
421	467	Fisheries/fish farming	596	541
2 741	4 210	Mining operations/extraction	4 341	2 829
2 674	1 973	Industry	2 650	3 403
2 260	2 681	Power and water supply/building and construction	3 520	3 100
2 429	2 174	Wholesale and retail trade, hotels and restaurants	2 529	2 877
6 733	7 642	Overseas shipping, pipeline transport and other transport	8 239	7 297
25 575	27 020	Property management	27 164	25 740
5 782	5 845	Service sector	7 859	7 545
2 277	1 686	Public sector and financial services	1 877	2 277
54 974	57 923	Total industry	63 233	59 935
58 481	76 107	Retail customers	77 651	59 848
509	746	Excess value of fixed rate lending and amortisation of front-end fees including accrued interest	736	490
113 964	134 776	Total	141 620	120 273

Continue note 8

Parent bank			Group	
2013	2014		2014	2013
Individual write-downs by sector and industry				
6	19	Agriculture/forestry	20	8
-	-	Fisheries/fish farming	-	-
-	-	Mining operations/extraction	-	5
20	4	Industry	15	31
9	20	Power and water supply/building and construction	22	10
21	24	Wholesale and retail trade, hotels and restaurants	24	26
55	36	Overseas shipping, pipeline transport and other transport	36	64
206	115	Property management	118	210
34	43	Service sector	44	37
-	-	Public sector and financial services	-	-
351	261	Total industry	279	392
54	41	Retail customers	43	54
405	302	Total	322	446
Expected annual average individual write-downs by sector and industry				
4	4	Agriculture/forestry	4	6
2	1	Fisheries/fish farming	1	3
23	21	Mining operations/extraction	21	24
19	20	Industry	20	25
55	64	Power and water supply/building and construction	64	60
22	23	Wholesale and retail trade, hotels and restaurants	23	25
18	18	Overseas shipping, pipeline transport and other transport	18	21
102	89	Property management	89	103
37	37	Service sector	37	41
7	8	Public sector and financial services	8	8
289	285	Total industry	285	316
43	49	Retail customers	49	45
332	334	Total	334	361
Gross loans by geographic area				
82 172	98 672	Rogaland	103 117	82 983
10 141	12 479	Agder counties	13 102	10 757
15 655	18 618	Hordaland	19 683	16 302
1 321	1 999	International	1 999	5 541
4 675	3 008	Other	3 719	4 690
113 964	134 776	Total	141 620	120 273
Loans and receivables related to financial leasing			2014	2013
Gross investments related to financial leasing				
Up to 1 year			1 617	1 437
Between 1 to 5 years			3 458	3 268
Later than 5 years			468	476
Total			5 543	5 181
Net investments related to financial leasing				
Up to 1 year			1 427	1 250
Between 1 to 5 years			3 168	2 977
Later than 5 years			439	437
Total			5 034	4 664

NOTE 9 LOANS SOLD TO SPAREBANK 1 BOLIGKREDITT AND SPAREBANK 1 NÆRINGSKREDITT

Loans sold to SpareBank 1 Næringskredit AS

SpareBank 1 Næringskredit AS was established in 2009 and has a licence from the Financial Supervisory Authority of Norway to operate as a mortgage company that issues covered bonds. Covered bonds issued by SpareBank 1 Næringskredit AS have an Aa3 rating from Moody's. The company is owned by the savings banks that make up the SpareBank 1 Alliance and shares premises with SpareBank 1 Boligkredit AS in Stavanger. SpareBank 1 SR-Bank ('the bank') owned a 26.8% stake as at 31 December 2014 (27.3% as at 31 December 2013). The purpose of the mortgage company is to ensure the alliance banks access to stable, long-term funding for commercial property at competitive prices. SpareBank 1 Næringskredit AS acquires loans with collateral in commercial property and issues covered bonds in accordance with the regulations established for this in 2007. As part of the SpareBank 1 Alliance, the bank can offer the company the opportunity to buy loans and the bank sells loans as part of its funding strategy. Loans sold to SpareBank 1 Næringskredit AS are secured by collateral in commercial property up to a ceiling of 60% of their valuation. The sold loans are legally owned by SpareBank 1 Næringskredit AS and the bank has, apart from the right to administer them and receive commissions for this and the right to take over fully or partially written down loans, no right to use the loans. At year-end 2014, the book value of sold loans amounted to NOK 0.58 billion (NOK 0.64 billion in 2013). The bank administers the sold loans and receives commissions based on the net return on the loans the bank has sold less the company's costs.

The bank has, together with the other owners of SpareBank 1 Næringskredit AS, concluded agreements that establish liquidity facilities for SpareBank 1 Næringskredit AS. This means that the banks have committed to purchasing covered bonds in those circumstances where SpareBank 1 Næringskredit AS cannot refinance its activities in the market. The purchase is limited to the total value at any given time of the amounts due in the company in the next 12 months. Previous purchases under this agreement are deducted from future obligations to buy. In principle, each owner is liable for its share of the need or alternatively twice the primary responsibility under the same agreement. The bonds can be deposited in Norges Bank and thus result in no material increase in risk for the bank. In line with its internal policy, SpareBank 1 Næringskredit AS holds liquidity for the amount due in the next 12 months. This is deducted when assessing the banks' responsibilities. Therefore, it would only be after SpareBank 1 Næringskredit AS no longer had adequate funding to cover the amount due in the next 12 months that the bank would report any commitment here in relation to the capital ratio or major commitments.

The bank also has concluded shareholder agreements with the shareholders in SpareBank 1 Næringskredit AS. This means that the bank must contribute to ensuring that SpareBank 1 Næringskredit AS's tier 1 capital ratio is at least 9.0% and possibly supply tier 1 capital if it falls to a lower level and the risk-weighted balance sheet cannot be reduced in some other manner. SpareBank 1 Næringskredit AS has internal guidelines concerning having a tier 1 capital ratio of at least 10.0%. Based on a concrete assessment the bank has chosen not to hold capital for this obligation because the risk of the bank being forced to contribute is regarded as very small. In connection with this, it should be pointed out that a number of relevant alternatives may exist should such a situation arise.

The margins for the loans sold to SpareBank 1 Næringskredit AS could fail if SpareBank 1 Næringskredit AS's funding costs climb faster than the lending rate rises. If the net interest margin for the bank's customers at a portfolio level falls below a specific level (margin floor), the bank must pay

in the difference between the portfolio's actual net interest margin and the margin floor limited upwards to 0.20%.

The loans sold to SpareBank 1 Næringskredit AS are very well collateralised and are very unlikely to result in losses. The bank has a mutual involvement in the form of a possible settlement against commissions. Should accounting credit losses or margin failure occur in relation to one or more sold loans, SpareBank 1 Næringskredit AS can reduce the commissions the bank receives by the loss. The reduction in commissions for the bank is limited to the calendar year's total commissions and if SpareBank 1 Næringskredit AS's loss is subsequently covered the commissions are repaid to the bank. The maximum amount the bank's recognised commissions can be reduced by for the calendar year was calculated at NOK 6 million as at 31 December 2014 and NOK 5 million as at 31 December 2013. The fair value of the liability has been calculated and is considered insignificant. The liability has therefore not affected the balance sheet or income statement during the period. The amounts are thus not recognised gross as an asset and liability in the bank's balance sheet.

The remuneration received for the loans sold by the bank to SpareBank 1 Næringskredit AS corresponds to the book value of sold loans and was deemed to almost match the loans' fair value as at 31 December 2014 and as at 31 December 2013.

The received offer of a new agreement with SpareBank 1 Næringskredit AS was approved at SpareBank 1 SR-Bank ASA's board meeting on 4 February 2015. The new agreement will replace the current agreement on the sale of loans from the bank to the company, management and the settlement of commissions. Entering into a new agreement means that the bank has no residual involvement in loans that have been sold to SpareBank 1 Næringskredit AS and that upon signing the agreement the loans will be regarded as fully derecognised. The agreement is expected to be signed in the first quarter of 2015.

Loans sold to SpareBank 1 Boligkredit AS

SpareBank 1 Boligkredit AS is owned by the savings banks that make up the SpareBank 1 Alliance and shares premises with SpareBank 1 Næringskredit AS in Stavanger. The bank owned a 20.1% stake as at 31 December 2014 (26.2% as at 31 December 2013). The purpose of the mortgage company is to ensure the alliance banks access to stable, long-term funding for home mortgages at competitive prices. Covered bonds issued by SpareBank 1 Boligkredit AS have an Aaa and AAA rating from Moody's and Fitch, respectively. SpareBank 1 Boligkredit AS also issues bonds with a lower rating that are not covered bonds. SpareBank 1 Boligkredit AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007. As part of the SpareBank 1 Alliance, the bank can offer SpareBank 1 Boligkredit AS the opportunity to buy loans and the bank sells loans to SpareBank 1 Boligkredit AS as part of its funding strategy. Loans sold to SpareBank 1 Boligkredit AS are secured by collateral in housing up to a ceiling of 75% of their valuation. The sold loans are legally owned by SpareBank 1 Boligkredit AS and the bank has, apart from the right to administer them and receive commissions, as well as the right to take over fully or partially written down loans, no right to use the loans. At year-end 2014, the book value of transferred loans amounted to NOK 32.3 billion (NOK 45.7 billion in 2013).

The bank administers the sold loans and receives commissions based on the net return on the loans the bank has sold less the company's costs.

The bank has, together with the other owners of SpareBank 1 Boligkredit AS, concluded agreements that establish liquidity facilities for SpareBank 1 Boligkredit AS. This means that the banks have committed to purchasing covered bonds in those circumstances where SpareBank 1 Boligkredit AS cannot refinance its activities in the market. The purchase is limited to the

total value at any given time of the amounts due in the company in the next 12 months. Previous purchases under this agreement are deducted from future obligations to buy. In principle, each owner is liable for its share of the need or alternatively twice the primary responsibility under the same agreement. The bonds can be deposited in Norges Bank and thus result in no material increase in risk for the bank. In line with its internal policy, SpareBank 1 Boligkreditt AS holds liquidity for the amount due in the next 12 months. This is deducted when assessing the banks' responsibilities. Therefore, it would only be after SpareBank 1 Boligkreditt AS no longer had adequate funding to cover the amount due in the next 12 months that the bank would report any commitment here in relation to the capital ratio or major commitments.

The bank also has concluded shareholder agreements with the shareholders in SpareBank 1 Boligkreditt AS. This means that the bank must contribute to ensuring that SpareBank 1 Boligkreditt AS's tier 1 capital ratio is at least 9.0% and possibly supply tier 1 capital if it falls to a lower level and the risk-weighted balance sheet cannot be reduced in some other manner. SpareBank 1 Boligkreditt AS has internal guidelines concerning having a tier 1 capital ratio of at least 10.0%. Based on a concrete assessment the bank has chosen not to hold capital for this obligation because the risk of the bank being forced to contribute is regarded as very small. In connection with this, it should be pointed out that a number of relevant alternatives may exist should such a situation arise.

The margins for the loans sold to SpareBank 1 Boligkreditt AS could fail if SpareBank 1 Boligkreditt AS's funding costs climb faster than the lending rate rises. If the net interest margin for the bank's customers at a portfolio level falls below a specific level (margin floor), the bank must pay in the difference between the portfolio's actual net interest margin and the margin floor limited upwards to 0.10%.

The loans sold to SpareBank 1 Boligkreditt AS are very well collateralised and are very unlikely to result in losses. The bank has a mutual involvement in the form of a possible settlement against commissions. Should accounting credit losses or margin failure occur in relation to one or more sold loans, SpareBank 1 Boligkreditt AS can reduce the commissions the bank receives by the loss. The reduction in commissions for the bank is limited to the calendar year's total commissions and if SpareBank 1 Boligkreditt AS's loss is subsequently covered the commissions are repaid to the bank. The maximum amount the bank's recognised commissions can be reduced by for the calendar year was calculated at NOK 462 million as at 31 December 2014 and NOK 605 million as at 31 December 2013. The fair value of the liability has been calculated and is considered insignificant. The liability has therefore not affected the balance sheet or income statement during the period. The amounts are thus not recognised gross as an asset and liability in the bank's balance sheet.

The remuneration received for the loans sold by the bank to SpareBank 1 Boligkreditt AS corresponds to the book value of sold loans and was deemed to almost match the loans' fair value as at 31 December 2014 and as at 31 December 2013.

The received offer of a new agreement with SpareBank 1 Boligkreditt AS was approved at SpareBank 1 SR-Bank ASA's board meeting on 4 February 2015. The new agreement will replace the current agreement on the sale of loans from the bank to the company, management and the settlement of commissions. Entering into a new agreement means that the bank has no residual involvement in loans that have been sold to SpareBank 1 Boligkreditt AS and that upon signing the agreement the loans will be regarded as fully derecognised. The agreement is expected to be signed in the first quarter of 2015.

NOTE 10 AGE DISTRIBUTION OF DUE BUT NOT WRITTEN DOWN LOANS

(Figures in NOK million)

The table below shows amounts due on loans, overdrafts/deposits and by number of days after their due date that are not due to delays in payment services.

