

Sparebanken Sør

2nd quarter 2015

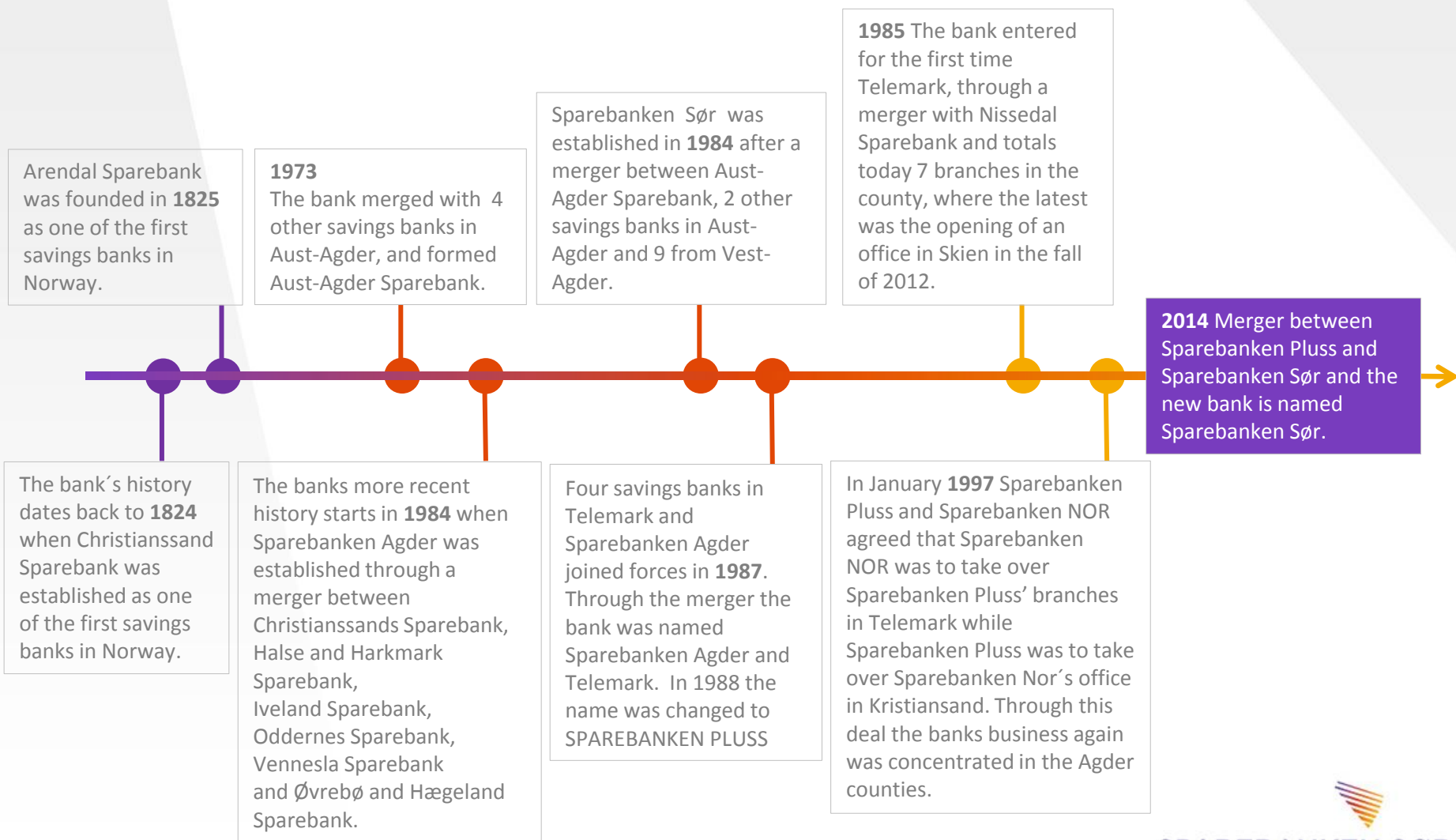


SPAREBANKEN SØR

Information

The merger between Sparebanken Pluss and Sparebanken Sør complies with the rules set out in IFRS 3 and has been executed as a transaction. Sparebanken Sør's net assets have been recognized in Sparebanken Pluss' balance sheet as of January 1st 2014. Negative goodwill is a consequence of divergence between the value of net assets and the fee paid in the merger. To prevent dilution of the equity ratio, negative goodwill has been fully recognized immediately after completion of the merger and transferred directly to the dividend equalization fund. (see separate note on the merger). Negative goodwill has been excluded from both the actual accounting figures and the comparative figures.

190 years of development and renewal



Sparebanken Sør current position

Business	Sparebanken Sør is an independent savings bank offering its products and services to the retail banking market, corporate market and to the public sector.
Balance	The fifth largest Norwegian bank with total assets approaching NOK 100 billions.
Employees	Some 450 employees in branch offices across the counties of Aust-Agder, Vest-Agder and Telemark.
Products and services	General banking services- and products, in addition to real-estate agency, life- and non-life insurance, security trade services and leasing through wholly- and partially owned subsidiaries and companies.
Summary	With a strong and powerful ambition, Sparebanken Sør is committed to contribute to further growth and development in the region.

Key features 2nd quarter 2015

- Increase in profit of NOK 40 million or 8.7 percent raise from same period last year, adjusted for the sale of Nets 2014
- Net interest income is reduced due to margin pressure, but compensated by increase in net commission income
- Cost reduction of 5.8 percent
- Low loan losses
- 5.5 percent loan growth and 5.1 percent deposit growth
- Return on equity (post-tax) of 10.0 percent

Income statement Sparebanken Sør

2nd quarter pre-tax profit of NOK 500 millions.

Previous year figures include gain from sale of Nets with NOK 71 millions.

