

Sparebanken Sør

4th 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.

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 of more than 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 create further growth and development in the region.

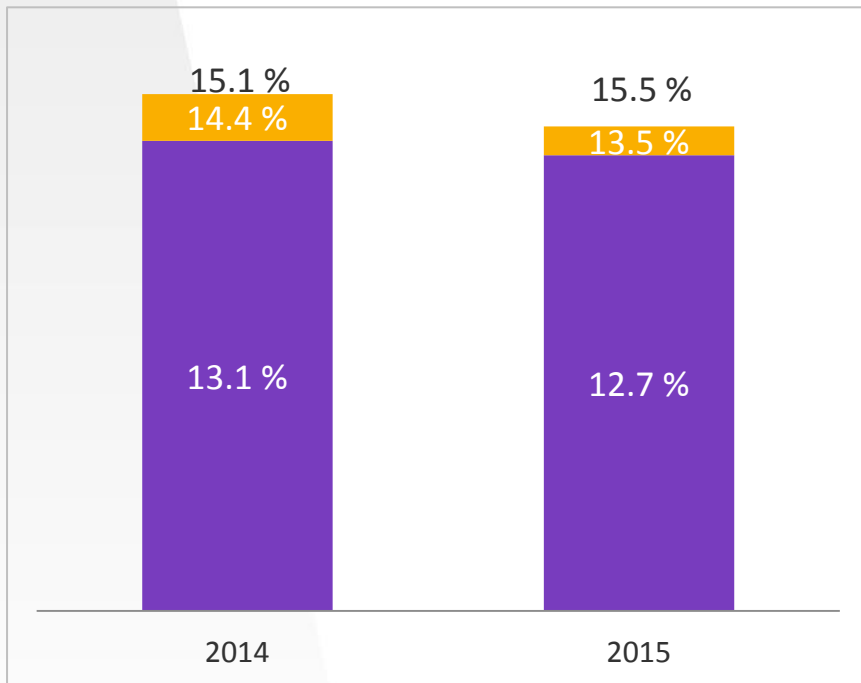
Key features 4th quarter 2015

- Positive trend in result from ordinary operations
- Increased net interest income through volume growth
- Increased net commission income
- Net income from financial instruments reduced due to write-down of liquidity portfolio
- Operating expenses in parent bank reduced by 3.7 per cent
- Low losses on loans
- Loan growth of 9.2 per cent, and deposit growth of 0.2 per cent
- Return on equity after tax of 8.4 per cent

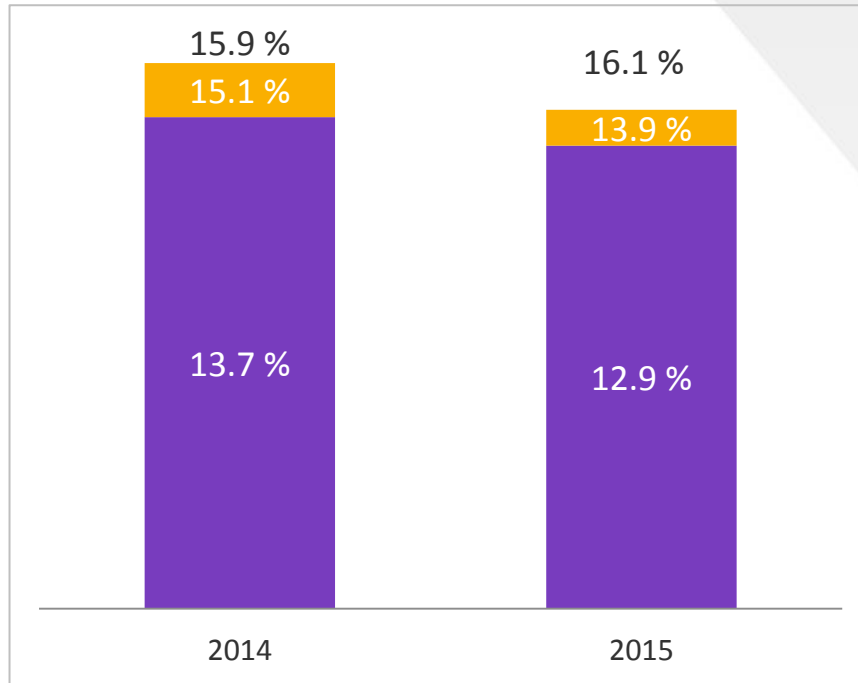
The Board of Directors proposes dividend of NOK 9,00 per equity certificate