Parent bank					
2014	Less than 30 days	31 - 60 days	61 - 90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	1 248	44	32	136	1 460
- Corporate market	342	2	-	63	407
Total	1 590	46	32	199	1 867
2013					
Loans to and receivables from customers					
- Retail market	1 269	40	25	100	1 434
- Corporate market	582	1	90	37	710
Total	1 851	41	115	137	2 144
Group					
2014					
Loans to and receivables from customers					
- Retail market	1 248	52	32	161	1 493
- Corporate market	342	25	9	67	443
Total	1 590	77	41	228	1 936
2013					
Loans to and receivables from customers					
- Retail market	1 269	46	25	115	1 455
- Corporate market	582	57	92	46	777
Total	1 851	103	117	161	2 232

NOTE 11 IMPAIRMENT LOSSES ON LOANS AND GUARANTEES

(Figures in NOK million)

Parent bank

	2014			2013		
	PM	BM	Totalt	PM	BM	Totalt
Impairment losses on loans and guarantees						
Change in individual write-downs in the period	-4	-99	-103	-9	-22	-31
Change in group write-downs in the period	6	63	69	13	-53	-40
Realised losses on commitments previously written down	15	202	217	17	84	101
Realised losses on commitments not previously written down	1	59	60	12	83	95
Change in write-downs in repossessed assets in the period	-	-	-	1	30	31
Amortised loans	5	6	11	1	10	11
Recoveries on loans and guarantees previously written down	-2	-4	-6	-5	-46	-51
Total impairment losses on loans and guarantees	21	227	248	30	86	116
Individual write-downs						
Individual write-downs to cover losses on loans and guarantees as at 1 Jan	64	341	405	73	363	436
Realised losses in the period on loans and guarantees previously written down individually	-15	-202	-217	-17	-84	-101
Reversal of write-downs in previous years	-10	-25	-35	-19	-220	-239
Increase in write-downs on commitments previously written down individually	9	33	42	3	127	130
Amortised cost	-2	-	-2	-	-	-
Write-down of commitments not previously written down individually	14	95	109	24	155	179
Individual write-downs to cover losses on loans and guarantees as at 31 Dec	60	242	302	64	341	405
Write-downs on groups of loans						
Write-downs to cover losses on loans and guarantees as at 1 Jan	34	213	247	23	264	287
Write-downs to cover losses on loans and guarantees in the period	6	63	69	13	-53	-40
Group write-downs to cover losses on loans and guarantees as at 31 Jan	40	276	316	36	211	247
Write-downs by sector and industry						
Agriculture/forestry		1%	2		4%	5
Fisheries/fish farming		0%	-		0%	-
Mining operations/extraction		0%	-		0%	-
Industry		0%	1		6%	7
Power and water supply/building and construction		8%	21		3%	4
Wholesale and retail trade, hotels and restaurants		10%	25		15%	17
Overseas shipping, pipeline transport and other transport		-1%	-3		8%	9
Property management		46%	113		132%	153
Service sector		3%	8		-37%	-43
Transferred from write-downs on groups of loans		28%	69		-34%	-40
Retail customers		5%	12		3%	4
Impairment losses on loans and guarantees		100%	248		100%	116
Non-performing and impaired commitments		2014	2013	2012	2011	2010
Non-performing commitments		395	804	406	384	408
Other impaired commitments		481	378	641	587	656
Total impaired loans		876	1 182	1 047	971	1 064
Individual write-downs		-302	-405	-437	-357	-346
Net impaired commitments		574	777	610	614	718

Continue note 11

(Figures in NOK million)

Group	2014			2013		
	PM	BM	Totalt	PM	BM	Totalt
Impairment losses on loans and guarantees						
Change in individual write-downs in the period	-4	-120	-124	-11	34	23
Change in group write-downs in the period	8	67	75	17	-47	-30
Realised losses on commitments previously written down	15	214	229	19	92	111
Realised losses on commitments not previously written down	6	68	74	19	89	108
Change in write-downs in repossessed assets in the period	-	-	-	1	-31	-30
Amortised loans	5	6	11	1	10	11
Recoveries on loans and guarantees previously written down	-3	-5	-8	-11	-50	-61
Total impairment losses on loans and guarantees	27	230	257	35	97	132
Individual write-downs						
Individual write-downs to cover losses on loans and guarantees as at 1 Jan	64	382	446	89	334	423
Realised losses in the period on loans and guarantees previously written down individually	-15	-213	-228	-19	-92	-111
Reversal of write-downs in previous years	-10	-44	-54	-19	-164	-183
Increase in write-downs on commitments previously written down individually	9	33	42	3	128	131
Amortised cost	-2	-	-2	-	-	-
Write-down of commitments not previously written down individually	15	103	118	24	162	186
Individual write-downs to cover losses on loans and guarantees as at 31 Dec	61	261	322	78	368	446
Write-downs on groups of loans						
Write-downs to cover losses on loans and guarantees as at 1 Jan	41	261	302	24	308	332
Write-downs to cover losses on loans and guarantees in the period	8	67	75	17	-47	-30
Group write-downs to cover losses on loans and guarantees as at 31 Jan	49	328	378	41	261	302
Write-downs by sector and industry						
Agriculture/forestry		1%	2		4%	5
Fisheries/fish farming		0%	-		0%	-
Mining operations/extraction		0%	-5		-2%	-2
Industry		0%	5		2%	3
Power and water supply/building and construction		8%	22		3%	4
Wholesale and retail trade, hotels and restaurants		10%	26		11%	14
Overseas shipping, pipeline transport and other transport		-1%	-6		6%	8
Property management		46%	112		116%	153
Service sector		3%	8		-20%	-27
Transferred from write-downs on groups of loans		28%	75		-23%	-30
Retail customers		5%	18		3%	4
Impairment losses on loans and guarantees		100%	257		100%	132
Non-performing and impaired commitments		2014	2013	2012	2011	2010
Non-performing commitments		427	830	460	415	443
Other impaired commitments		513	439	589	696	762
Total impaired loans		940	1 269	1 049	1 111	1 205
Individual write-downs		-322	-446	-424	-420	-402
Net impaired commitments		618	823	625	691	803

The interest on commitments with an impairment as at 31 December 2014 that was recognised as income in 2014 amounted to NOK 55 million in the bank and NOK 56 million in the group. The fair value of the collateral related to loans and receivables that are the object of individual write-downs is equal to the book value plus the impairment. The collateral is in the form of cash, securities, guarantees and properties.

NOTE 12 CREDIT RISK EXPOSURE FOR EACH INTERNAL RISK CLASS

(Figures in NOK million)

	Average unsecured exposure	Total commitment	Average unsecured exposure	Total commitment
	2014	2014	2013	2013
Parent bank				
PD in % ¹⁾				
0.00 - 0.50	9,4 %	79 763	11,1 %	62 939
0.50 - 2.50	20,0 %	61 951	22,6 %	55 610
2.50 - 99.9	26,7 %	22 802	31,2 %	19 013
Non-performing and written down	42,1 %	966	39,5 %	1 583
Total	16,0 %	165 482	18,8 %	139 146
Group				
PD in % ¹⁾				
0.00 - 0.50	9,7 %	82 290	11,4 %	65 116
0.50 - 2.50	20,7 %	65 196	23,1 %	58 437
2.50 - 99.9	27,1 %	23 830	31,6 %	20 238
Non-performing and written down	42,2 %	1 010	39,7 %	1 664
Total	16,5 %	172 326	19,2 %	145 455

¹⁾ PD = probability of default

Stricter guidelines were introduced for assessing the value of security in an economic downturn in 2014. Given this, the source data for this year's report has been updated and data for 2013 changed such that the observations from 2013 and 2014 are comparable.

NOTE 13 MAXIMUM CREDIT RISK EXPOSURE

(Figures in NOK million)

Maximum exposure to credit risk for balance sheet components, including derivatives**Exposure is shown gross before assets pledged as security and permitted offsetting.**

Parent bank			Group	
2013	2014		2014	2013
		Assets		
998	1 610	Receivables from the central bank	1 610	998
6 669	8 117	Loans to and receivables from financial institutions	2 222	1 253
113 312	134 158	Loans to and receivables from customers	140 920	119 525
21 052	15 248	Certificates and bonds	15 261	21 065
4 929	7 344	Derivatives	7 340	4 923
146 960	166 477	Total credit risk exposure balance sheet items	167 353	147 764
		Financial guarantees and loan commitments		
11 509	12 879	Guarantees issued	12 879	11 509
13 987	17 949	Unused credit lines	17 949	13 987
2 085	1 653	Loan commitments	1 777	2 180
27 581	32 481	Total financial guarantees and loan commitments	32 605	27 676
174 541	198 958	Total credit risk exposure	199 958	175 440

Credit exposure related to financial assets by geographic area

Parent bank			Group	
2013	2014		2014	2013
		Banking operations		
108 718	130 328	Rogaland	128 778	107 508
12 456	15 361	Agder counties	15 983	13 073
19 360	23 039	Hordaland	24 140	20 163
1 638	2 464	International	2 441	1 672
6 388	5 174	Other	6 015	7 036
148 560	176 366	Total banking operations	177 357	149 452
		Market activities		
14 551	7 954	Norway	7 967	14 564
6 277	6 719	Europe/Asia	6 719	6 277
224	575	North America/Oceania	575	224
21 052	15 248	Total market activities	15 261	21 065
4 929	7 344	Derivatives	7 340	4 923
174 541	198 958	Total by geographic area	199 958	175 440

NOTE 14 CREDIT QUALITY PER CLASS OF FINANCIAL ASSET

(Figures in NOK million)

The bank manages the credit quality of financial assets in accordance with its internal credit rating guidelines. The table shows the credit quality per class of asset for loan-related assets in the balance sheet, based on the customer's probability of default (PD).

Parent bank

2014	0,00 - 0,50 %	0,50 - 2,50 %	2,50 - 99,9 %	Commitments in default	Total
Loans					
Loans to and receivables from financial institutions	8 117	-	-	-	8 117
Loans to and receivables from customers					
- Retail market	54 220	18 522	3 053	312	76 107
- Corporate market	12 759	30 121	14 462	584	57 923
- Unallocated	-	-	-	-	746
Total loans	75 096	48 643	17 515	896	142 893
Financial investments					
Norwegian government bonds	-	-	-	-	-
Listed certificates and bonds	14 057	144	279	-	14 480
Unlisted certificates and bonds	620	-	45	-	665
Accrued interest	-	-	-	-	103
Total financial investments	14 677	144	324	-	15 248
Total loan-related assets	89 773	48 787	17 839	896	158 141

Parent bank

2013	0,00 - 0,50 %	0,50 - 2,50 %	2,50 - 99,9 %	Commitments in default	Total
Loans					
Loans to and receivables from financial institutions	6 669	-	-	-	6 669
Loans to and receivables from customers					
- Retail market	39 263	16 272	2 698	248	58 481
- Corporate market	13 224	27 863	12 695	1 192	54 974
- Unallocated	-	-	-	-	509
Total loans	59 156	44 135	15 393	1 440	120 633
Financial investments					
Norwegian government bonds	-	-	-	-	-
Listed certificates and bonds	19 474	90	151	-	19 715
Unlisted certificates and bonds	1 234	-	-	-	1 234
Accrued interest	-	-	-	-	103
Total financial investments	20 708	90	151	-	21 052
Total loan-related assets	79 864	44 225	15 544	1 440	141 685

Continue note 14

Group

2014	0,00 - 0,50 %	0,50 - 2,50 %	2,50 - 99,9 %	Commitments in default	Total
Loans					
Loans to and receivables from financial institutions	2 222	-	-	-	2 222
Loans to and receivables from customers					
- Retail market	54 933	19 263	3 119	336	77 651
- Corporate market	14 417	32 852	15 344	620	63 233
- Unallocated	-	-	-	-	736
Total loans	71 572	52 115	18 463	956	143 842
Financial investments					
Norwegian government bonds	-	-	-	-	-
Listed certificates and bonds	14 057	144	279	-	14 480
Unlisted certificates and bonds	620	-	58	-	678
Accrued interest	-	-	-	-	103
Total financial investments	14 677	144	337	-	15 261
Total loan-related assets	86 249	52 259	18 800	956	159 103

Group

2013

Loans					
Loans to and receivables from financial institutions	1 253	-	-	-	1 253
Loans to and receivables from customers					
- Retail market	39 968	16 864	2 752	264	59 848
- Corporate market	15 321	29 560	13 790	1 264	59 935
- Unallocated	-	-	-	-	490
Total loans	56 542	46 424	16 542	1 528	121 526
Financial investments					
Norwegian government bonds	-	-	-	-	-
Listed certificates and bonds	19 474	90	151	-	19 715
Unlisted certificates and bonds	1 234	-	13	-	1 247
Accrued interest	-	-	-	-	103
Total financial investments	20 708	90	164	-	21 065
Total loan-related assets	77 250	46 514	16 706	1 528	142 591

Classification of financial investments:

Bonds are allocated to SpareBank 1 SR-Bank's estimated PD based on external ratings. If a security has an official rating, this must be applied, but if no official rating exists, external brokers' shadow ratings are used as the basis for risk classification. The list below illustrates the relationship between SpareBank 1 SR-Bank's PD and Standard & Poor's rating matrix (Long-Term Credit Ratings).

Bank's risk classification	S&P rating
PD 0,00 - 0,50 %	AAA to BBB-
PD 0,50 - 2,50 %	BB+ to BB-
PD 2,50 - 99,9 %	B+ and lower

NOTE 15 MARKET RISK RELATED TO INTEREST RATE RISK

(Figures in NOK million)

The table shows the effect on earnings of a positive parallel shift in the yield curve of one percentage point at the end of the last two years, before tax, if all financial instruments were measured at fair value.

Parent bank			Group	
2013	2014		2014	2013
-28	-20	Certificates and bonds	-20	-28
-15	-13	Fixed rate loans to customers	-13	-15
-57	-79	Other loans and deposits	-79	-57
104	92	Securities issued	92	104
-1	2	Other	2	-1
2	-18	Total interest rate risk	-18	2
		Maturity bands		
-7	-25	0 - 3 months	-25	-7
4	-10	3 - 6 months	-10	4
3	6	6 - 9 months	6	3
9	7	9 - 12 months	7	9
2	3	12 - 18 months	3	2
-2	6	18 - 24 months	6	-2
-6	-6	2 - 10 years	-6	-6
-	1	10 years +	1	-
2	-18	Total interest rate risk	-18	2
		Maturity bands		
-4	-14	NOK	-14	-4
9	-1	EUR	-1	9
-3	-8	USD	-8	-3
1	6	CHF	6	1
-1	-1	Other	-1	-1
2	-18	Total interest rate risk	-18	2

Interest rate risk arises because the group's assets and liabilities may be subject to different fixed rate periods. Interest rate instrument trading must at all times comply with the adopted limits and authorities. The group's limits define quantitative targets for the maximum potential loss. The commercial risk is quantified and monitored continuously.

The group's general limits for interest rate risk define the maximum loss from a 1 percentage point change in interest rates. The maximum loss following a 1% change in interest rates totals NOK 95 million with NOK 30 million of the total balance in Trading and NOK 65 million of the total balance in Treasury.

NOTE 16 MARKET RISK RELATED TO CURRENCY RISK

(Figures in NOK million)

The table shows the net foreign currency exposure including financial derivatives as at 31 December as defined by the Capital Requirements Regulations.

Parent bank			Group	
2013	2014		2014	2013
		Currency		
-38	1	EUR	1	-38
-3	1	USD	1	-3
-	-	CHF	-	-
-37	-	GBP	-	-37
2	-5	Other	-5	2
-76	-3	Total	-3	-76
2,3	0,1	Effect on result of 3% change before tax	0,1	2,3

Currency risk arises when differences exist between the group's assets and liabilities in the individual currency.

Currency trading must at all times comply with the adopted limits and authorities.

The group's limits define quantitative targets for the maximum net exposure in currency, measured in NOK.

The commercial risk is quantified and monitored continuously.

The group has defined limits for the net exposure in each currency, as well as limits for aggregated net currency exposure (expressed as the highest of the sum of long and short positions). The overnight price risk for spot trading in currencies must not exceed NOK 100 million per individual currency, and NOK 175 million in aggregate.

NOTE 17 LIQUIDITY RISK

(Figures in NOK million)

The table shows cash flows including contractual interest maturity.