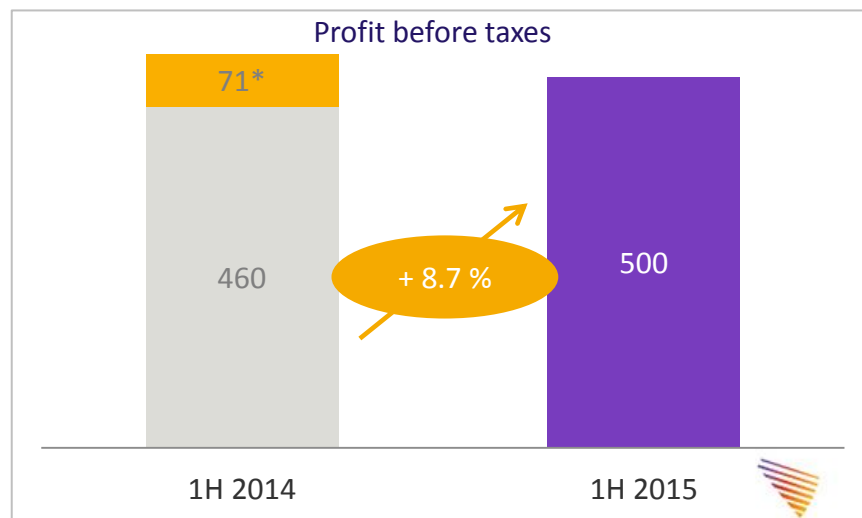
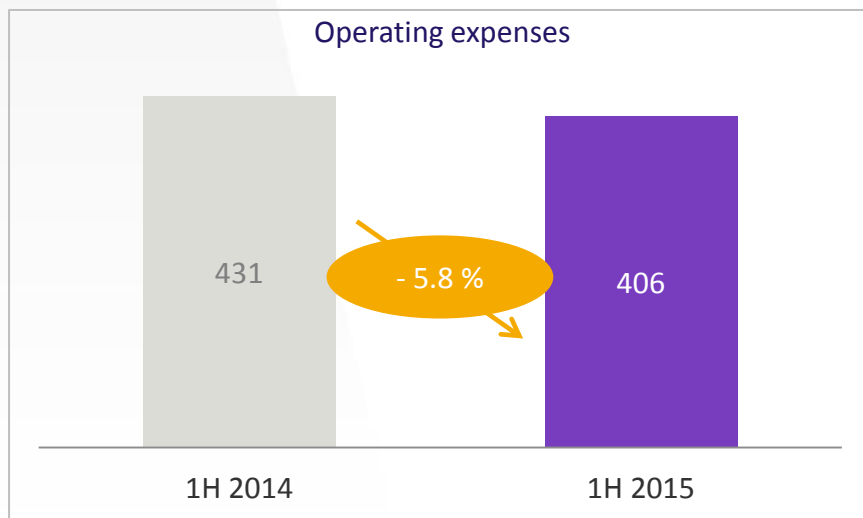
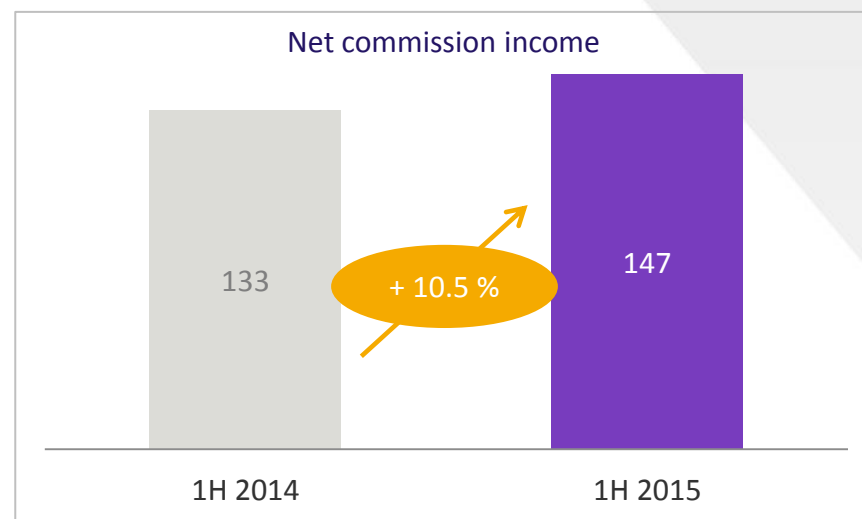
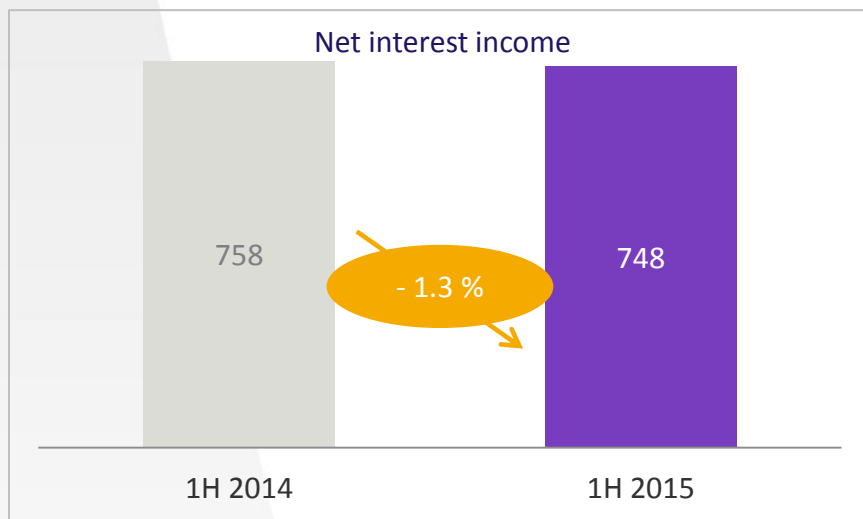
Key features from the business after the first quarter are as follows:

- Reduced net interest income due to margin pressure, compensated by an increase in net commission income.
- Cost reduction and low loan losses.