Capital adequacy

Group



Parent bank



The Board of Directors proposes to conduct a rights issue of up to NOK 600 millions. The rights issue is guaranteed fully subscribed through a combination of an underwriting agreement and pre-subscriptions from certain larger existing holders of the equity certificates in the bank.

Income statement Sparebanken Sør

4th quarter pre-tax profit of NOK 855 millions.

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

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

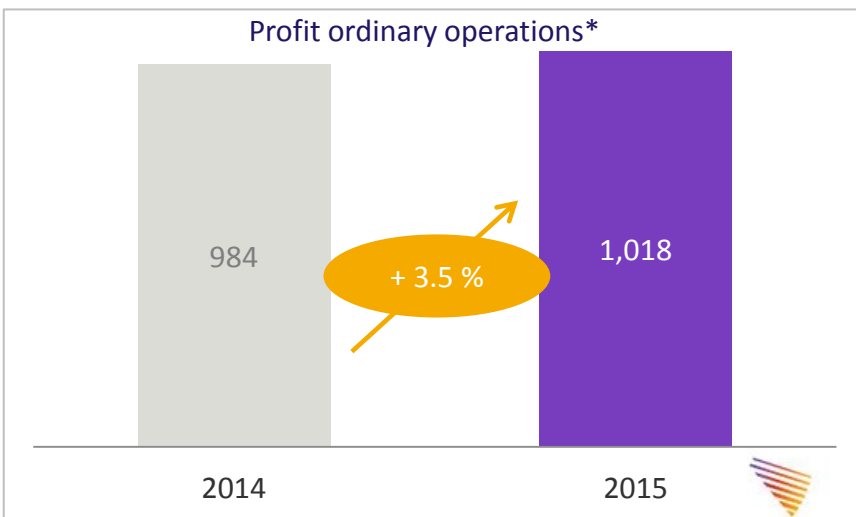
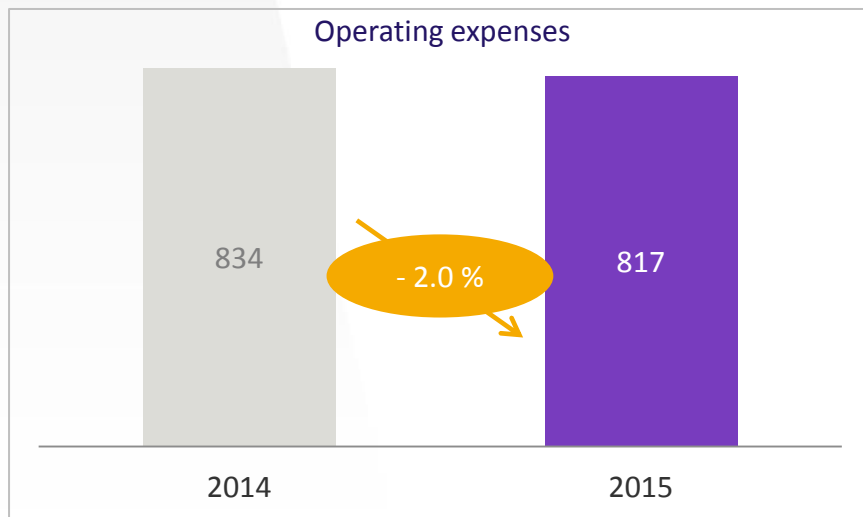
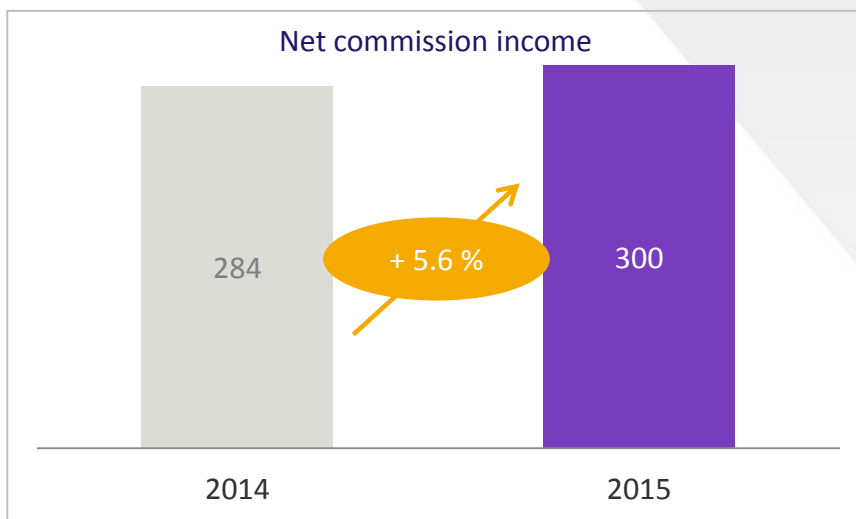
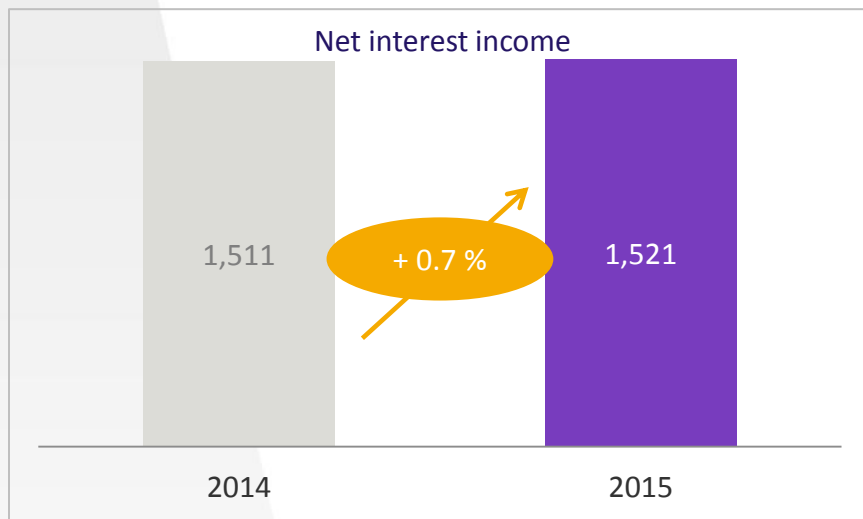
- Net interest income maintained at the same level as last year, and continued increase in net commission income.
- Cost reduction and low loan losses.

Results after the fourth quarter provide a post-tax RoE of 8.4 percent.