Parent bank ¹⁾

2014	Upon request	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Debt to financial institutions	3 016	1 588	454	7	1 091	6 156
Deposits from customers	77 908	2 067	1 748	-	-	81 723
Securities issued	-	5 334	1 827	41 917	17 632	66 710
Subordinated loan capital	-	25	140	3 326	-	3 491
Total liabilities	80 924	9 014	4 169	45 250	18 723	158 080

Derivatives

Contractual cash flows out	-	-14 769	-5 372	-13 541	-8 246	-41 928
Contractual cash flows in	-	14 393	4 768	12 298	7 935	39 394

2013

Debt to financial institutions	3 246	-	506	-	-	3 752
Public deposits related to covered bond swap scheme	-	4 019	2 452	-	-	6 471
Deposits from customers	68 381	1 287	1 637	535	-	71 840
Securities issued ²⁾	-	3 479	3 842	35 276	12 943	55 540
Subordinated loan capital ²⁾	-	43	1 314	2 619	871	4 847
Total liabilities	71 627	8 828	9 751	38 430	13 814	142 450

Derivatives

Contractual cash flows out	-	-10 586	-6 348	-11 270	-7 080	-35 284
Contractual cash flows in	-	10 182	5 841	10 213	6 775	33 011

Group ¹⁾

2014	Upon request	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Debt to financial institutions	3 010	1 588	454	7	1 091	6 150
Deposits from customers	77 674	2 067	1 748	-	-	81 489
Securities issued	-	5 334	1 827	41 917	17 632	66 710
Subordinated loan capital	-	25	140	3 326	-	3 491
Total liabilities	80 684	9 014	4 169	45 250	18 723	157 840

Derivatives

Contractual cash flows out	-	-14 557	-5 372	-13 541	-8 246	-41 716
Contractual cash flows in	-	14 392	4 766	12 085	7 935	39 178

2013

Debt to financial institutions	3 242	-	506	-	-	3 748
Public deposits related to covered bond swap scheme	-	4 019	2 452	-	-	6 471
Deposits from customers	68 208	1 287	1 637	535	-	71 667
Securities issued ²⁾	-	3 479	3 842	35 276	12 943	55 540
Subordinated loan capital ²⁾	-	43	1 314	2 619	871	4 847
Total liabilities	71 450	8 828	9 751	38 430	13 814	142 273

Derivatives

Contractual cash flows out	-	-10 386	-6 348	-11 270	-7 080	-35 084
Contractual cash flows in	-	10 181	5 839	10 035	6 750	32 805

¹⁾ Also see note 6 financial risk management.²⁾ The comparison figures have been restated.

NOTE 18 MATURITY ANALYSIS OF ASSETS AND DEBT/LIABILITIES

(Figures in NOK million)

Parent bank

31 Dec 2014	Upon request¹⁾	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and receivables from the central bank	1 847	-	-	-	-	1 847
Loans to and receivables from financial institutions	7 987	-	-	-	130	8 117
Gross loans to customers	46 151	1 434	4 076	16 096	67 019	134 776
- Individual write-downs	-302	-	-	-	-	-302
- Write-downs on groups of loans	-316	-	-	-	-	-316
Loans to customers	45 533	1 434	4 076	16 096	67 019	134 158
Certificates and bonds at fair value	103	1 461	3 837	9 124	723	15 248
Financial derivatives	851	1 115	658	2 162	2 558	7 344
Equities, units and other equity interests	477	-	-	-	-	477
Operations that will be sold	22	-	-	-	-	22
Investments in ownership interests	3 250	-	-	-	-	3 250
Investments in group companies	1 226	-	-	-	-	1 226
Tangible fixed assets	295	-	-	-	-	295
Other assets	1 310	-	-	-	-	1 310
Total assets	62 901	4 010	8 571	27 382	70 430	173 294
Liabilities						
Debt to financial institutions	3 016	1 588	451	-	1 090	6 145
Deposits from customers	77 908	2 067	1 748	-	-	81 723
Securities issued	843	4 748	913	38 089	18 660	63 253
Financial derivatives	296	287	356	1 497	881	3 317
Payable tax	102	-	-	-	-	102
Deferred tax liabilities	855	-	-	-	-	855
Other liabilities	1 138	-	-	-	-	1 138
Subordinated loan capital	12	-	-	-	2 952	2 964
Total liabilities	84 170	8 690	3 468	39 586	23 583	159 497

Continue note 18

Group

31 Dec 2014	Upon request ¹⁾	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and receivables from the central bank	1 847	-	-	-	-	1 847
Loans to and receivables from financial institutions	2 222	-	-	-	-	2 222
Gross loans to customers	46 156	1 547	4 301	20 109	69 507	141 620
- Individual write-downs	-322	-	-	-	-	-322
- Write-downs on groups of loans	-378	-	-	-	-	-378
Loans to customers	45 456	1 547	4 301	20 109	69 507	140 920
Certificates and bonds at fair value	103	1 461	3 843	9 131	723	15 261
Financial derivatives	851	1 111	658	2 162	2 558	7 340
Equities, units and other equity interests	626	-	-	-	-	626
Operations that will be sold	22	-	-	-	-	22
Investments in ownership interests	4 727	-	-	-	-	4 727
Investments in group companies	-	-	-	-	-	-
Tangible fixed assets and intangible assets	347	-	-	-	-	347
Other assets	1 614	-	-	-	-	1 614
Total assets	57 815	4 119	8 802	31 402	72 788	174 926
Liabilities						
Debt to financial institutions	3 010	1 588	451	-	1 090	6 139
Deposits from customers	77 674	2 067	1 748	-	-	81 489
Securities issued	843	4 748	913	38 089	18 660	63 253
Financial derivatives	296	287	356	1 497	881	3 317
Payable tax	206	-	-	-	-	206
Deferred tax liabilities	821	-	-	-	-	821
Other liabilities	1 334	-	-	-	-	1 334
Subordinated loan capital	12	-	-	-	2 952	2 964
Total liabilities	84 196	8 690	3 468	39 586	23 583	159 523

¹⁾ Overdraft facilities and operating credits (including flexi loans) and accrued interest are included in the 'upon request' interval.

Non-financial assets have for presentation purposes been added to the "upon request" column.

Deposits have been added to the 'upon request' column but there is no expectation that all deposits would have to be settled within a short space of time.

NOTE 19 NET INTEREST INCOME

(Figures in NOK million)

Parent bank						Group					
2013			2014			2014			2013		
Measured at fair value	Measured at amortised cost	Total	Measured at fair value	Measured at amortised cost	Total	Total	Measured at amortised cost	Measured at fair value	Total	Measured at amortised cost	Measured at fair value
Interest income											
-	181	181	-	205	205	43	43	-	17	17	-
502	4 147	4 649	442	4 736	5 178	5 558	5 116	442	5 013	4 511	502
364	166	530	435	45	480	480	45	435	531	166	365
-	82	82	-	55	55	56	56	-	83	83	-
866	4 576	5 442	877	5 041	5 918	6 137	5 260	877	5 644	4 777	867
Interest costs											
451	69	520	425	54	479	498	73	425	530	79	451
-	1 745	1 745	-	1 759	1 759	1 734	1 734	-	1 728	1 728	-
-412	1 401	989	-355	1 576	1 221	1 224	1 579	-355	986	1 398	-412
-25	242	217	-21	234	213	213	234	-21	217	242	-25
-	64	64	-	64	64	64	64	-	64	64	-
14	3 521	3 535	49	3 687	3 736	3 733	3 684	49	3 525	3 511	14
852	1 055	1 907	828	1 354	2 182	2 404	1 576	828	2 119	1 266	853

¹⁾ Contains interest rate swaps measured at fair value.**NOTE 20 NET COMMISSIONS AND OTHER OPERATING INCOME**

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
111	111	Guarantee commissions	103	104
12	12	Interbank commissions	12	12
19	17	Securities trading	16	18
-	-	Management	83	71
100	113	Brokerage commissions	76	66
610	468	Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	468	610
287	292	Payment systems	292	287
161	173	Insurance services	177	164
109	133	Other commissions	143	120
1 409	1 319	Total commissions	1 370	1 452
9	8	Interbank commissions	8	9
61	63	Payment systems	63	61
3	2	Other commission costs	7	2
73	73	Total commission costs	78	72
5	5	Operating income from investment properties	5	4
-	-	Property sales	434	433
7	1	Other operating income	1	7
12	6	Total other operating income	440	444
1 348	1 252	Net commissions and other operating income	1 732	1 824

NOTE 21 NET INCOME FROM FINANCIAL INSTRUMENTS

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
		Changes in value of interest rate instruments		
-130	-92	Certificates and bonds - held for sale	-92	-128
-72	233	Net change in value of fixed rate loans	231	-76
-73	-295	Net change in value of hedged bond debt	-295	-73
		Changes in value of hedging and derivatives		
116	41	Net change in value of derivatives against bonds (assets)	41	116
78	-227	Net change in value of derivatives against fixed rate lending	-225	82
69	223	Net change in value of derivatives hedged against bonds (liabilities)	223	69
-	12	Net unrealised change in value of basis swaps	12	-
		Change in value of equity instruments		
12	10	Equity instruments - held for sale	10	12
120	112	Equity instruments at fair value	223	34
120	17	Total net income from financial instruments at fair value	128	36
-	-	Realised available for sale instruments	-	-
-	-	Total net income from securities available for sale	-	-
		Currency trading		
129	108	Net gain currency	108	131
249	125	Net income from financial investments	236	167

NOTE 22 REMUNERATION STATEMENT, PAYROLL COSTS AND BENEFITS FOR EXECUTIVE PERSONNEL AND ELECTED REPRESENTATIVES

THE BOARD'S STATEMENT ON THE FIXING OF SALARIES AND OTHER REMUNERATION FOR EXECUTIVE PERSONNEL

SpareBank 1 SR-Bank ASA remuneration policy

SpareBank 1 SR-Bank ASA has established a remuneration scheme that applies to all employees.

The group's remuneration scheme shall:

- be consistent with the group's overall objectives, risk tolerance and long-term interests
- help promote and encourage good management and control of the group's risk
- counter overly high or undesirable risk taking
- help to avoid conflicts of interest
- comply with the Regulation on Remuneration Schemes in Financial Institutions, Investment Firms and Management Companies of 1 December 2010.

The total remuneration shall be competitive but the group shall not be a wage leader. It shall ensure that the group attracts, develops and retains competent employees over time. The arrangements will ensure a reward model that is perceived to be fair, predictable and future-oriented and motivating.

Decision process

The board of SpareBank 1 SR-Bank ASA has established a remuneration committee consisting of three board members, one of which is an employee representative.

The remuneration committee prepares matters for the board and is mainly responsible for:

- annually reviewing and proposing the total salary and remuneration for the chief executive
- annually considering proposals for corporate scorecard (chief executive's scorecard)
- annually considering the group's remuneration scheme, including strategy and guiding principles for variable remuneration
- advising the chief executive on matters relating to remuneration and other key benefits and other personnel-related issues for the group's executive personnel
- ensuring that the practice of the group's remuneration arrangements are reviewed annually by an independent control function
- preparing a statement on the fixing of salaries and other remuneration to executive personnel (ref. section 6-16a of the Public Limited Liability Companies Act)
- considering other conditions as determined by the board and/or remuneration committee
- reviewing other personnel-related matters concerning the group's remuneration scheme that are likely to involve significant reputation risk.

Guidelines for the coming financial year

CEO's remuneration

The chief executive's salary and other financial benefits shall be fixed annually by the board based on the recommendation of the remuneration committee. The assessment is based on results achieved, individual performance and the development of pay in comparable positions. Variable compensation can be earned annually, but must be based on goals achieved in the last two years. The chief executive can receive group bonuses on a par with other employees. Any variable remuneration, including group bonuses, may amount to up to 25% of fixed salary including holiday pay. No performance-based benefits are paid over and above the said schemes. Variable pay is not included in pensionable salary.

Half of the variable remuneration, with the exception of the group bonus, is paid in the form of shares in SpareBank 1 SR-Bank ASA, where 1/3 of the shares can be awarded in each of the next three years. That part of the variable remuneration that is paid in shares can be reduced if subsequent results and developments indicate it was based on incorrect assumptions.

The chief executive may also receive benefits in kind to the extent that the benefits are related to the chief executive's function in the group and are in line with market practice in general.

A lifelong pension agreement has been concluded with the chief executive in which the retirement age is at the end of the year in which the chief executive turns 64. The annual service pension up until when the chief executive turns 67 amounts to 67% of pensionable pay. From the age of 67, the chief executive will receive a supplementary retirement pension which, together with the SpareBank 1 SR-Bank's pension fund, pension from the National Insurance Scheme and statutory early retirement pension (AFP) will constitute 67% of pensionable pay, assuming full earning period.

The chief executive has no agreement concerning termination benefits if he leaves his post prior to reaching retirement age.

Remuneration of other executive personnel

The chief executive fixes the remuneration of executive personnel based on the limits discussed by the remuneration committee and guidelines adopted by the board.

Salaries are fixed after considering the performance and conditions in the market for the various areas. Salaries should promote good performance and ensure that the group achieves its strategic goals. Remuneration should not be detrimental to the group's reputation nor shall the group be a market leader. Salaries should ensure that the group has the ability to attract and retain executives with the skills and experience required.

Variable remuneration is determined on the basis of the group's achieved return on equity and other targets set in the balanced scorecard. Variable compensation can be earned annually, but must be based on goals achieved in the last two years. Executive personnel may receive a group bonus on a par with other employees. Any variable pay, including group bonuses, may amount to up to 25%

Continue note 22

of fixed salary including holiday pay. Variable pay cannot be awarded if no group bonus is paid. No performance-based benefits are paid over and above the said schemes. Variable pay is not included in pensionable salary. The executive vice president, risk management and compliance and the executive vice president organisation and HR receive no variable remuneration beyond group bonuses.

Half of the variable remuneration, with the exception of the group bonus, is paid in the form of shares in SpareBank 1 SR-Bank ASA, where 1/3 of the shares can be awarded in each of the next three years. That part of the variable remuneration that is paid in shares can be reduced if subsequent results and developments indicate it was based on incorrect assumptions. Benefits in kind can be offered to executive personnel to the extent that benefits are linked to each function in the group and are in line with market practice in general.

The pension schemes should be seen in the context of other remuneration and should provide competitive terms. Members of the executive management team have a retirement age of 62 years, with the exception of the last two members to be employed, whose retirement age is 67. The executive management team, with the exception of the last two members to be employed, will, from the age of 67, receive a supplementary retirement pension which, together with the SpareBank 1 SR-Bank's pension fund, pension from the National Insurance Scheme and statutory early retirement pension (AFP) will constitute 70% of pensionable pay, assuming full earning period. The scheme was changed for new members from and including 2011. In other words, the pension basis of members of the executive management team who were appointed after this date is limited to 12G. Members of the executive management team who have a retirement age of 62 years are entitled to a pension equivalent to 70% of pensionable income in the form of service pension, from age 62 to age 67.

No executive personnel have an agreement concerning termination benefits upon leaving his/her post prior to reaching retirement age.

Remuneration for executive personnel with supervision duties

The remuneration paid to executive personnel with supervision duties must be independent of the results of the operations they supervise.

Employees with control functions do not receive variable remuneration beyond group bonuses.

Remuneration for employee representatives and other employees with remuneration equivalent to executive personnel

The remuneration will comply with the aforementioned guidelines for executive personnel.

Group bonus

The group has a bonus scheme which includes all employees. Group bonuses are set at an equal percentage of salary, and can, as a maximum, amount to 1.5 month's salary. The group bonus is set by the board based on the financial targets achieved. The group bonus is paid entirely in cash.

Binding guidelines for shares, subscription rights, options, etc. for the coming financial year

The chief executive and executive management team are able to participate in private placements for employees on an equal footing with other employees.