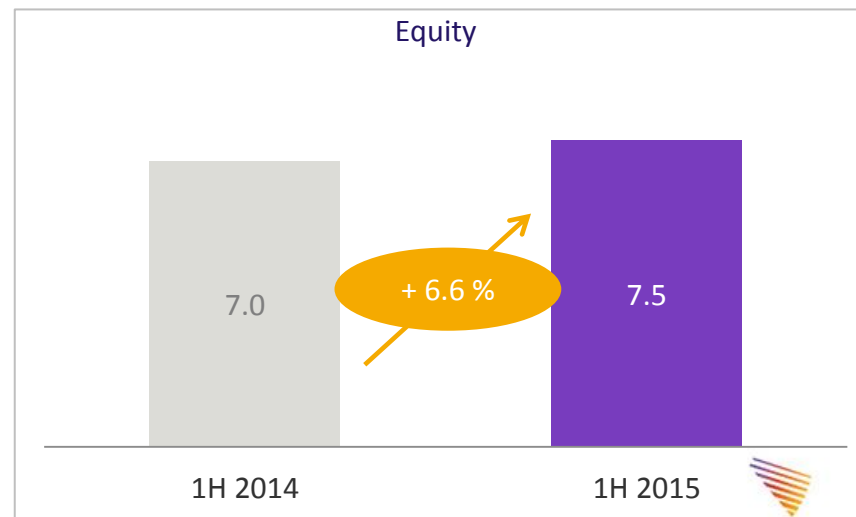
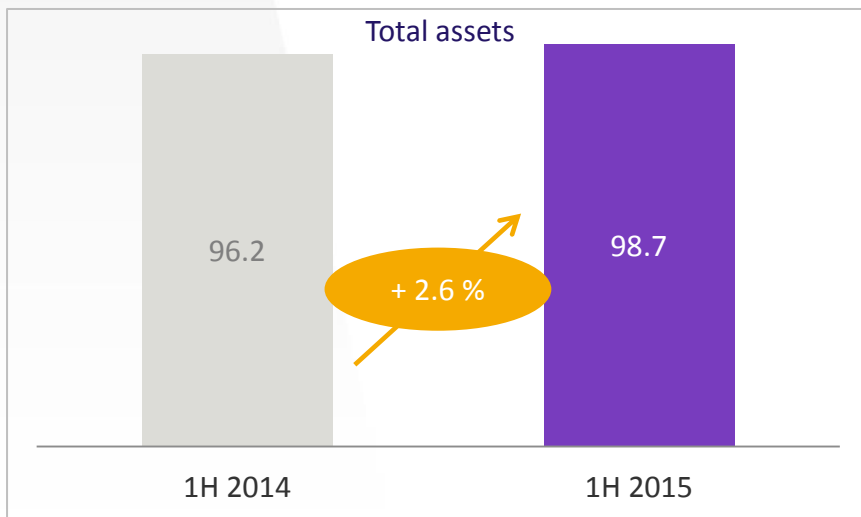
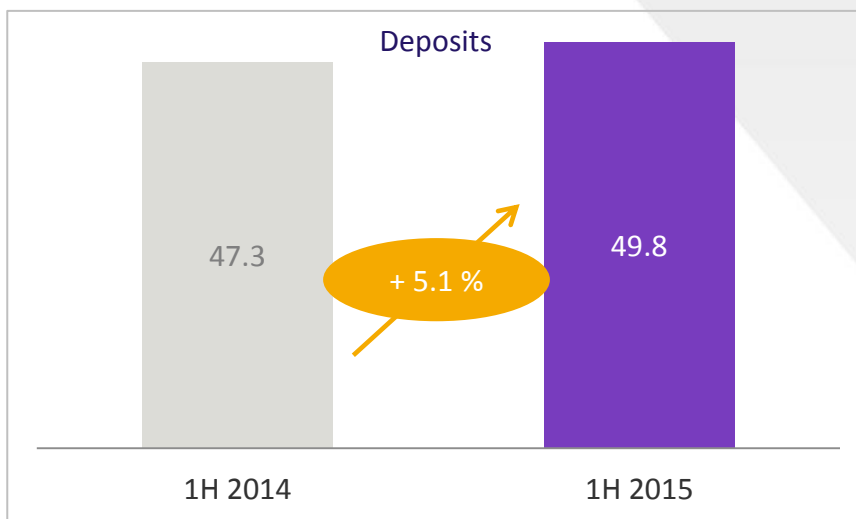
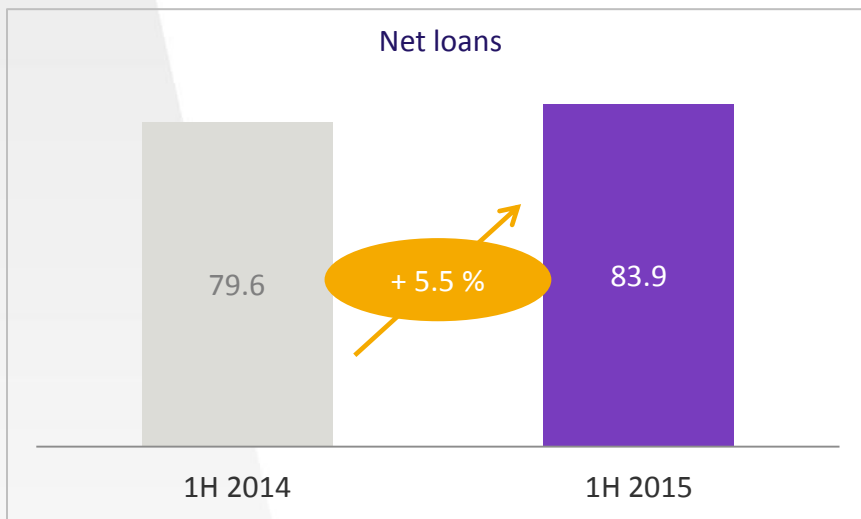
Results after the second quarter provides a post-tax RoE of 10.0 percent.

NOK millions	1H 2015	1H 2014	ex Nets
Net interest income	748	758	758
Net commission income	147	133	133
Net income from financial instruments	37	118	47
Other operating income	6	9	9
Total income	938	1,018	947
Total expenses	406	431	431
Profit before losses on loans	532	587	516
Losses on loans, guarantees	32	56	56
Profit before taxes	500	531	460
Tax expenses	136	120	120
Profit for the period	364	411	340

Profit and loss items

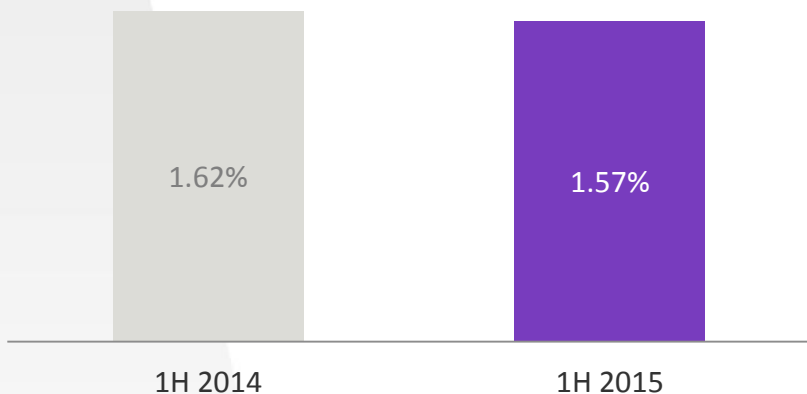


Balance sheet items

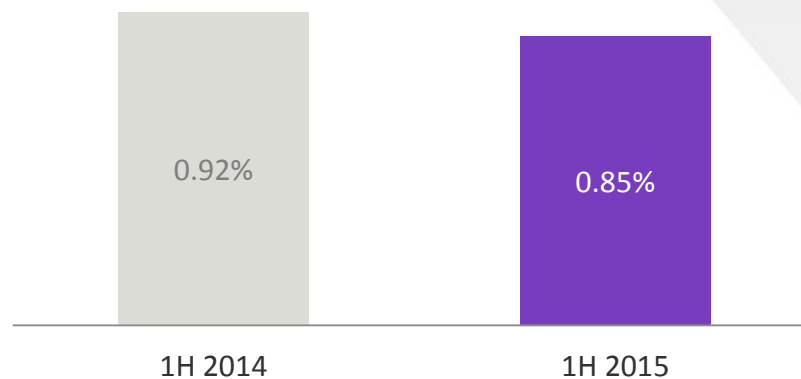


Key figures

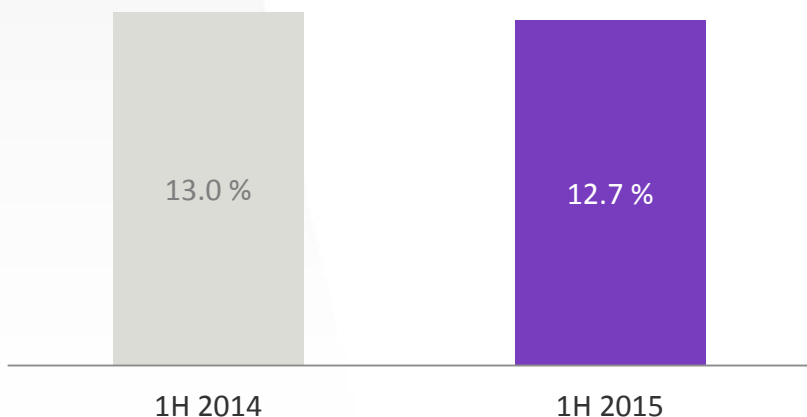
Net interest income as a percentage of average total assets