Of the variable pay earned in 2014 by the chief executive and other employees subject to the regulations governing remuneration in financial institutions, half of the variable remuneration, with the exception of the group bonus, will be paid in the form of a promise of shares in SpareBank 1 SR-Bank ASA. 1/3 of the shares will be awarded in each of the next 3 years.

Report on executive pay policy in the preceding financial year

The board confirms that the guidelines provided in last year's statement on executive personnel pay for 2014 have been followed.

Continue note 22

PAYROLL COSTS

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
687	655	Salaries	888	909
80	102	Pension costs (note 24)	125	101
86	86	Social security costs	119	120
53	57	Other payroll costs	70	66
906	900	Total payroll costs	1 202	1 196
1 011	973	Average no. of employees	1 249	1 299
907	866	No. of full time equivalents as at 31 Dec	1 106	1 165
988	958	No. of employees as at 31 Dec	1 220	1 267
187 874	165 890	Outstanding no. of shares from bonus share programme	174 477	190 999

Remuneration to executive management team

(Amounts in NOK 1000)

2014		Salary and other short-term benefits ¹⁾	Other remuneration	Accrued bonus current year ¹⁾	Accrued pension rights	Pension costs	Loans	No of shares ³⁾	Outstanding no. of shares from bonus share programme	
	Arne Austreid	Chief Executive Officer	3 454	135	824	8 787	1 855	1 218	16 999	7 993
	Stian Helgøy (until 25 Aug 2014)	Executive Vice President, Capital Market	2 025	230	382		366			
	Stig Eriksen (from 25 Aug 2014 until 31 Oct 2014)	Acting Executive Vice President Capital Market	534	21	230		32			
	Inge Reinertsen	Chief Financial Officer	1 998	269	482	10 575	644	7 860	40 822	5 696
	Tore Medhus	Executive Vice President, Corporate Market	2 009	240	482	15 906	654	9 143	32 299	5 822
	Jan Friestad	Executive Vice President, Retail Market	1 964	171	474	4 532	136	9 000	28 508	5 421
	Glenn Sæther	Executive Vice President, Business Support	1 699	206	412	6 517	769	4 281	12 137	4 737
	Thor-Christian Haugland	Executive Vice President, Communications	1 483	175	351	9 396	575	3 017	11 456	4 141
	Frode Bø ²⁾	Executive Vice President, Risk Management and Compliance	1 947	134	107	10 262	629	1 953	14 452	2 533
	Wenche Drønen Christenssen ²⁾	Executive Vice President, Organisation and HR	1 648	230	91	7 105	720	6 074	11 000	4 293
2013										
	Arne Austreid	Chief Executive Officer	3 271	132	615	5 324	1 633	1 399	13 625	7 730
	Stian Helgøy	Executive Vice President, Capital Market	1 920	243	556	6 552	450	8 636	26 144	11 406
	Inge Reinertsen	Chief Financial Officer	1 897	267	461	6 825	488	7 920	33 847	4 718
	Tore Medhus	Executive Vice President, Corporate Market	1 914	208	463	11 243	521	9 160	30 209	4 935
	Jan Friestad	Executive Vice President, Retail Market	1 799	162	439	2 969	99	3 499	26 629	4 487
	Glenn Sæther	Executive Vice President, Business Support	1 564	221	381	2 150	634	6 960	10 486	3 944
	Thor-Christian Haugland	Executive Vice President, Communications	1 383	205	334	6 553	460	3 056	10 018	3 437
	Frode Bø ²⁾	Executive Vice President, Risk Management and Compliance	1 802	117	100	6 903	489	878	12 692	4 201
	Wenche Drønen Christenssen	Executive Vice President, Organisation and HR	1 423	212	346	4 585	596	6 483	9 505	3 571

For further information on the remuneration of executive personnel, reference is made to the board's statement on the remuneration of executive personnel.

¹⁾ Benefits are recognised as costs in the current year.

²⁾ Employees with control functions do not receive variable remuneration beyond group bonuses.

³⁾ No. of shares the person owns in SpareBank 1 SR-Bank as at 31 December. The figures also include shares belonging to immediate family members and known companies in which the person has a controlling influence, ref. section 1-2 of the Limited Liability Companies Act.

Remuneration of the board and audit committee

(Amounts in NOK 1000)

		Fees	Other remuneration	Loans	No of shares ³⁾
2014					
Ingvald Løyning ^(from 5 Jun 2014)	Chairman of the Board	200	-	3 459	41 052
Kristian Eidesvik ^(until 5 Jun 2014)	Chairman of the Board	200	24	-	-
Gunn-Jane Håland	Board member	200	28	455	-
Birthe Cecilie Lepsøe	Board member	200	60	-	-
Erling Øverland ⁵⁾	Board member	200	68	-	18 935
Catharina Hellerud ^(until 5 Jun 2014)	Board member	100	28	-	-
Odd Torland	Board member	200	18	-	-
Siv Juvik Tveitnes ^(from 5 Jun 2014)	Board member	100	35	-	-
Tor Dahle ⁵⁾	Board member	200	68	3 887	72 462 175
Sally Lund-Andersen	Board member (employee-elected)	200	818	2 398	2 194
Oddvar Rettedal	Board member (employee-elected)	200	871	1 259	8 089
Odd Jo Forsell	Chairman Audit Committee	140	-	2 615	-
Vigdís Wiik Jacobsen	Member Audit Committee	90	-	-	18 581
Egil Fjogstad	Member Audit Committee	90	7	-	2 525 000
2013					
Kristian Eidesvik	Chairman of the Board	400	3	-	108 596
Gunn-Jane Håland	Board member	231	-	-	-
Erik Edvard Tønnesen ^(to 6 June 2013)	Board member	101	-	-	-
Birthe Cecilie Lepsøe	Board member	149	-	-	-
Erling Øverland ⁵⁾	Board member	262	-	-	18 935
Catharina Hellerud	Board member	239	-	-	26 483 470
Odd Torland	Board member	216	-	-	-
Tor Dahle ^(from 6 June 2013) 5)	Board member	117	-	3 040	76 878 174
Sally Lund-Andersen	Board member (employee-elected)	200	770	2 376	2 225
Oddvar Rettedal	Board member (employee-elected)	200	830	1 228	7 977
Odd Jo Forsell	Chairman Audit Committee	125	-	2 286	10 000
Vigdís Wiik Jacobsen	Member Audit Committee	90	-	-	18 581
Egil Fjogstad	Member Audit Committee	97	-	-	-

⁴⁾ No. of shares the person owns in SpareBank 1 SR-Bank as at 31 December. The figures also include shares belonging to immediate family members and known companies in which the person has a controlling influence, ref. section 1-2 of the Limited Liability Companies Act. In addition to this, the shares of the institution the individual representative was elected on behalf of are included.

⁵⁾ Erling Øverland is a member of the board and Tor Dahle is the general manager of Sparebankstiftelsen SR-Bank.

NOTE 23 OTHER OPERATING COSTS

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
237	262	IT costs	277	251
66	74	Marketing	96	86
78	77	Other administrative costs	95	96
65	64	Depreciation (notes 30 and 31)	88	70
-	-	Write-downs (notes 30 and 31)	-	4
42	39	Operating costs real estate	37	40
35	41	External fees	56	49
109	99	Other operating costs	205	227
632	656	Total other operating costs	854	823

Fees for external auditor - specification of audit fees

(Figures in NOK 000s)

2 612	2 432	Statutory audit	4 583	4 034
284	145	Tax advice ¹⁾	632	384
592	398	Other certification services	711	615
444	424	Other non-auditing services ¹⁾	856	796
3 933	3 399	Total	6 782	5 830
191	116	¹⁾ Fees to the law firm PricewaterhouseCoopers included in tax advice and other non-auditing services	161	254

All figures include VAT.

NOTE 24 PENSIONS

The SpareBank 1 SR-Bank Group has defined contribution pension and defined contribution pension schemes for its employees. The company's and Group's pension schemes comply with the requirements of the Mandatory Occupational Pension Act.

Defined contribution pensions

The supervisory board adopted changes to the SpareBank 1 SR-Bank Group's pension scheme on 24 March 2011. The defined benefit scheme was closed and employees who were members before it was closed on 1 April 2011 were given an opportunity to voluntarily transfer to a defined contribution scheme. No changes were made in retirement pension coverage in the remaining defined benefit scheme, but the following changes were adopted: Spouse/cohabitant pensions ceased and paid-up policies were issued for the pension rights accrued prior to 1 April 2011. Disability and children's pensions will continue as before, but no paid-up policy will be accrued by employees. Premium exemptions for new disability pensioners and children were continued as before.

Defined benefit pensions

The defined benefit pension schemes of SpareBank 1 SR-Bank ASA, SR-Forvaltning AS, and SR-Finans AS are covered by the group's pension fund. Pension assets managed by the pension fund are regulated by Norwegian law and practice. The relationship between the group and the pension fund is regulated by the applicable law. Responsibility for the management of the schemes, including investment decisions and premium levels, rests jointly with the group and board of the pension fund. The board of the pension fund must consist of representatives of the group and pension scheme participants in relation to the rules of the pension schemes.

SpareBank 1 SR-Bank ASA, SR-Forvaltning AS, and SR-Finans AS have uniform schemes in which the principal terms are a contribution period of 30 years, 70% pension relative to the pension basis as at 1 January in the year the employee turns 67, as well as a disability and children's pension. All pension benefits are coordinated with expected National Insurance Scheme benefits. If changes are made to the National Insurance Scheme that entail a reduction in benefits, such reductions will not be compensated for through the pension schemes. As at 31 December 2014, the group's pension schemes had 652 active members (617 active members in the bank) and 489 pensioners (459 pensioners for the bank).

In addition to the pension liabilities covered by the pension fund, the group has uncovered pension liabilities that cannot be covered by the assets in the collective schemes.

The liabilities apply to people that are not enrolled in the insurance schemes, supplementary pensions in excess of 12G (G = the National Insurance basic amount), ordinary early retirement pensions and statutory early retirement pension (AFP).

The new AFP scheme, which applies with effect from 1 January 2011, should be regarded as a defined benefit multi-company scheme, but will be recognised as a defined contribution scheme until adequate reliable information is available to allow the bank and the group to recognise their proportional shares of the pension costs, the pension liabilities and the pension funds in the scheme. Thus, the bank's and the group's liabilities are not recognised in the balance sheet as liabilities as at 31 Dec 2014. The AFP liability under the old scheme was recorded as a liability and was recognised as income in 2010 with the exception of the liability linked to the former employees who are now pensioners under the scheme.

The following economic assumptions are made when calculating pension liabilities:

	2014	2013
Discount rate	2,30%	4,00 %
Expected return on assets	2,30%	4,00 %
Future salary growth rate	2,75%	3,75 %
Adjustment of NI basic amount (G)	2,50%	3,50 %
Pension adjustment	2,00%	2,00 %
Employer's NI contributions	14,10%	14,10 %
Voluntary staff turnover	5% before 45 years old, 2% after 45 years old	5% before 45 years old, 2% after 45 years old

The pension liabilities are calculated annually by an independent actuary using a straight line accrual method. The present value of the defined benefits are determined by discounting estimated future payments by a discount rate based on the interest rate for a bond issued by the company with a high credit rating (corporate bond or covered bond rate) in the same currency and with a maturity that is almost the same as the maturity of the related pension liabilities. Use of the corporate bond rate as the basis for the discount rate requires the existence of corporate bonds with long maturities and high quality in the same currency, as well as a deep market for such bonds. Market players have asserted that the covered bond market is sufficiently deep and that pricing in the market is reliable. Analyses conducted by an actuary, Gabler-Wassum, and the bank's own analyses, which take into account interest rate swap agreements, support the assertion that a deep and liquid market exists for corporate bonds with a high credit rating, concentrated on covered bonds. The Norwegian covered bond market has become better developed after the financial crisis and has a high credit rating. The bank and the group have therefore chosen the covered bond rate as their discount rate for calculating pension liabilities. The remaining average accrual time for members of the defined benefit plans has been calculated as approximately 9.84 years in 2014 and approximately 10.00 years in 2013.

The revised rules in IAS 19 Employee Benefits have been applied from and including 1 January 2013. The amended rules mean that all remeasurements must be recognised in comprehensive income immediately (no corridor), all costs from previous periods' pensions accrual must be recognised immediately, and that interest costs and expected returns must be replaced with a net interest amount calculated using the discount rate on the net pension liability (asset). The revised rules shall be treated as a change in policy from an accounting perspective. The change in policy has had no material effect on the figures in the group's financial reporting.

As at 31 December 2013, the group has used the new K2013 mortality table, issued by the Financial Supervisory Authority of Norway on 8 March 2013, as its basis for calculations, adjusted for opening mortality and the decline in the mortality rate. The total gross effect for the 2013 financial year of the transition to a new mortality table amounted to NOK 125 million for the group, and this was treated in the accounts as a remeasurement and recognised in the comprehensive income statement.

The average life expectancy (no. of years) for a person who turns 65 on the balance sheet date is as follows:

	2014	2013
Man	21.1 years	21.0 years
Woman	24.3 years	24.2 years

The average life expectancy (no. of years) for a person who 20 years after the balance sheet date turns 65 is as follows:

Man	23.0 years	22.9 years
Woman	26.2 years	26.1 years

Parent bank			Group	
2013	2014		2014	2013
		Book value of liabilities		
94	464	Pension benefits - secured scheme	505	110
129	161	Pension benefits - unsecured scheme	169	132
223	625	Total book value of liabilities	674	242
		Costs charged to income statement		
52	64	Pension benefits - secured scheme	69	56
10	14	Pension benefits - unsecured scheme	14	11
62	78	Total costs charged to income statement	83	67
		Pension liabilities related to defined benefit pensions		
1 144	1 292	Present value pension liabilities 1 Jan	1 360	1 203
49	59	Pension benefits accrued in the period	63	52
45	49	Interest costs on pension liabilities	52	47
		Effect of recalculation:		
130	-	- Change in demographic assumptions	-	137
-18	392	- Change in financial assumptions	416	-19
-7	-8	- Experience gains and losses	-6	-8
-51	-46	Payments/redemption from fund	-49	-53
-	-	Reductions and settlements	-	-
-	-	Change in earlier periods' accrual	-	-
-	2	Other changes	2	-
1 292	1 740	Present value pension liabilities 31 Dec	1 838	1 360
1 179	1 599	of which fund-based	1 690	1 244
113	141	of which not fund based	148	116
		Pension assets		
1 001	1 096	Pension assets 1 Jan	1 148	1 049
40	39	Interest income	41	42
46	29	Actual return on assets in relation to booked interest income	30	48
60	79	Employer's NI contributions	82	62
-51	-46	Payments/redemption from fund	-49	-53
-	-4	Reductions and settlements	-4	-
-	-1	Other changes	-1	-
1 096	1 192	Pension assets 31 Dec	1 247	1 148
		Net pension liabilities in the balance sheet		
1 292	1 740	Present value pension liabilities 31 Dec	1 838	1 360
1 096	1 192	Pension assets 31 Dec	1 247	1 148
196	548	Net pension liabilities 31 Dec	591	212
27	77	Employer's NI contributions	83	30
223	625	Net pension liabilities in the balance sheet	674	242
		Pension costs for the period		
49	59	Accrued defined benefit-based pensions	63	52
45	49	Interest costs on pension liabilities	52	47
-40	-39	Interest income	-41	-42
-	-4	Reductions and settlements	-4	-
-	3	Benefits earned in prior periods included in the period	3	-
54	68	Net defined benefit-based pension costs without employer's NI contributions	73	57
8	10	Accrued employer's NI contributions	10	10
62	78	Net defined benefit-based pension costs recognised through profit or loss	83	67
18	19	Contribution based pension costs and joint AFP scheme	32	34
-	5	Other payments	10	-
80	102	Pension costs in the period recognised in the income statement	125	101

Continue note 24

Composition of the group's pension assets	2014	2013
Real estate	16	18
- of which used by the bank	-	-
Equities	241	249
Other assets	990	881
Total pension assets	1 247	1 148

Development in last five years in defined benefit-based pension plan for the group	2014	2013	2012	2011	2010
Present value pension liabilities 31 Dec	1 838	1 360	1 203	1 730	1 684
Pension assets 31 Dec	1 247	1 148	1 049	1 116	1 143
Net shortfall	591	212	154	614	541

Expected premium paid for 2015 is NOK 76 million for the bank and NOK 79 million for the group.