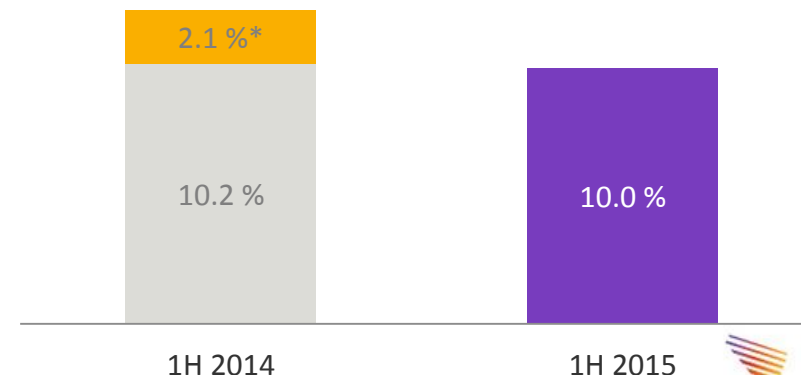
Total expenses as a percentage of average total assets



Core Equity Tier 1 capital ratio (CET1, incl. part of result)

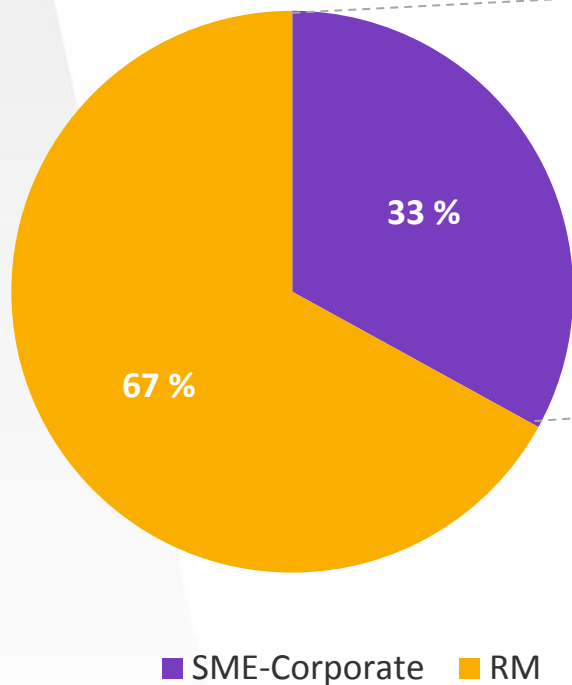


Post tax RoE

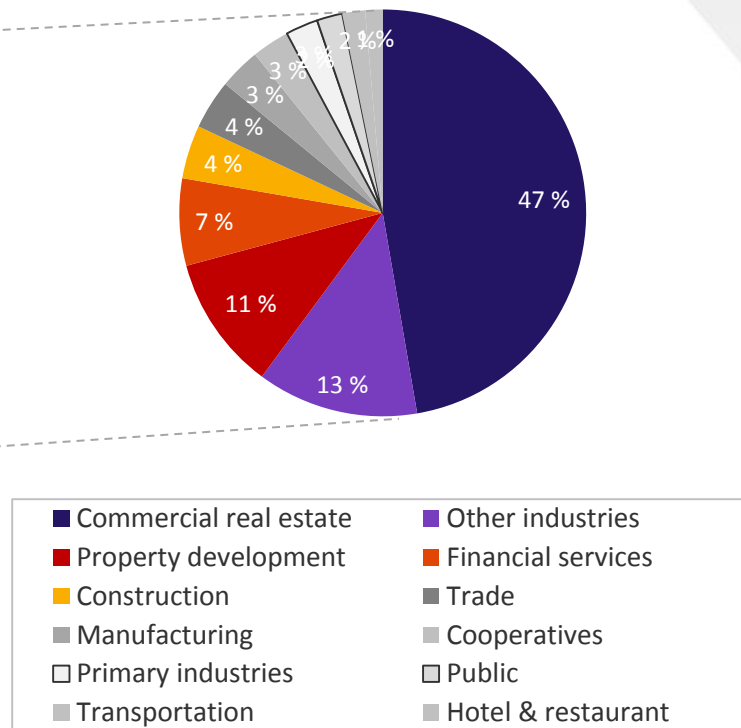


Loans

Distribution RM/SME-Corporate



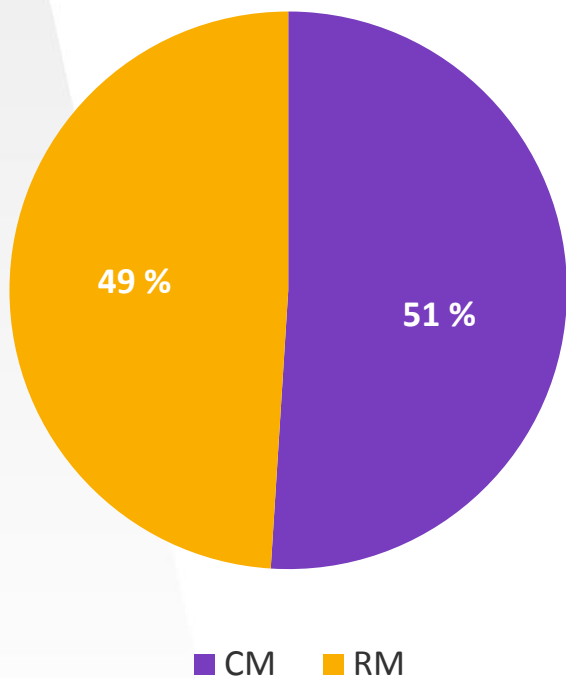
Distribution SME-Corporate Market



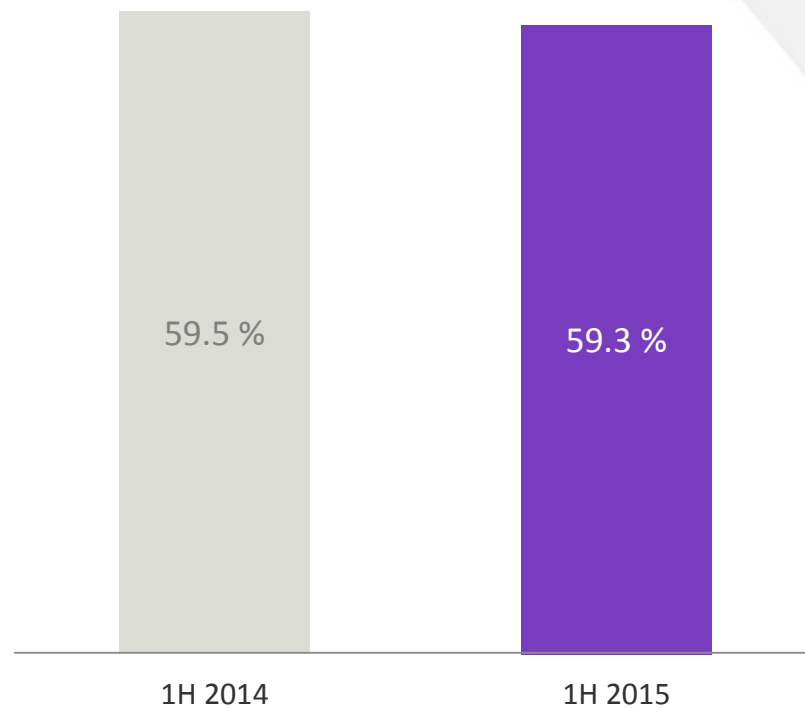
A well-diversified portfolio which reflects the business activity in the region

Deposits

Distribution RM/SME-Corporate



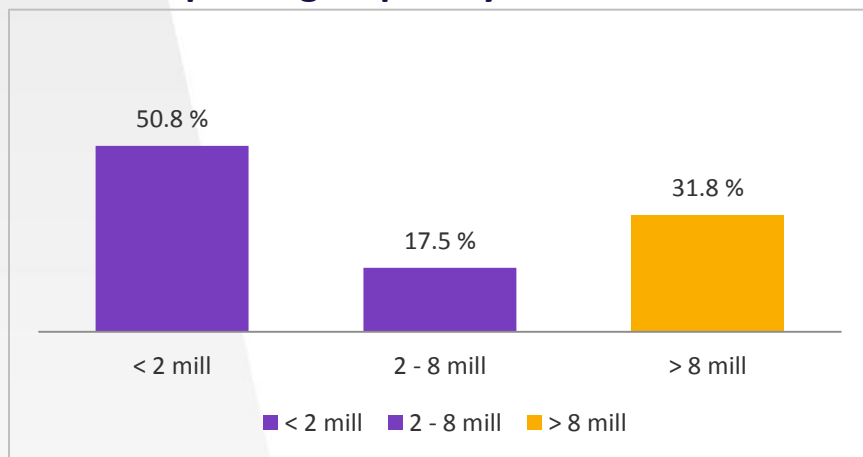
Ratio of deposits to net loans



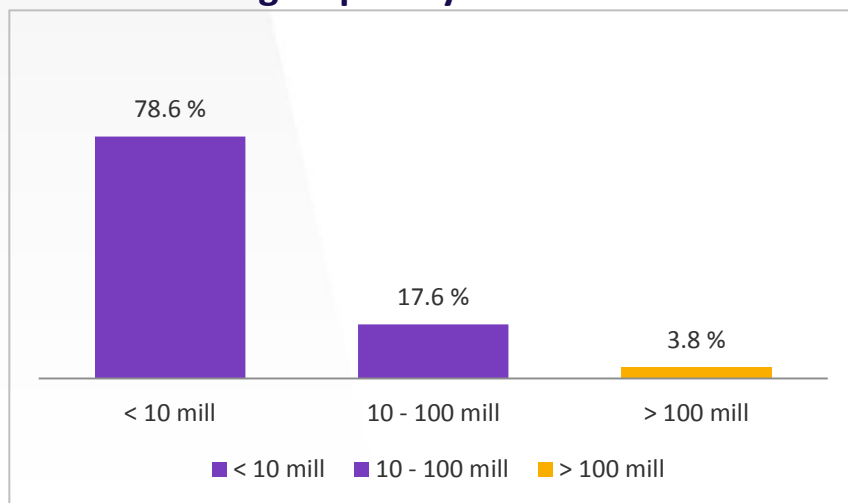
High deposit to net loans ratio is maintained

Breakdown of deposits and loans

Deposits grouped by individual size



Loans grouped by individual size

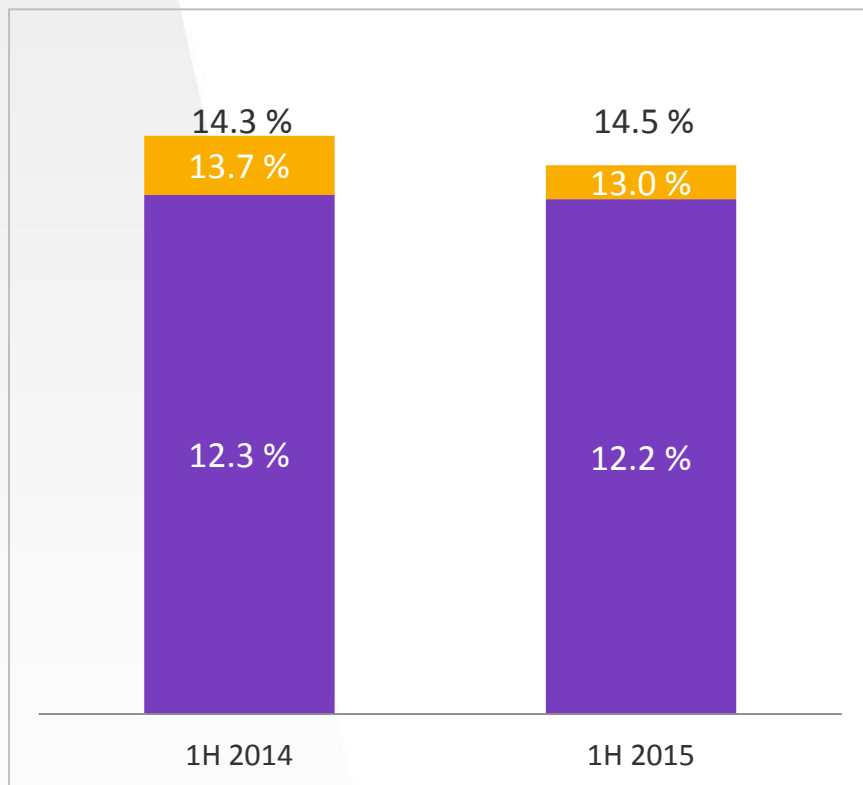


- Deposits with size below 2 MNOK constitutes 50.8 % of total deposits
- Deposits with size between 2 and 8 MNOK constitutes 17.5 %
- Deposits with size above 8 MNOK constitutes 31.8 % of total deposits