Sensitivity in calculation of pension liabilities when weighted assumptions change as follows:

	Effect on pension liabilities		
	Change in assumption	Increase in assumption	Reduction in assumption
Discount rate	0.50%	Reduction of 9.2 %	Increase of 10.7 %
Wage growth	0.50%	Increase of 4.2 %	Reduction of 4 %
Pension growth	0.25%	Increase of 3.3 %	Reduction of 3.2 %
Expected lifetime	1 year	Increase of 3.9 %	Reduction of 4.4 %

The sensitivity analysis above is based on a change in one of the assumptions, given that all other assumptions remain constant. This is improbable in practice and changes in some of the assumptions may correlate. Sensitivity calculations are executed using the same method as actuarial calculations for calculating the pension liabilities on the balance sheet.

NOTE 25 TAX

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
2 295	2 252	Pre-tax profit	2 601	2 343
-566	-620	Permanent differences ¹⁾	-685	-400
-283	-271	Group contribution	-	-
-383	-569	Change in temporary differences	-1 002	-537
-64	-415	- of which recorded directly against equity	-445	-69
-	-	Excess/insufficient calculated temporary differences previous year	-	10
999	377	Tax base/taxable income for the year	469	1 347
280	102	Of which payable tax 27%	127	377
79	73	Tax effect of group contribution	-	-
139	154	Change in deferred tax	253	147
-13	112	- of which change not recorded in income statement	120	-14
-29	-	Change deferred tax from 28% to 27%	-	-25
1	5	Excess/insufficient payable tax allocation in previous years	6	2
457	446	Total tax cost	506	487
		Explanation of why the tax cost for the year is not 27 % of pre-tax profit		
643	608	27 % tax on pre-tax profit	702	656
-159	-167	27 % tax on permanent differences ¹⁾	-185	-112
-	-	Deferred tax from previous years recognised as income	-18	-34
-	-	Group entries with no tax effect	-	-
-29	-	Change deferred tax from 28% to 27%	-	-25
2	5	Excess/insufficient tax allocation in previous years	7	2
-	-	Excess/insufficient deferred tax/tax asset in previous years	-	-
457	446	Calculated tax cost	506	487
		Deferred tax asset		
-75	-188	- deferred tax asset that reverses in more than 12 months	-209	-102
-	-4	- deferred tax asset that reverses within 12 months	-5	-
-75	-192	Total deferred tax asset	-214	-102
		Deferred tax		
703	974	- deferred tax that reverses in more than 12 months	1 035	773
79	73	- deferred tax that reverses within 12 months	-	-
782	1 047	Total deferred tax	1 035	773
707	855	Net deferred tax/deferred tax asset	821	671
		Specification of temporary differences		
23	19	Gains and loss account	-31	-45
2 555	3 546	Differences related to financial items	3 596	2 563
-	-	Loans	-1	31
-223	-625	Pension liabilities	-675	-238
-	-13	Accounting provisions	-14	-1
-	-	Leasing operating equipment	175	212
-31	-32	Tangible fixed assets	-8	-47
283	271	Group contribution paid	-	-
-	-	Losses carried forward	-3	-
10	-	Other differences related to paid/received group contribution	-	10
2 617	3 166	Total temporary differences	3 039	2 485
27%	27%	Tax rate applied	27%	27%

¹⁾ Includes tax-exempted dividends, non-tax-deductible expenses, net tax-exempt gains on the realisation of equities in the European Economic Area (EEA), and tax allowances for profit attributable to associated companies (the percentage of the profit is extracted as it has already been taxed in the individual company).

NOTE 26 CLASSIFICATION OF FINANCIAL INSTRUMENTS

(Figures in NOK million)

Group	Financial instruments at fair value through profit or loss			Financial assets and liabilities assessed at amortised cost and accrued interest	Financial assets available for sale	Financial assets held to maturity	Total
	Held for sale	Recognised at fair value	Financial derivatives as hedging instruments				
2014							
Assets							
Cash and receivables from the central bank				1 847			1 847
Loans to and receivables from financial institutions				2 222			2 222
Loans to customers		9 994		130 926			140 920
Certificates and bonds at fair value	15 261						15 261
Financial derivatives		4 152	3 188				7 340
Equities, units and other equity interests	505	118			3		626
Operations that will be sold		22					22
Other assets				1 614			1 614
Total assets	15 766	14 286	3 188	136 609	3		169 852
Liabilities							
Debt to financial institutions				6 139			6 139
Deposits from customers				81 489			81 489
Securities issued ¹⁾				63 253			63 253
Financial derivatives		2 912	405				3 317
Other liabilities				1 334			1 334
Subordinated loan capital ¹⁾				2 964			2 964
Total liabilities		2 912	405	155 179			158 496
2013							
Assets							
Cash and receivables from the central bank				1 265			1 265
Loans to and receivables from financial institutions				1 253			1 253
Loans to customers		11 421		108 104			119 525
Certificates and bonds at fair value	14 228						14 228
Certificates and bonds at amortised cost ²⁾						6 837	6 837
Financial derivatives		1 766	3 157				4 923
Equities, units and other equity interests	458	473			7		938
Operations that will be sold		85					85
Other assets				2 820			2 820
Total assets	14 686	13 745	3 157	113 442	7	6 837	151 874
Liabilities							
Debt to financial institutions				3 742			3 742
Public deposits related to covered bond swap scheme				6 429			6 429
Deposits from customers				71 667			71 667
Securities issued ¹⁾				52 328			52 328
Financial derivatives		1 360	653				2 013
Other liabilities				1 698			1 698
Subordinated loan capital ¹⁾				4 004			4 004
Total liabilities		1 360	653	139 868			141 881

¹⁾ Securities issued and subordinated loan capital contain secured debt.²⁾ Of certificates and bonds in 2013, NOK 6,784 million has been utilised in the swap scheme introduced by the Norwegian Ministry of Finance. The bonds' term to maturity is virtually the same as the swap scheme's term.

Continue note 26

Information about fair value**Group**

The table below shows financial instruments at fair value according to their valuation method. The different levels are defined as follows:

Listed price in an active market for an identical asset or liability (level 1).

Valuation based on observable factors other than listed price (used in level 1) either direct (price) or indirect (deduced from prices) for the asset or liability (level 2).

Valuation based on factors not obtained from observable markets (non-observable assumptions) (level 3).

2014	Valuation according to prices in an active market	Valuation according to observable market data	Valuation according to factors other than observable market data	Total
Assets				
Loans to customers ¹⁾			9 994	9 994
Certificates and bonds at fair value	14 203	1 058		15 261
Financial derivatives		7 340		7 340
Equities, units and other equity interests	217	118	288	623
Operations that will be sold			22	22
Liabilities				
Financial derivatives		3 317		3 317
2013				
Assets				
Loans to customers ¹⁾			11 421	11 421
Certificates and bonds at fair value	11 430	2 798		14 228
Financial derivatives		4 923		4 923
Equities, units and other equity interests	173	133	625	931
Operations that will be sold			85	85
Liabilities				
Financial derivatives		2 013		2 013

No transfers between levels 1 and 2

Change in holding during the financial year of assets valued on the basis of factors other than observable market data

Group	Loans to customers ¹⁾	Equities, units and other equity interests	Operations that will be sold
	2014	2014	2014
Balance 1 Jan	11 421	625	85
Additions	442	16	-
Disposals	-2 101	-371	-47
Transferred from or to measurement according to prices in an active market or observable market data	-	-	-
Change in value ¹⁾	232	18	-16
Balance 31 Dec	9 994	288	22
Nominal value/cost price	9 475	241	29
Fair value adjustment	519	47	-7
Balance 31 Dec	9 994	288	22

The stakes in Nordito Property and Bank 1 Oslo Akershus are valued every quarter by SpareBank 1 Gruppen and distributed to all of the alliance banks. A contract on the sale of the stakes in Nets Holding was signed in the first quarter of 2014. The value according to the sales contract was used in the interim financial statements and resulted in income of NOK 202 million in the first quarter of 2014. The agreement to sell the stake in Nets Holding was approved and the sales sum was received in July. Valuations of the stakes in Nordito Property and Bank 1 Oslo Akershus are based on an average of five different methods in which the last known transaction price, earnings per share, dividends per share and EBITDA are input for the valuations. Other assets are measured using various methods such as last known transaction price, earnings per share, dividend per share, EBITDA and discounted cash flows.

Valuations of fixed rate loans are based on the interest rate agreed with the customer discounted by the market interest rate and an assessment of the change in credit risk at the end of the year. The conducted sensitivity analyses indicate an increase in the discount rate of 10 basis points would have a negative effect on the result amounting to NOK 27 million.

¹⁾ Value changes are recognised in net income from financial instruments.

NOTE 27 CERTIFICATES AND BONDS

(Figures in NOK million)

Parent bank			Group	
2013	2014	Certificates and bonds at fair value	2014	2013
		Government		
1 082	1 714	Nominal value	1 714	1 082
1 099	1 764	Fair value	1 764	1 099
		Other public issuers		
1 604	151	Nominal value	151	1 604
1 606	152	Fair value	152	1 606
		Covered bonds		
9 812	10 392	Nominal value	10 392	9 812
9 897	10 509	Fair value	10 509	9 897
		Other financial enterprises		
1 070	2 183	Nominal value	2 183	1 070
1 081	2 228	Fair value	2 228	1 081
		Non-financial enterprises		
451	561	Nominal value	576	466
441	492	Fair value	505	454
91	103	Accrued interest	103	91
14 019	15 001	Total certificates and bonds at nominal value	15 016	14 034
14 215	15 248	Total commercial paper and bonds at fair value	15 261	14 228
		Commercial paper and bonds at amortised cost		
		Covered bonds		
6 784	-	Nominal value	-	6 784
6 784	-	Fair value	-	6 784
		Other financial enterprises		
42	-	Nominal value	-	42
41	-	Fair value	-	41
12	-	Accrued interest	-	12
6 826	-	Total certificates and bonds at nominal value	-	6 826
6 837	-	Total certificates and bonds at amortised cost	-	6 837
21 052	15 248	Total certificates and bonds	15 261	21 065

Reclassification of financial assets

In conjunction with the extraordinary and negative developments in the world's financial markets in the third quarter of 2008, the IASB adopted amendments to IAS 39 and IFRS 7 on 13 October 2008.

The changes allowed for the reclassification of all or parts of the portfolio of financial assets with retrospective effect to 1 July 2008. SpareBank 1 SR-Bank has chosen to make use of this opportunity and has chosen to reclassify parts of the bond portfolio to categories that are assessed at amortised cost, i.e. 'Held to maturity' or 'Loans and receivables'. No corresponding reclassification has been carried out in subsidiaries.

Continue note 27

The table below shows the accounting effect not reclassifying the portfolio would have had.

Group ²⁾

1 Jul 2008

Commercial paper and bonds classified as:	Book value	Amortisation as interest income	Effect of reclass. as gain	Observable market value
At fair value through profit or loss	3 041	-	-	3 041
Held to maturity ¹⁾	2 350	-	-	2 350
Receivables ¹⁾	578	-	-	578
Total certificates and bonds	5 969	-	-	5 969

31 Dec 2014

Commercial paper and bonds classified as:	Bokført verdi	Konsern ²⁾		Observerbar markedsverdi
		Amortisering som renteinntekt	Effekt av reklass som kursgevinst	
At fair value through profit or loss	15 158	-	-	15 158
Accrued interest amortised cost	103	-	-	103
Total certificates and bonds	15 261	-	-	15 261

31 Dec 2014

Bonds reclassified as receivables and held to maturity	1.7.2008	31.12.2013	31.12.2014
Book value	2 928	41	-
Nominal value	2 985	42	-
Observable market value	2 928	41	-

¹⁾ Net unrealised losses that are reversed as at 1 July 2008 are NOK 47.3 million. The amount is amortised over the instruments' remaining term. Weighted remaining term on the reclassification date is approximately 2.7 years.

²⁾ This note is almost identical for the parent bank.

NOTE 28 FINANCIAL DERIVATIVES

General description:

The fair value of financial derivatives is determined using valuation methods where the price of the underlying object, for example interest and currency rates, is obtained from the market. If the group's risk position is relatively neutral, middle rates will be used in pricing. A neutral risk position means, for example, that the interest rate risk within a re-pricing interval is approximately zero. Otherwise, the relevant purchase or sales price is used to assess the net position. For derivatives where the other party has a weaker credit rating than the group, the price will reflect the underlying risk.

The group hedges fixed rate loans. Each hedge is documented with a reference to the group's risk management strategy, a clear identification of the item being hedged, the hedging instrument used, a description of the hedged risk, a description of why hedging is regarded as highly probable and a description of how and when the group shall determine the efficiency of the hedge during the accounting period and that it is expected to be very effective during the next accounting period. The group has defined the hedged risk as value changes linked to the NIBOR component of the hedged fixed interest rates in NOK and value changes linked to the LIBOR components of the hedged fixed interest rates in foreign currencies.

As at 31 December 2014, the net fair value of the hedging instruments was NOK 2,232 million (NOK 2,341 million in assets and NOK 109 million in liabilities).

The corresponding figures for 2013 were NOK 2,137 million (NOK 2,482 million in assets and NOK 345 million in liabilities). The ineffective result of hedging instruments in 2014 was minus NOK 72 million.

Counterparty risk associated with derivatives is reduced via ISDA agreements and CSA supplements. The CSA supplement regulates the counterparty risk through payments of margins in relation to exposure limits. Contract sums and effects of reinvestment costs covered by netting agreements amount to NOK 133.2 billion and NOK 4.0 billion, respectively, as at the fourth quarter of 2014.

The bank has no financial instruments that are booked net.

Group ¹⁾

(Figures in NOK million)

At fair value through profit or loss	2014			2013		
	Contract amount	Assets	Liabilities	Contract amount	Assets	Liabilities
Currency instruments						
Currency futures (forwards)	4 661	288	80	4 255	89	38
Currency swaps	32 235	1 332	498	34 425	545	146
Currency options	25	-	-	227	1	-
Total currency instruments	36 921	1 620	578	38 907	635	184
Interest rate instruments						
Interest rate swaps, incl. cross-currency swaps	69 404	2 528	2 334	69 234	1 131	1 176
Other interest rate contracts	-	-	-	-	-	-
Total interest rate instruments	69 404	2 528	2 334	69 234	1 131	1 176
Interest rate instruments, hedging						
Interest rate swaps, incl. cross-currency swaps	53 065	2 341	109	54 477	2 482	345
Total interest rate instruments, hedging	53 065	2 341	109	54 477	2 482	345
Accrued interest						
Accrued interest	-	851	296	-	675	308
Total accrued interest	-	851	296	-	675	308
Total currency instruments	36 921	1 620	578	38 907	635	184
Total interest rate instruments	122 469	4 869	2 443	123 711	3 613	1 521
Total accrued interest	-	851	296	-	675	308
Total currency and interest rate instruments	159 390	7 340	3 317	162 618	4 923	2 013

¹⁾ This note is almost identical for the parent bank.

NOTE 29 EQUITIES, UNITS AND OTHER EQUITY INTERESTS

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
		At fair value through profit or loss		
65	102	- Listed	102	65
108	115	- Combination funds	115	108
606	257	- Unlisted	406	758
779	474	Total at fair value through profit or loss	623	931
		Available for sale		
1	3	- Unlisted	3	7
1	3	Total available for sale	3	7
780	477	Total equities, units and other equity interests	626	938

Equities, units and other equity interests are classified within the categories fair value and available for sale.

Securities that can be measured reliably and are reported internally at fair value are classified as fair value through profit or loss.

Other equities are classified as available for sale.

Investments in equities, units and other equity interests

Parent bank (Amounts in NOK 1000)	The company's share capital	Ownership	No. of equities/units	Acquisition cost	Book value/ market value
At fair value through profit or loss					
Sandnes Sparebank	710 581	13,9 %	985 009	94 477	102 441
Listed companies				94 477	102 441
SR-Kombinasjon A			30 000	30 000	35 226
SR-Rente			51 490	51 503	53 002
SR-Utbytte A			20 000	20 000	26 354
Combination funds				101 503	114 582
Unlisted companies					
Short-term investments in shares					
Sektor Portefølje I	10 000	12,3 %	1 228 000	99 959	99 959
Other unlisted companies				31 992	17 399
Long-term investments					
Bank 1 Oslo Akershus	457 334	4,8 %	218 841	78 005	136 854
Other unlisted companies				2 342	2 540
Total unlisted companies				212 298	256 752
Total at fair value through profit or loss equities, units and other equity interests				408 278	473 775
Available for sale					
Unlisted companies					3 413
Total equities, units and other equity interests parent bank					477 188

Continue note 29

Investments in equities, units and other equity interests

Group (Amounts in NOK 1000)	The company's share capital	Ownership	No. of equities/units	Acquisition cost	Book value/ market value
At fair value through profit or loss					
Total listed companies parent bank				94 477	102 441
Total listed in subsidiaries				-	-
Total listed companies Group				94 477	102 441
Total combination funds parent bank					
Total combination funds in subsidiaries				101 503	114 582
Total combination funds Group				101 503	114 582
Total unlisted companies parent bank					
Hitec Vision Asset Solution LP		1,2 %		16 911	25 498
HitecVision Private Equity IV LP		2,0 %		17 455	19 496
Energy Ventures III AS		1,1 %		11 157	10 312
SR-PE-Feeder III KS		40,5 %		14 766	16 368
Other unlisted companies in subsidiaries				100 230	77 004
Total unlisted in subsidiaries				160 519	148 678
Total unlisted in Group				372 817	405 430
Total at fair value through profit or loss equities, units and other equity interests				568 797	622 453
Available for sale					
Unlisted companies parent bank					3 413
Unlisted companies in subsidiaries					137
Total equities, units and other equity interests Group					626 003

NOTE 30 INTANGIBLE ASSETS

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
-	-	Acquisition cost 1 Jan	39	47
-	-	Additions	-	-
-	-	Disposals	19	8
-	-	Acquisition cost 31 Dec	20	39
-	-	Accumulated depreciation and write-downs 1 Jan	-	4
-	-	Year's disposals	19	8
-	-	Year's depreciation and write-downs	19	4
-	-	Accumulated depreciation and write-downs 31 Dec	-	-
-	-	Carrying amount 31 Dec	20	39

The amounts are the differences between identifiable assets including excess of cost price over acquired assets in the acquired company, and the cost of the shares. The elements in the goodwill item relate to future earnings in the company supported by the calculations of the present value of expected future earnings, which document a future economic benefit from acquiring the company.

Vågen Forvaltning AS - acquisition of 100% of the shares in 2007	-	19
SR-Forvaltning AS - acquisition of 33.3% of the shares in May 2009	20	20
Boligbyrået AS - acquisition of 100% of the shares in 2010	-	-
Total cost price	20	39

Vågen Forvaltning AS - acquisition of 100% of the shares in 2007	-	-
SR-Forvaltning AS - acquisition of 33.3% of the shares in May 2009	-	-
Boligbyrået AS - acquisition of 100% of the shares in 2010	-	-
Total depreciation and amortisation	-	-

Vågen Forvaltning AS - acquisition of 100% of the shares in 2007	-	19
SR-Forvaltning AS - acquisition of 33.3% of the shares in May 2009	20	20
Boligbyrået AS - acquisition of 100% of the shares in 2010	-	-
Carrying amount 31 Dec	20	39

Boligbyrået AS - acquisition of 100% of the shares in 2010	-	4
Vågen Forvaltning AS - acquisition of 100% of the shares in 2007	19	-
Year's depreciation and write-downs	19	4

The goodwill item's elements are valued annually and written down if a there is a basis for this following a concrete assessment.

NOTE 31 TANGIBLE FIXED ASSETS

(Figures in NOK million)

Parent bank				Group		
Buildings and real estate	Machinery, fixtures, and vehicles	Total		Buildings and real estate	Machinery, fixtures, and vehicles	Total
268	676	944	Acquisition cost 1 Jan 2014	292	752	1 044
-	70	70	Additions	8	73	81
47	38	84	Disposals	47	38	85
221	708	929	Acquisition cost 31 Dec 2014	253	787	1 040
			Accumulated depreciation and write-downs 1 Jan 2014			
108	500	608		120	562	682
4	60	64	Year's depreciation	4	65	69
-	-	-	Year's write-downs	-	1	1
-	37	37	Year's disposals	-	39	39
			Accumulated depreciation and write-downs 31 Dec 2014			
112	523	635		124	589	713
110	185	295	Carrying amount 31 Dec 2014	129	198	327
385			Fair value	385		
			Accumulated depreciation and write-downs 1 Jan 2013			
281	666	947	Acquisition cost 1 Jan 2013	296	739	1 035
6	55	61	Additions	15	58	73
19	45	64	Disposals	19	45	64
268	676	944	Acquisition cost 31 Dec 2013	292	752	1 044
			Accumulated depreciation and write-downs 1 Jan 2013			
117	483	600		129	542	671
3	62	65	Year's depreciation	3	67	70
-	-	-	Year's write-downs	-	-	-
12	45	57	Year's disposals	12	47	59
			Accumulated depreciation and write-downs 31 Dec 2013			
108	500	608		120	562	682
160	176	336	Carrying amount 31 Dec 2013	172	190	362
422			Fair value	422		

Pledged security

The group has not mortgaged/pledged or accepted any other disposal restrictions on its tangible fixed assets.

Revaluation/ depreciation

The group does not make regular revaluations of tangible fixed assets. In connection with the initial implementation of IFRS, buildings were valued at cost less accumulated depreciation in accordance with current Norwegian legislation. Percentage rate of depreciation is 14% to 33% for machinery, equipment and vehicles, and 2% for bank buildings, investment property and other real estate.

Buildings and real estate

Of the total book value of buildings and real estate NOK 110 million is for use in the banking business.

The fair value of buildings is determined by appraisal.

Operational leases

The group has no significant operational leases.

NOTE 32 OTHER ASSETS

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
847	29	Income earned but not received from SpareBank 1 Boligkreditt and Næringskreditt	29	847
22	16	Prepaid costs	17	24
35	35	Paid in capital SR-Bank Pension Fund	35	35
1 758	1 230	Other assets incl. unsettled trades	1 533	1 914
2 662	1 310	Total other assets	1 614	2 820

NOTE 33 DEPOSITS FROM CUSTOMERS

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
64 840	70 555	Deposits from and liabilities to customers, at call	70 334	64 682
6 997	11 166	Deposits from and liabilities to customers with agreed maturity	11 153	6 982
3	2	Accrued interest	2	3
71 840	81 723	Total deposits from customer	81 489	71 667
Deposits by sector and industry				
1 078	1 121	Agriculture/forestry	1 121	1 078
265	252	Fisheries/fish farming	252	265
1 513	2 135	Mining operations/extraction	2 135	1 513
1 527	1 403	Industry	1 403	1 527
1 915	2 030	Power and water supply/building and construction	2 030	1 915
1 963	2 210	Wholesale and retail trade, hotels and restaurants	2 210	1 963
1 452	1 369	Overseas shipping, pipeline transport and other transport	1 369	1 452
4 954	6 883	Property management	6 883	4 954
8 858	9 730	Service sector	9 496	8 685
12 122	15 043	Public sector and financial services	15 043	12 122
35 647	42 176	Total industry	41 942	35 474
36 190	39 545	Retail customers	39 545	36 190
3	2	Accrued interest industry and retail customers	2	3
71 840	81 723	Total deposits by sector and industry	81 489	71 667
Deposits by geographic area				
54 871	61 464	Rogaland	61 230	54 698
3 550	5 665	Agder counties	5 665	3 550
6 391	6 957	Hordaland	6 957	6 391
2 160	2 204	International	2 204	2 160
4 868	5 433	Other	5 433	4 868
71 840	81 723	Total deposits by geographic area	81 489	71 667

NOTE 34 SECURITIES ISSUED

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
49 387	59 942	Bond debt ¹⁾	59 942	49 387
2 261	2 468	Value adjustments	2 468	2 261
680	843	Accrued interest	843	680
52 328	63 253	Total securities issued	63 253	52 328
3,0 %	2,7 %	Average interest rate	2,7 %	3,0 %
		Securities issued by due date ¹⁾	Forfall	
5 827	-		2014	5 827
6 531	5 661		2015	6 531
7 817	10 274		2016	7 817
6 560	9 062		2017	6 560
11 148	12 919		2018	11 148
4 408	5 834		2019	4 408
5 450	5 909		2020	5 450
-	6 992		2021	-
1 434	1 496		2023	1 434
188	-		2024	188
373	422		2033	373
94	108		2034	94
194	203		2037	194
286	326		2043	286
516	1 270		2044	516
195	203		2046	195
406	424		2047	406
221	250		2053	221
-	1 057		2054	-
680	843	Accrued interest		680
52 328	63 253	Total securities issued		52 328
		Securities issued by currency ¹⁾		
15 452	14 911	NOK		15 452
32 859	43 197	EUR		32 859
1 683	1 825	SEK		1 683
1 380	2 292	CHF		1 380
274	185	USD		274
680	843	Accrued interest		680
52 328	63 253	Total securities issued		52 328

¹⁾ Own certificates and bonds have been deducted.

	Balance Sheet 31 Dec 2014	Issued 2014	Matured/ redeemed 2014	Exchange rate and other changes 2014	Balance Sheet 31 Dec 2013
Change in securities issued ²⁾					
Bonds, nominal value	59 942	15 659	-8 292	3 188	49 387
Value adjustments	2 468	-	-	207	2 261
Accrued interest	843	-	-	163	680
Total securities issued	63 253	15 659	-8 292	3 558	52 328

²⁾ This note is identical for the parent bank

NOTE 35 OTHER LIABILITIES

(Figures in NOK million)

Parent bank			Group	
2013	2014	Other liabilities	2014	2013
223	625	Pension liabilities (note 24)	674	242
1	1	Specified loss provisions guarantees	1	1
64	20	Accounts payable	38	76
39	37	Tax deducted	52	55
904	191	Other liabilities incl. unsettled trades	209	933
69	70	Accrued holiday pay	94	93
240	194	Other accrued costs	266	298
1 540	1 138	Total other liabilities	1 334	1 698
		Guarantees issued (amounts guaranteed)		
2 117	2 070	Payment guarantees	2 070	2 117
2 688	2 843	Performance bonds	2 843	2 688
1 581	2 379	Loan guarantees	2 379	1 581
118	101	Guarantees for tax	101	118
5 005	5 486	Other guarantee liabilities	5 486	5 005
-	-	Guarantee in favour of the Norwegian Banks Guarantee Fund	-	-
11 509	12 879	Total guarantees issued	12 879	11 509
		Other liabilities		
13 987	17 949	Unused credit lines	17 949	13 987
2 085	1 653	Approved loan commitments	1 777	2 180
264	17	Letters of credit	17	264
16 336	19 619	Total other liabilities	19 743	16 431
29 385	33 636	Total liabilities	33 956	29 638
		Security pledged		
16 265	8 955	Securities pledged as security	8 955	16 265

Ongoing legal disputes

The group is a party in a number of court cases with a total financial scope that is not considered to be significant, inasmuch as the group has made provisions for losses in those cases where it is assumed more likely than not that the group will incur a loss as a result of the cases.

Operational lease payments

The group's operational leases have terms of 3-5 years. The annual cost is approximately NOK 9 million. Leasing agreements are normally arranged through SpareBank 1 SR-Finans AS.

NOTE 36 RESTRICTED FUNDS

(Figures in NOK million)

Parent bank			Group	
2013	2014		2014	2013
39	38	Tax deducted	52	55
39	38	Total restricted funds	52	55

NOTE 37 SUBORDINATED LOAN CAPITAL

(Figures in NOK million)

Parent bank							Group	
2013	2014	Principal	Terms	Maturity	First maturity date		2014	2013
Non-perpetual								
745	745	750 NOK	3 month Nibor + margin	2021	2016		745	745
455	499	500 NOK	3 month Nibor + margin	2023	2018		499	455
78	-	75 NOK	3 month Nibor + margin				-	78
825	825	825 NOK	3 month Nibor + margin	2022	2017		825	825
2 103	2 069	Total non-perpetual					2 069	2 103
Tier 1 capital instruments								
992	-	1,000 NOK	3 month Nibor + margin				-	992
734	767	684 NOK	3 month Nibor + margin		2019		767	734
115	116	116 NOK	3 month Nibor + margin		2019		116	115
39	-	40 NOK	3 month Nibor + margin				-	39
1 880	883	Total hybrids					883	1 880
21	12	Accrued interest					12	21
4 004	2 964	Total subordinated loan capital					2 964	4 004

Subordinated loan capital and hybrid tier 1 bonds (hybrids) in foreign currencies are included in the group's total currency position so that there is no currency risk associated with the loans. Of a total of NOK 2,964 million in subordinated loan capital, NOK 794 million counts as tier 1 capital and NOK 2,069 million as term subordinated loan capital. Capitalised costs associated with borrowing are reflected in the calculation of amortised cost. Hybrid instruments cannot make up more than 15% of the total tier 1 capital for dated bonds and 35% for perpetual hybrids. Any excess amount counts as perpetual subordinated loan capital.