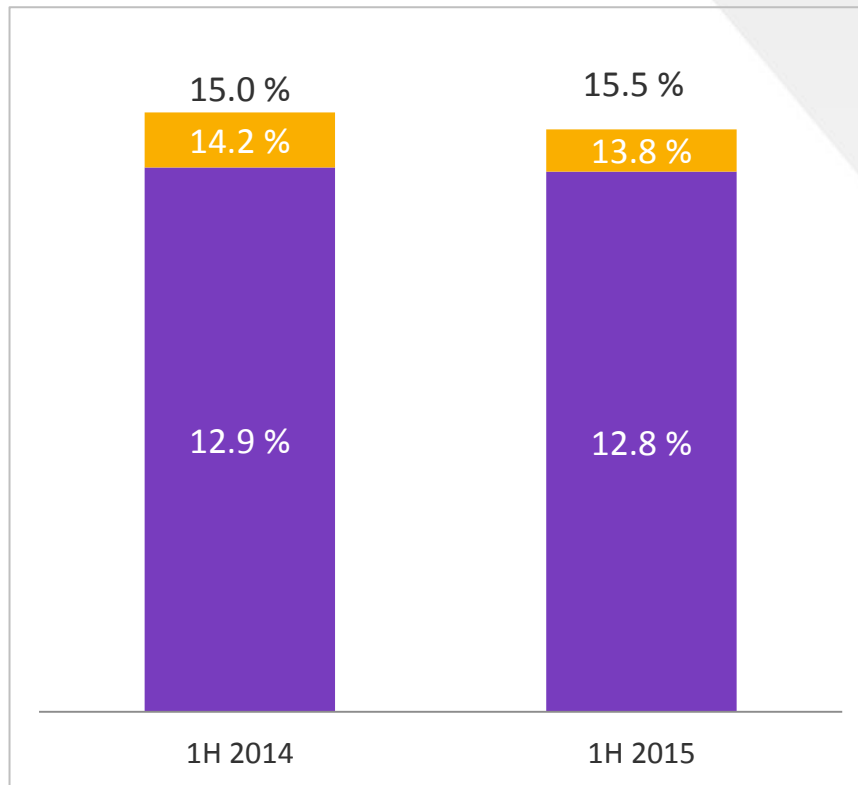
- Loans with size below 10 MNOK constitutes 78.6 % of total loans
- Loans with size between 10 and 100 MNOK constitutes 17.6 %
- Loans with size above 100 MNOK constitutes 3.8 % of total loans

Capital adequacy

Group



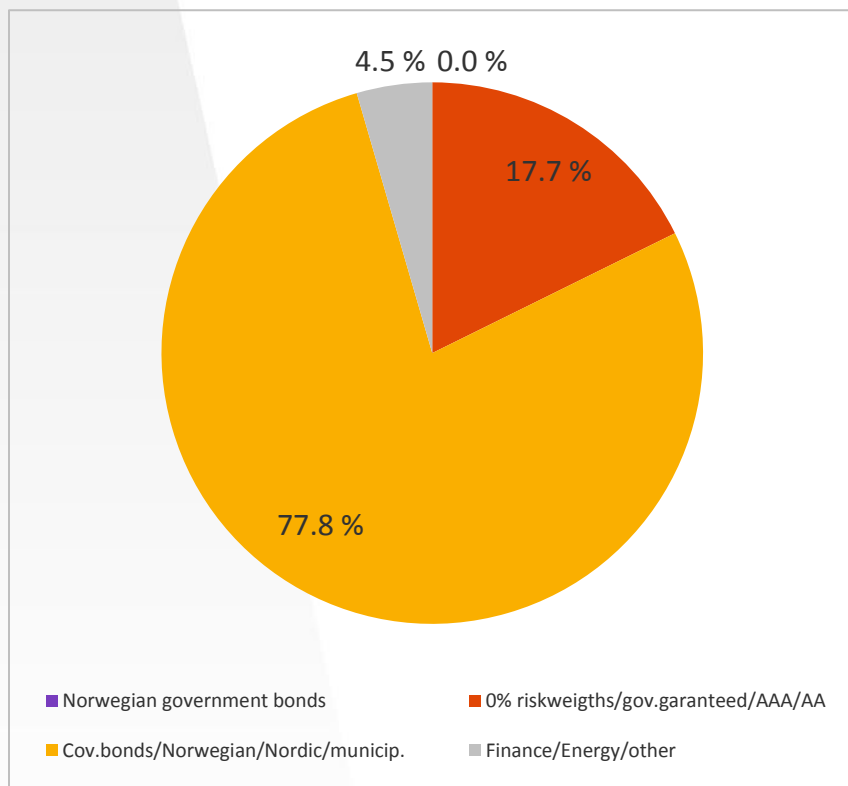
Parent bank



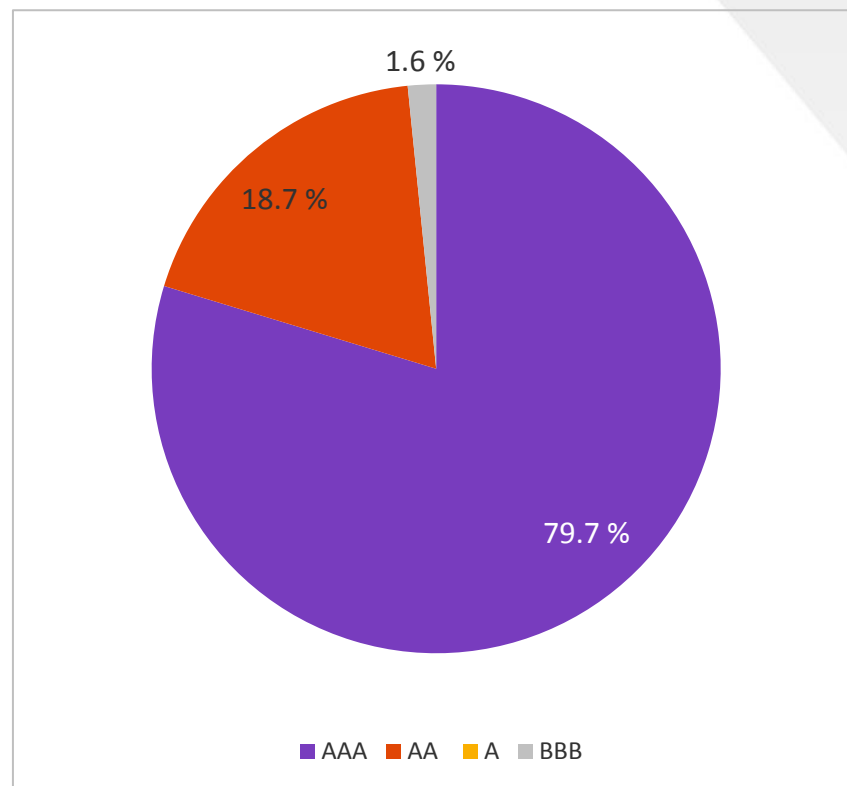
- Core Equity Tier 1 capital of 12.7 percent and total capital ratio of 15.0 percent, including share of 2nd quarter result for Group.

Certificates and bonds

Liquidity portfolio

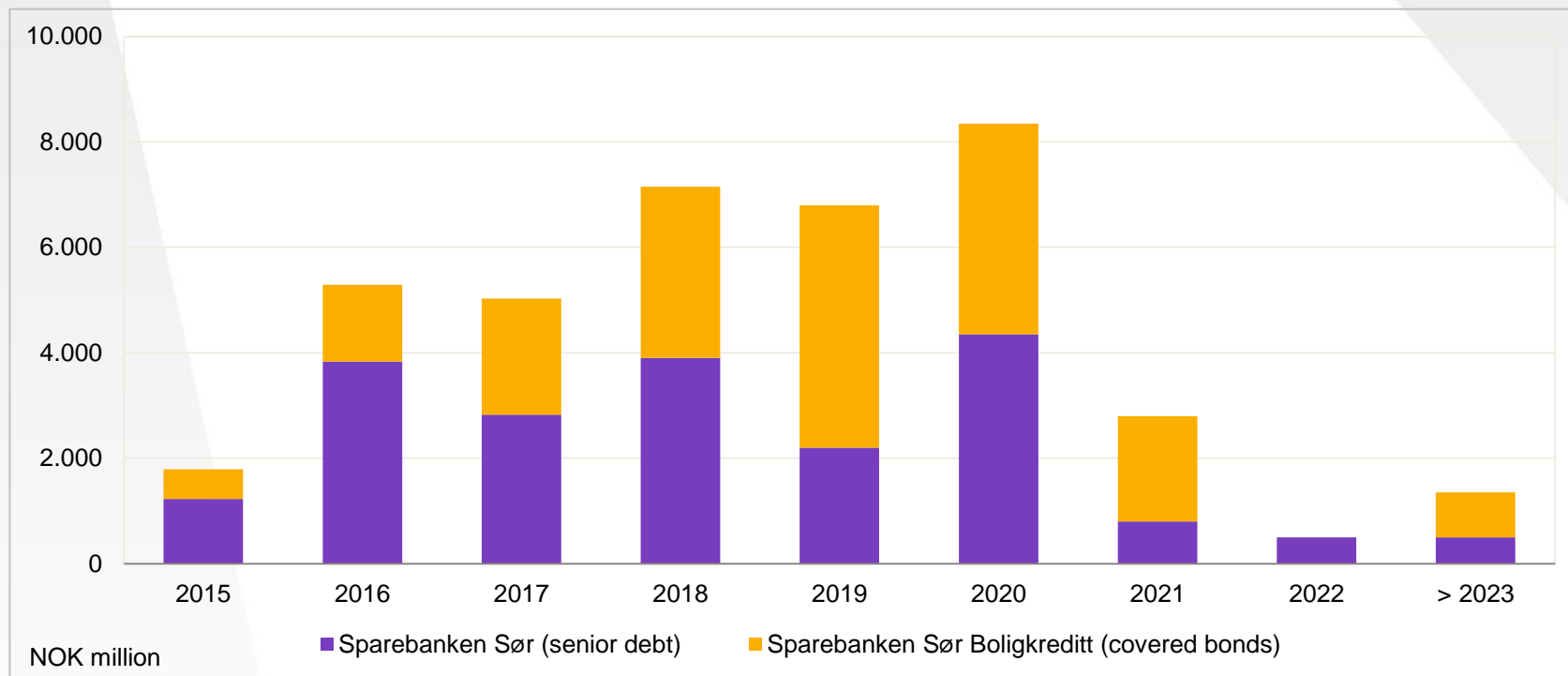


Rating



- Total liquidity portfolio of NOK 11.9 billion
- 100 percent investment grade

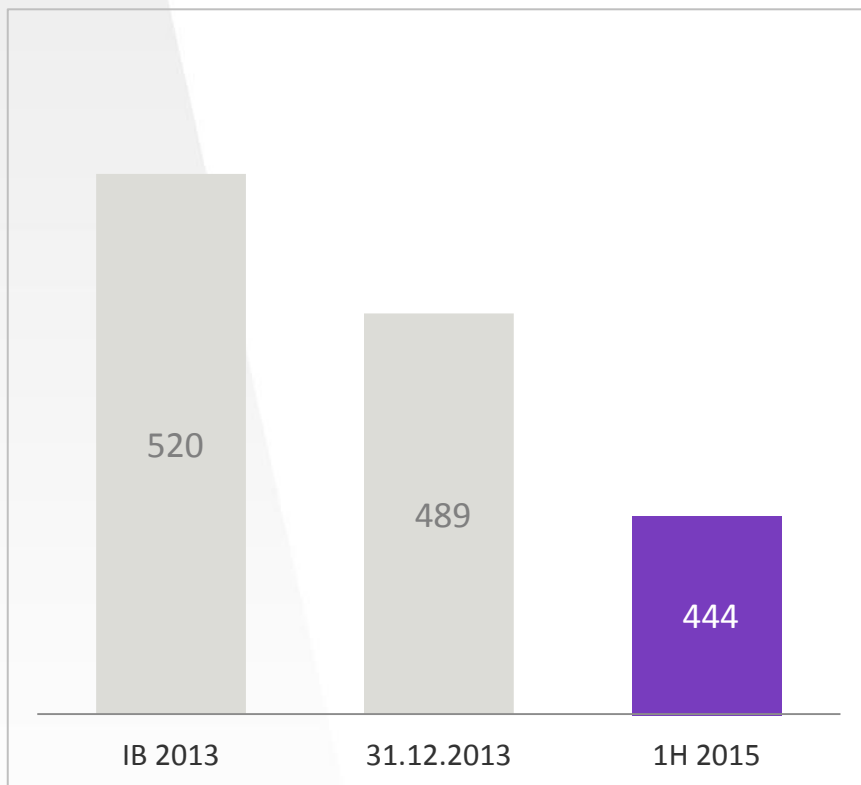
Funding



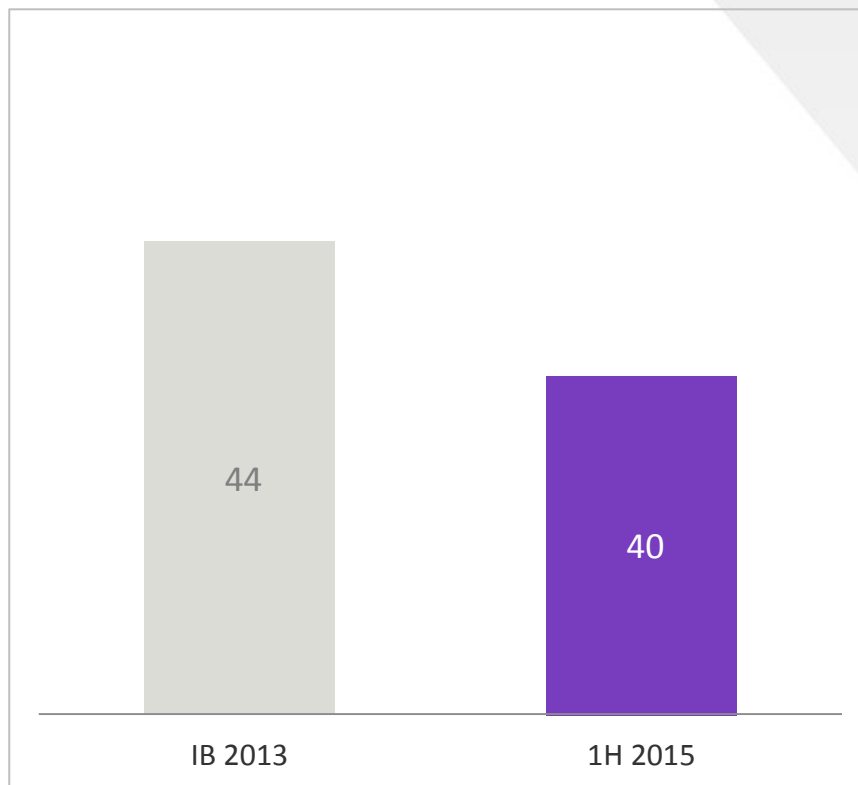
- Total funding of NOK 39 billion, with NOK 19 billion issued as covered bonds.
- Satisfactory access to new funding at reasonable market prices.
- Well diversified maturity structure, which reduces liquidity risk.
- Funding with maturities > 12 months constitutes 86.3 percent.
- Liquidity indicator above regulatory requirements.

Synergies from the merger

Number of FTEs in the bank



Number of branches



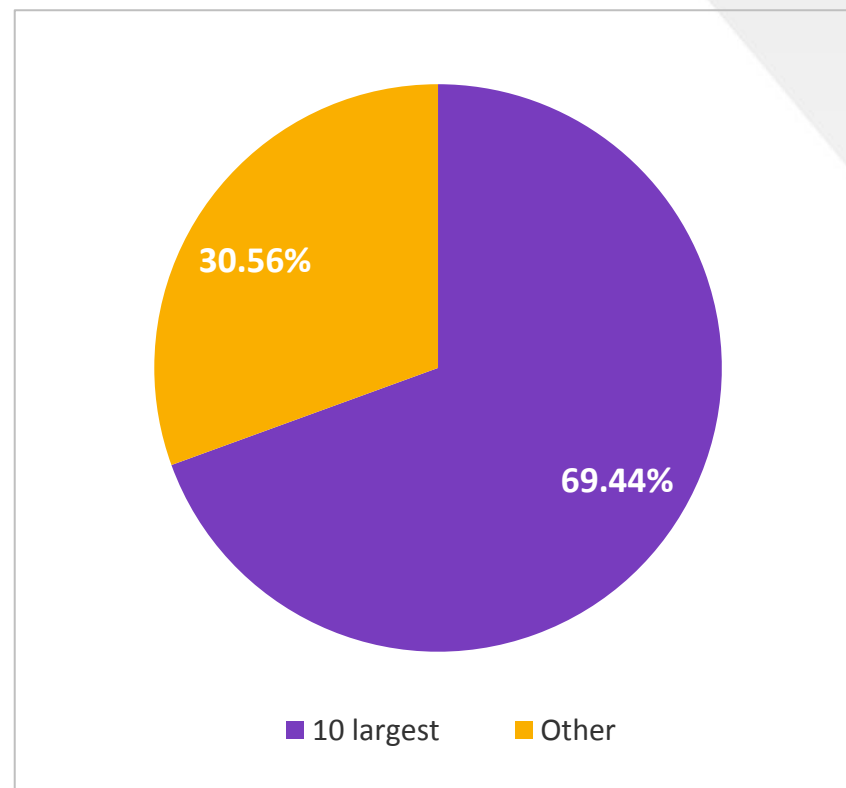
- Staff downsizing is being carried out faster than planned for, which reduces the cost base
- The branch structure is under consideration due to change in customer behavior and increased use of digital channels

Equity certificate owners

10 largest EC owners as of June 30th 2015

	Name	Number of EC	Share of EC
1	Sparebankstiftelsen Spb. Sør	2,432,024	51.00 %
2	Verdipapirfondet EIKA	136,836	2.87 %
3	HOLTA INVEST AS	134,410	2.82 %
4	Arendal Kommunale Pensjonskasse	130,000	2.73 %
5	Pareto AS	124,150	2.60 %
6	GLASTAD INVEST AS	100,000	2.10 %
7	SEB London Branch AIF Irish clients	80,650	1.69 %
8	Sparebankstiftelsen DnB	62,300	1.31 %
9	MP Pensjon PK	56,900	1.19 %
10	Gustav Pedersen AS	53,760	1.13 %
	10 largest owners	3,311,030	69.44 %

10 largest EC owners as a percentage of total



- In June, Sparebankstiftelsen Sparebanken Sør made a successful divestment of its stake in the bank from 73 to 51 per cent of the issued equity certificates, and thus changed the stake and composition of the 10 largest owners.
- As of June 30th 2015, 4,768,674 equity certificates are issued. The equity certificate ratio is 13.5 percent.
- Profit per equity certificate (Group) constitutes NOK 10.30.