Subordinated loan capital and hybrid tier 1 capital loans¹⁾	2014	2013
Ordinary subordinated loan capital, nominal value	2 069	2 100
Hybrid instruments, nominal value	794	1 823
Value adjustments	89	60
Accrued interest	12	21
Total subordinated loan capital and hybrid tier 1 capital loans	2 964	4 004

Change in debt raised by issuing of subordinated loans/hybrid tier 1 capital loans¹⁾	Balance Sheet 31 Dec 2014	Issued/sale own 2014	Matured/redeemed 2014	Exchange rate and other changes	
				2014	Balance Sheet 31 Dec 2013
Term subordinated loan capital, nominal value	2 069	44	-75	-	2 100
Hybrid instruments, nominal value	794	-	-1 040	11	1 823
Value adjustments	89	-	-	29	60
Accrued interest	12	-	-	-9	21
Total subordinated loan capital and hybrid tier 1 capital loans	2 964	44	-1 115	31	4 004

¹⁾ This note is identical for the parent bank

NOTE 38 INVESTMENTS IN OWNERSHIP INTERESTS

Subsidiaries, associated companies and joint ventures

Company	Acquisition date	Registered head office	Ownership in % ¹⁾
Investments in subsidiaries			
Shares held by the parent bank			
SpareBank 1 SR-Finans	1987	Stavanger	100,00
EiendomsMegler 1 SR-Eiendom	1990	Stavanger	100,00
Westbroker Finans	1990	Stavanger	100,00
SR-Forvaltning	2001	Stavanger	100,00
SR-Investering	2005	Stavanger	100,00
SR-Forretningservice	2007	Stavanger	100,00
Etis Eiendom	2012	Stavanger	100,00
Finansparken Bjergsted	2013	Stavanger	100,00
Rygir Industrier Group	2012	Stavanger	100,00
Shares owned by subsidiaries			
Jærmegleren	2007	Stavanger	100,00
Investments in associated companies			
Admisenteret	1984	Jørpeland	50,00
SpareBank 1 Boligkreditt	2005	Stavanger	20,10
SpareBank 1 Næringskreditt	2009	Stavanger	26,80
BN Bank	2008	Trondheim	23,50
SpareBank 1 Kredittkort	2012	Trondheim	17,87
Samarbeidende Sparebanker Bankinvest	2010	Oslo	3,27
Investments in joint ventures			
SpareBank 1 Gruppen	1996	Oslo	19,50
SpareBank 1 Banksamarbeidet	2004	Oslo	17,74

¹⁾ Voting rights and ownership share are equal in all companies

Continue note 38

Subsidiaries**Shares in subsidiaries parent bank**

Investments are recognised at the parent bank's acquisition cost. These items are fully consolidated in the consolidated financial statements.

(Amounts in NOK 1000)

2014	The Ownership		Number equities	Nominal value	Assets	Liabilities	Total income	Total costs	The company's	Book value
	company's share	interest in %								
SpareBank 1 SR-Finans	167 000	100,00	334 000	167 000	7 022 365	6 108 485	209 265	54 169	104 989	635 758
Total investments in				167 000	7 022 365	6 108 485	209 265	54 169	104 989	635 758
from financial institutions										
EiendomsMegler 1 SR-Eiendom	1 500	100,00	150	1 500	209 221	115 193	444 096	388 563	42 070	97 205
Westbroker Finans	100	100,00	100	100	-	-	-	-	-	218
SR-Investering	35 000	100,00	3 500	35 000	188 344	5 275	1 309	781	-415	180 725
SR-Forvaltning	6 000	100,00	6 000	6 000	59 633	25 745	54 921	28 180	19 381	29 019
SR-Forretningservice	100	100,00	1 000	100	1 202	11	300	173	143	125
Rygir Industrier Group	14 400	100,00	90 000	14 400	253 558	8 927	15 880	9 691	8 782	222 706
Etis Eiendom	1 000	100,00	10 000	1 000	11 840	7 352	846	868	-16	1 730
Finansparken Bjergsted	16 000	100,00	16 000	16 000	58 342	239	462	351	83	58 016
Total other investments				74 100	782 140	162 742	517 814	428 607	70 028	589 744
Total investments in										
in subsidiaries parent bank				241 100	7 804 505	6 271 227	727 079	482 776	175 017	1 225 502
2013										
SpareBank 1 SR-Finans	167 000	100,00	334 000	167 000	6 384 429	5 741 870	201 264	51 354	109 383	526 606
Total investments in				167 000	6 384 429	5 741 870	201 264	51 354	109 383	526 606
from financial institutions										
EiendomsMegler 1 SR-Eiendom	1 500	100,00	150	1 500	186 371	96 471	438 320	396 374	29 900	97 205
Westbroker Finans	100	100,00	100	100	-	-	-	-	-	-
SR-Investering	35 000	100,00	3 500	35 000	202 318	18 834	12 482	701	14 780	179 703
SR-Forvaltning	6 000	100,00	6 000	6 000	52 580	34 726	49 042	26 651	15 752	29 019
SR-Forretningservice	100	100,00	1 000	100	1 114	66	566	315	195	125
Kvinnherad Sparebank Eigedom	15 000	100,00	3 000	15 000	23 508	-	-25	105	-151	23 701
Rygir Industrier Group	9 205	100,00	85 239 309	9 205	102 860	1 894	3 211	5 779	48 391	84 006
Etis Eiendom	1 000	100,00	10 000	1 000	12 207	7 704	581	1 054	1 530	1 123
Finansparken Bjergsted	8 000	100,00	8 000	8 000	10 636	2 608	27	-	22	8 016
Total other investments				75 905	591 594	162 303	504 204	430 979	110 419	422 898
Total investments in										
in subsidiaries parent bank				242 905	6 976 023	5 904 173	705 468	482 333	219 802	949 504

Investments in associated companies and joint ventures

Parent bank			Group	
2013	2014		2014	2013
3 812	3 552	Carrying amount 1 Jan	4 710	4 964
-260	-302	Additions/disposals	-302	-356
-	-	Change in equity	13	-18
-	-	PPA amortisation	-	7
-	-	Share of profit/loss	506	348
-	-	Dividend paid	-200	-235
3 552	3 250	Carrying amount 31 Dec	4 727	4 710
-	-	Share of profit from SpareBank 1 Gruppen	356	217
-	-	Share of profit from SpareBank 1 Boligkreditt	49	66
-	-	Share of profit from SpareBank 1 Næringskreditt	32	7
-	-	Share of profit from BN Bank	66	59
-	-	Share of profit from SpareBank 1 Banksamarbeidet	-2	-
-	-	Share of profit from Samarbeidende Sparebanker Bankinvest	2	2
-	-	Share of profit from SpareBank 1 Kredittkort	2	-4
-	-	Share of profit from Admisenteret	1	1
134	33	Dividend from SpareBank 1 Gruppen	-	-
50	100	Dividend from SpareBank 1 Boligkreditt	-	-
6	9	Dividend from SpareBank 1 Næringskreditt	-	-
44	57	Dividend from BN Bank	-	-
1	1	Dividend from Samspar Bank Invest	-	-
235	200	Total income	506	348

Investments in all the companies are assessed using the cost method in the parent bank and the equity method in the group.

Investments in joint ventures in the group as at 31 December 2014 includes goodwill amounting to NOK 23 million (2013: NOK 23 million).

The group's ownership interests in associated companies and joint ventures

(Figures in NOK million)

2014		Assets	Liabilities	Income	Costs	Profit or loss	Book value 31.12	Stake in %	No. of shares
SpareBank 1 Gruppen	Oslo	10 804	9 363	2 462	1 992	356	1 463	19,50	381 498
SpareBank 1 Banksamarbeidet	Oslo	118	99	146	143	-2	16	17,74	
SpareBank 1 Boligkreditt	Stavanger	45 746	44 043	64	7	49	1 709	20,10	11 076 409
Admisenteret	Jørpeland	-	-	-	-	1	3	50,00	80
BN Bank	Trondheim	8 410	7 554	152	53	66	856	23,50	3 317 338
SpareBank 1 Næringskreditt	Stavanger	4 867	4 346	47	3	32	521	26,80	3 913 034
Samarbeidene Sparebanker Bankinvest	Oslo	24	3	2	-	2	19	3,27	354
SpareBank 1 Kredittkort	Trondheim	853	713	39	28	2	140	17,87	458 536
Total		70 822	66 121	2 912	2 226	506	4 727		

2013

SpareBank 1 Gruppen	Oslo	9 891	8 758	2 489	2 181	217	1 131	19,50	381 498
Alliansesamarbeidet SpareBank 1	Oslo	99	82	120	122	-	19	17,74	
SpareBank 1 Boligkreditt	Stavanger	54 036	51 865	87	8	66	2 186	26,21	13 917 194
Admisenteret	Jørpeland	12	9	3	2	1	3	50,00	80
BN Bank	Trondheim	8 814	7 968	163	51	59	844	23,50	3 317 338
SpareBank 1 Næringskreditt	Stavanger	4 300	3 826	15	3	7	473	27,27	3 719 813
Samarbeidene Sparebanker Bankinvest	Oslo	23	7	2	-	2	21	3,27	354
SpareBank 1 Kredittkort	Trondheim	37	3	-	6	-4	33	17,59	122 182
SpareBank 1 Kundesenter	Stavanger	1	1	6	6	-	-	25,97	2 597
Total		77 213	72 519	2 885	2 379	348	4 710		

NOTE 39 MATERIAL TRANSACTIONS WITH CLOSE ASSOCIATES

(Figures in NOK million)

Close associates means associated companies, joint ventures and subsidiaries and people close to executive personnel and members of the board. The bank's outstanding balances with executive personnel and members of the board are shown in note 22.

Subsidiaries 2014	Loans 31 Dec	Deposits 31 Dec	Interest income	Interest costs	Commissions	Other opera- ting	Operating costs
SR-Finans	5 907	6	168	-	22	-	-
EiendomsMegler 1	-	76	5	23	-	1	-
SR-Forvaltning	-	49	-	1	27	-	-
SR-Investering	-	33	-	1	-	-	-
SR-Forretningservice	-	1	-	-	-	-	-
EiendomsMegler 1 Drift	-	-	-	-	-	-	5
Rygir Industrier Group	-	34	4	-	1	-	-
Etis Eiendom	7	4	-	-	-	-	-
Finansparken Bjergsted	-	38	-	-	-	-	-
Total subsidiaries	5 914	241	177	25	50	1	5

2013

SR-Finans	5 432	3	175	-	21	-	-
EiendomsMegler 1	-	35	7	15	-	1	1
SR-Forvaltning	-	36	-	1	24	-	-
SR-Investering	-	36	-	1	-	-	-
SR-Forretningservice	-	1	-	-	-	-	-
EiendomsMegler 1 Drift	-	3	-	-	-	-	4
Kvinnherad Eigedom	-	24	-	-	-	-	-
Rygir Industrier Group	-	27	3	-	1	-	-
Etis Eiendom	7	3	-	-	-	-	-
Finansparken Bjergsted	-	8	-	-	-	-	-
Total subsidiaries	5 439	176	185	17	46	1	5

Associated companies and joint ventures

2014	Loans 31 Dec	Deposits 31 Dec	Interest income	Interest costs	Commissions	Other opera- ting	Operating costs
SpareBank 1 Gruppen	43	-	4	-	244	-	-
SpareBank 1 Banksamarbeidet	-	-	-	-	-	-	157
SpareBank 1 Boligkreditt	-	2 174	-	16	461	-	-
Admisenteret	16	3	1	-	-	-	-
SpareBank 1 Næringskreditt	-	350	-	7	6	-	-
Samarbeidende Sparebanker Bankinvest	3	-	-	-	-	-	-
SpareBank 1 Kredittkort	730	-	16	-	-	-	-
Total associated companies and joint ventures	792	2 527	21	23	711	-	157

2013

SpareBank 1 Gruppen	303	6	5	-	222	-	-
Alliansesamarbeidet SB1	-	-	-	-	-	-	151
SpareBank 1 Boligkreditt	-	1 784	-	14	605	-	-
Admisenteret	17	2	1	-	-	-	-
SpareBank 1 Næringskreditt	-	221	-	8	5	-	-
SpareBank 1 Kundesenter	-	3	-	-	-	-	-
Total associated companies and joint ventures	320	2 016	6	22	832	-	151

Transactions with close associates of the executive management team¹⁾

There were no transactions with close associates of the executive management team, with the exception of close associates of:

2014	Loans 31 Dec	Interest income	Other operating income
Wenche Drønen Christensen	2 217	79	-

Transactions with close associates of the board¹⁾

There were no transactions with close associates of the board, with the exception of close associates of:

2014	Loans 31 Dec ²⁾	Interest income	Other operating income
Ingvald Løyning	6 226	298	-
Gunn-Jane Håland	1 093 058	12 487	-
Birthe Cecilie Lepsøe	133 479	686	1 240
Siv Juvik Tveitnes	2 335	244	-
Tor Dahle	3 428	56	-

¹⁾ Including transactions with close associates and companies in which close associated are key personnel.

²⁾ Including loan limits and guarantees.

NOTE 40 SHARE CAPITAL AND OWNERSHIP STRUCTURE**Share capital**

SpareBank 1 SR-Bank's share capital amounts to NOK 6,393,777,050 divided into 255,751,082 shares, each with a nominal value of NOK 25. The share capital (formerly equity share capital) was raised in the following manner and on the following dates:

År		Change in share capital	Total share capital	No. of equities
1994	Public issue	744,0	744,0	7 440 000
2000	Private placement with employees	5,0	749,0	7 489 686
2001	Private placement with employees	4,8	753,8	7 538 194
2004	Bonus issue	150,8	904,6	9 045 834
2005	Bonus issue/split	226,1	1 130,7	22 614 585
2007	Private placement	200,0	1 330,7	26 613 716
2007	Bonus issue/split	443,5	1 774,2	70 969 909
2008	Dividend issue	91,7	1 866,0	74 638 507
2008	Private placement with employees	6,6	1 872,6	74 903 345
2009	Bonus issue/split	374,5	2 247,1	89 884 014
2009	Private placement	776,2	3 023,3	120 933 730
2010	Private placement with employees	7,8	3 031,1	121 243 427
2010	Private placement with Kvinnherad	151,7	3 182,8	127 313 361
2013	Conversion limited savings bank	1804,4	4 987,2	199 489 669
2013	Private placement	1406,5	6 393,8	255 751 082

Besides the share capital, the equity consists of the share premium reserve, fund for unrealised gains and other equity.

Dividend policy

SpareBank 1 SR-Bank's financial goal for its activities is to achieve results that provide a good, stable return on the bank's equity, thus creating value for the owners in the form of competitive dividends and a higher share price. Consideration must be given to financial needs, including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend. Unless capital requirements dictate otherwise, the goal of the board is to distribute approximately half of the annual net profit for the period as dividends.

Trading in own shares in 2014

(Figures in NOK 000s)

	No. of equities	Nominal value
Holding as at 31 Dec 2013	207 645	5 191
Traded in 2014	23 398	585
 Holding as at 31 Dec 2014	231 043	5 776

Continue note 40

20 largest shareholders as at 31 Dec 2014.

Holder	Shares	Per cent ratio
Sparebankstiftelsen SR-Bank	72,419,305	28.3%
Gjensidige Forsikring ASA	26,748,416	10.5%
State Street Bank and Trust Co, USA	8,643,971	3.4%
Morgan Stanley & Co LLC, USA	8,231,700	3.2%
National Insurance Scheme Fund	7,069,608	2.8%
SpareBank 1-stiftinga Kvinnherad	6,226,583	2.4%
Wimoh Invest AS	5,761,169	2.3%
Skandinaviska Enskilda Banken, Sweden	3,907,817	1.5%
Vpf Nordea Norge Verdi	3,259,776	1.3%
State Street Bank and Trust Co, USA	3,043,658	1.2%
State Street Bank and Trust Co, USA	2,748,403	1.1%
Clipper AS	2,525,000	1.0%
MSCO Equity Firm Account, USA	2,287,448	0.9%
J.P. Morgan Chase Bank N.A., UK	2,083,137	0.8%
Danske Invest Norske Instit. II	1,924,571	0.8%
The Bank of New York Mellon, USA	1,865,430	0.7%
Westco	1,577,534	0.6%
Pareto Aksje Norge	1,543,600	0.6%
Odin Norge	1,473,591	0.6%
FLPS-Princ All Sec Stock Sub, USA	1,433,800	0.6%
Total 20 largest	164,774,517	64.4%
Other owners	90,976,565	35.6%
Shares issued	255,751,082	100.0%

The total number of shareholders as at 31 December 2014 was 10,422. This represents a decrease of 729 since year-end 2013. The proportion of shares held by shareholders resident in Rogaland, Hordaland and the Agder counties was 48.9%, and the proportion held by foreign shareholders was 22.4%. Please also see the overview of shareholders on the board and supervisory board. For more information about SpareBank 1 SR-Bank's share please refer to the special section in the annual report.

20 largest shareholders as at 31 December 2013

Holder	Shares	Per cent ratio
Sparebankstiftelsen SR-Bank	76 835 551	30,0%
Gjensidige Forsikring ASA	26 483 470	10,4%
National Insurance Scheme Fund	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, USA	4 359 373	1,7%
Odin Norden	4 085 363	1,6%
Skagen Global	3 943 743	1,5%
State Street Bank and Trust, USA	3 683 118	1,4%
State Street Bank and Trust, USA	2 542 777	1,0%
J.P. Morgan Chase Bank, UK	2 364 569	0,9%
Clipper AS	2 178 837	0,9%
J.P. Morgan Chase Bank, UK	2 083 137	0,8%
J.P. Morgan Chase Bank, Sweden	2 014 054	0,8%
Westco AS	1 321 817	0,5%
Skagen Global II	1 264 174	0,5%
FLPS, USA	1 250 000	0,5%
Goldman Sachs & Co, USA	1 249 123	0,5%
Vpf Nordea Kapital	1 161 371	0,5%
Total 20 largest	162 558 913	63,6%
Other owners	93 192 169	36,4%
Shares issued	255 751 082	100,0 %

The total number of shareholders as at 31 December 2013 was 11,151. This represents a decrease of 808 since year-end 2012. The proportion of shares held by shareholders resident in Rogaland, Hordaland and the Agder counties was 53.0%, and the proportion held by foreign shareholders was 14.1%. Please also see the overview of shareholders on the board and supervisory board.

NOTE 41 ACTIVITIES THAT WILL BE SOLD

SpareBank 1 SR-Bank establishes, as part of its business activities, investment projects for sale to its customers. SpareBank 1 SR-Bank must also, as part of its business activities, take over assets, for one reason or another, from its customers.

The item includes some investments and the most important of these is Energiveien Eiendom Holding AS, which was taken over in 2008. SpareBank 1 SR-Bank owned a 49.86% as at 31 December 2013 and after selling 33.07% in 2014 its stake in Energiveien Eiendom Holding AS is now 16.79%. The item is measured at fair value in the financial statements and as operations that will be sold.

SpareBank 1 SR-Bank does not regard the investments as associated companies since it has no basis for exercising control and the investments are for this reason not recognised according to the equity method.

NOTE 42 EVENTS AFTER THE BALANCE SHEET DATE

In January 2015, the group agreed to acquire Swedbank's branch in Stavanger.

In January 2015, the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet AS, which includes three offices in Stavanger, Sandnes and Ålgård respectively, was acquired. Both acquisitions were effective from the first quarter of 2015.

On 24 February 2015, SpareBank 1 SR-Bank received permission from the Financial Supervisory Authority of Norway to use Advanced IRB for the corporate market.

No material events have been recorded after 31 December 2014.

The proposed dividend is NOK 2.00 per share and will total NOK 512 million.

To the Annual Shareholders' Meeting and Supervisory Board of SpareBank 1 SR-Bank ASA**INDEPENDENT AUDITOR'S REPORT****Report on the Financial Statements**

We have audited the accompanying financial statements of SpareBank 1 SR-Bank ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2014, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group SpareBank 1 SR-Bank ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

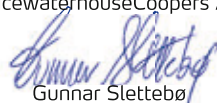
Report on Other Legal and Regulatory Requirements*Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 5 March 2015
PricewaterhouseCoopers AS




Gunnar Slettebø
State Authorised Public Accountant (Norway)

STATEMENT BY THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

We hereby confirm that the financial statements for the period 1 January to 31 December 2014 have, to the best of our knowledge, been prepared pursuant to applicable accounting standards, and that the information provided presents a true and fair picture of the company's and the Group's assets, liabilities, financial positions and profit as a whole.

We also confirm that the Board of Directors' report provides a true and fair presentation of the performance, result and position of the company and Group, together with a description of the most important risk and uncertainty factors that the company and the Group face.

Stavanger, 5 March 2015


Ingvald Løyning
Chairman of the Board

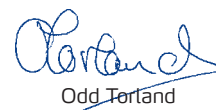

Gurn-Jane Håland



Erling Øverland


Tor Dahle


Birthe Cecilie Lepsø


Siv Juvik Tveitnes


Odd Tørlund


Satty Lund-Andersen
Employee representative


Oddvar Rettedal
Employee representative


Arne Austreid
Chief Executive Officer

AUDIT COMMITTEE'S STATEMENT

TO THE SUPERVISORY BOARD AND GENERAL MEETING OF SPAREBANK 1 SR-BANK

The Audit Committee has supervised SpareBank 1 SR-Bank ASA and the Group pursuant to the law and the Supervisory Board's instructions.

The Audit Committee has in connection with the year-end closing of the accounts for the 2014 financial year reviewed the Board of Directors' report, annual financial statements and auditor's report for SpareBank 1 SR-Bank ASA. The committee finds that the Board's assessment of the financial positions of SpareBank 1 SR-Bank ASA and the Group are fair, and recommends that the Board of Directors' report and annual financial statements for the 2014 financial year be approved.

Stavanger, 13 March 2015


Odd Jo Forsell
(leder)


Vigdis Wiik Jacobsen


Egil Fjogstad

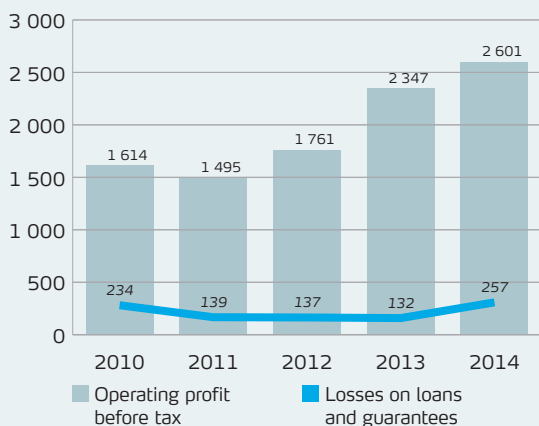


KEY FIGURES LAST 5 YEARS

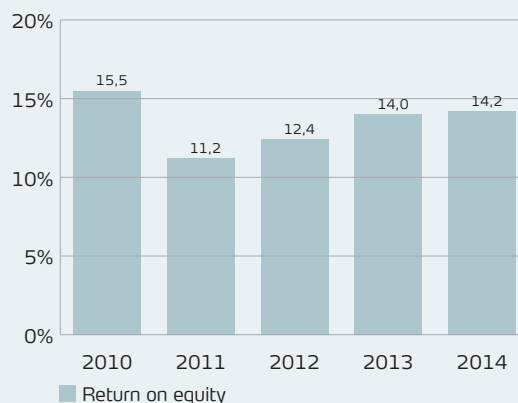
(Figures in NOK million)

SpareBank 1 SR-Bank Group	2014	2013	2012	2011	2010
Summary of results					
Net interest income	2 404	2 119	1 742	1 756	1 742
Net commissions and other operating income	1 732	1 824	1 466	1 192	1 101
Net income from financial investments	778	555	578	319	571
Total net income	4 914	4 498	3 786	3 267	3 414
Total operating costs	2 056	2 019	1 888	1 633	1 566
Operating profit before impairment losses on loans	2 858	2 479	1 898	1 634	1 848
Impairment losses on loans and guarantees	257	132	137	139	234
Pre-tax profit	2 601	2 347	1 761	1 495	1 614
Taxes	506	487	400	414	297
Net profit for the year	2 095	1 860	1 361	1 081	1 317
Return (% of average total assets)					
Net interest income	1,45%	1,42%	1,27%	1,31%	1,35%
Net commissions and other operating income	1,04%	1,22%	1,07%	0,89%	0,85%
Net income from financial investments	0,47%	0,37%	0,42%	0,24%	0,44%
Total net income	2,96%	3,01%	2,76%	2,44%	2,65%
Total operating costs	1,24%	1,35%	1,38%	1,22%	1,22%
Operating profit before impairment losses on loans	1,72%	1,66%	1,38%	1,22%	1,43%
Impairment losses on loans and guarantees	0,15%	0,09%	0,10%	0,10%	0,18%
Pre-tax profit	1,57%	1,57%	1,28%	1,12%	1,25%
Taxes	0,30%	0,33%	0,29%	0,31%	0,23%
Net profit for the year	1,26%	1,24%	0,99%	0,81%	1,02%
Balance Sheet figures					
Lending to retail market	77 651	59 848	52 569	47 593	56 492
Lending to retail market, incl. SB1 Boligkreditt	109 939	105 595	100 786	92 287	82 349
Lending to corporate market	62 880	59 128	55 723	52 563	48 736
Lending to corporate market, incl. SB1 Næringskreditt	63 464	59 770	56 194	53 198	49 040
Retail market deposits	39 545	36 190	34 311	31 445	28 683
Corporate market deposits	41 942	35 474	33 248	32 557	32 054
Lending growth in retail market, excl. SB1 Boligkreditt %	29,7	13,8	10,5	-15,8	23,2
Lending growth in corporate market, excl. SB1 Næringskreditt %	6,3	6,1	6,0	7,9	3,6
Percentage growth in retail market deposits	9,3	5,5	9,1	9,6	13,9
Percentage growth in corporate market deposits	18,2	6,7	2,1	1,6	10,1
Total assets	174 926	156 985	141 543	131 142	134 778
Average total assets	166 017	149 554	137 212	133 629	128 830
Impairment losses on loans and non-performance					
Impairment as % of lending	0,20	0,11	0,13	0,13	0,23
Non-performing commitments as % of gross loans	0,30	0,69	0,42	0,41	0,42
Other impaired commitments as % of gross loans	0,36	0,37	0,54	0,69	0,72
Equity					
Share capital	6 394	6 394	6 394	3 183	3 183
Share premium reserve	1 587	1 587	1 587	623	627
Other equity	7 422	6 075	4 656	1 573	1 604
Primary capital				2 739	2 477
Dividend equalisation fund				1 639	1 511
Total equity	15 403	14 056	12 637	9 757	9 402
Profitability, financial strength and staffing					
Return on equity %	14,2	14,0	12,4	11,2	15,5
Cost/income ratio	41,8	44,9	49,9	50,0	45,9
Common equity tier 1 capital ratio %	11,50	11,11	10,01	8,27	8,71
Tier 1 capital ratio %	12,34	12,83	12,15	10,62	10,21
Capital ratio %	14,53	14,07	13,10	11,44	12,41
No. of full time equivalents	1 106	1 165	1 207	1 213	1 163

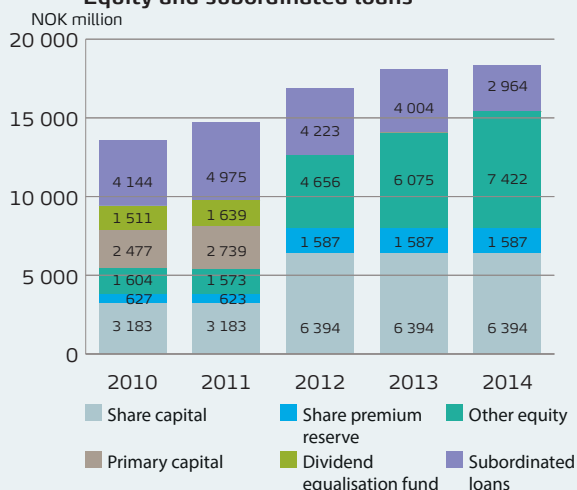
Profit and loss



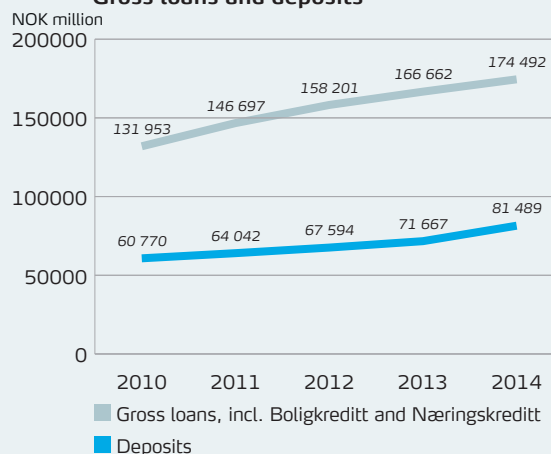
Return on equity



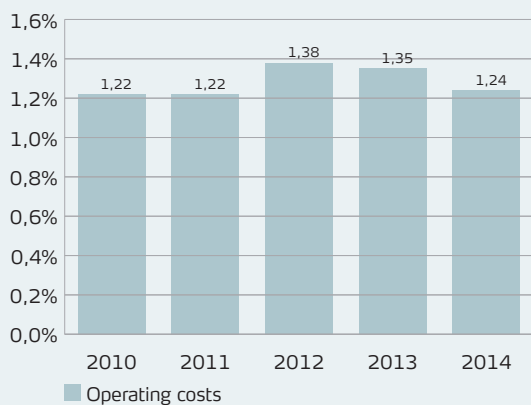
Equity and subordinated loans



Gross loans and deposits



Operating costs as % of average total assets



FTEs, Group