Summary 1st half 2015

Strategy concluded	Following a thorough process, the Board of Directors has adopted a new strategy for the bank. This underlines the ambition that Sparebanken Sør shall distinguish itself as a strong bank for the retail banking- and corporate market in the region.
Profit	A solid result for the quarter is positively influenced by improvement in net commission income, costs and loan losses.
Rating	During the second quarter Sparebanken Sør was assigned with a A1 rating from Moodys, confirming the banks solid financial position. All covered bonds issued by Sparebanken Sør Boligkreditt AS are rated Aaa.
Growth	Growth in deposits of NOK 2.4 billions or 5.1 percent and growth in total lending of NOK 4.3 billions or 5.5 percent.
Summary	Sound operations contributes to a pre-tax result of NOK 500 millions after the first half of 2015..

Future prospects

Macro	The growth in the Norwegian economy is moderate. Unemployment levels are increasing and the development in the oil industry could effect the growth rate in the region going forward.
Regulations	The Norwegian government issued in the second quarter a regulation on new mortgages, which aims to reduce the growth in house prices and household debts.
Equity certificate	It is expected that the successful divestment from Sparebankstiftelsen Sparebanken Sør of its stake in the bank will contribute to greater liquidity in the banks equity certificate.
Funding	An EMTN program has been established for the covered bond company Sparebanken Sør Boligkreditt AS, which will enable the bank to also obtain funding outside of Norway in the future.
Summary	New strategy concludes that Sparebanken Sør will contribute to further growth and development in the region. To fulfill this vision the bank will be leading, solid and independent with Agder and Telemark as its main market.



SPAREBANKEN SØR