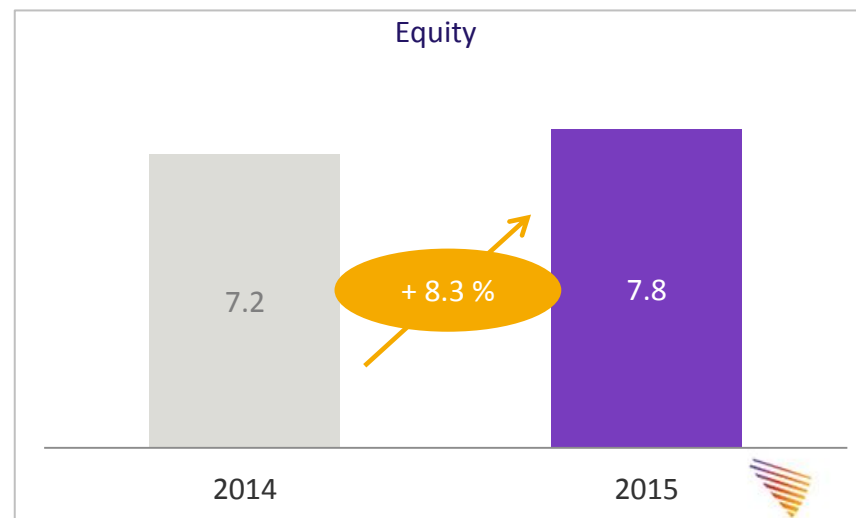
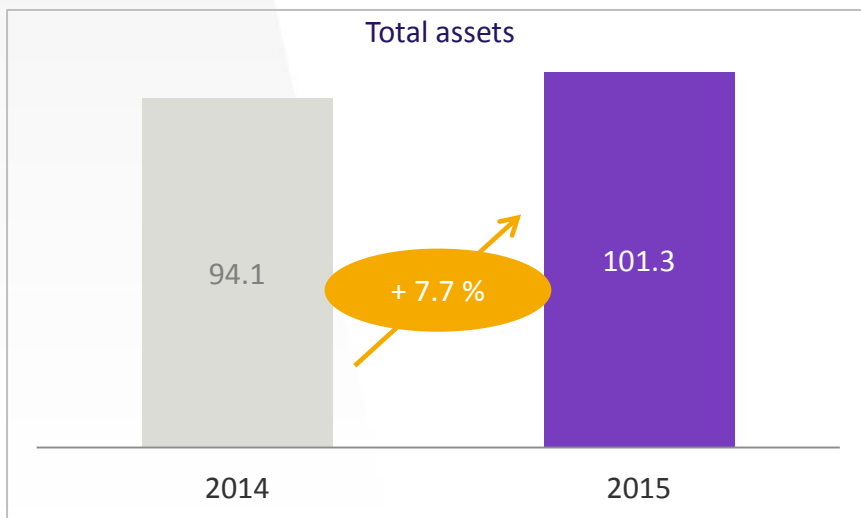
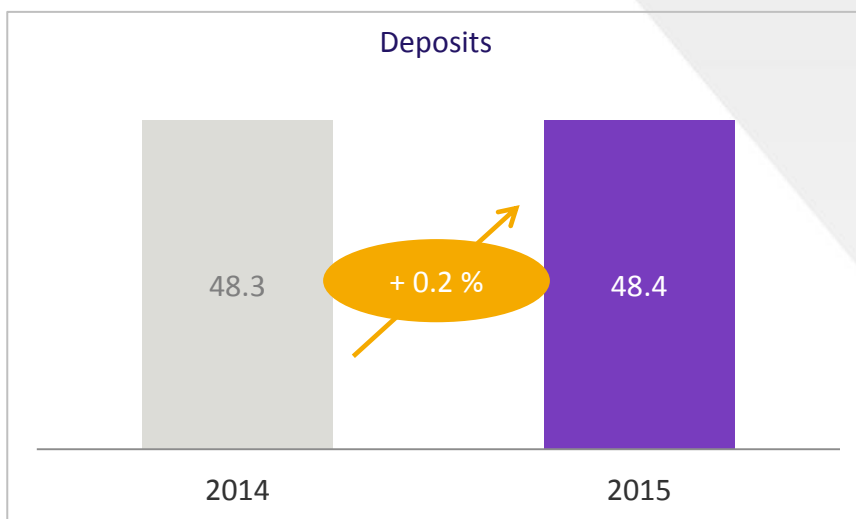
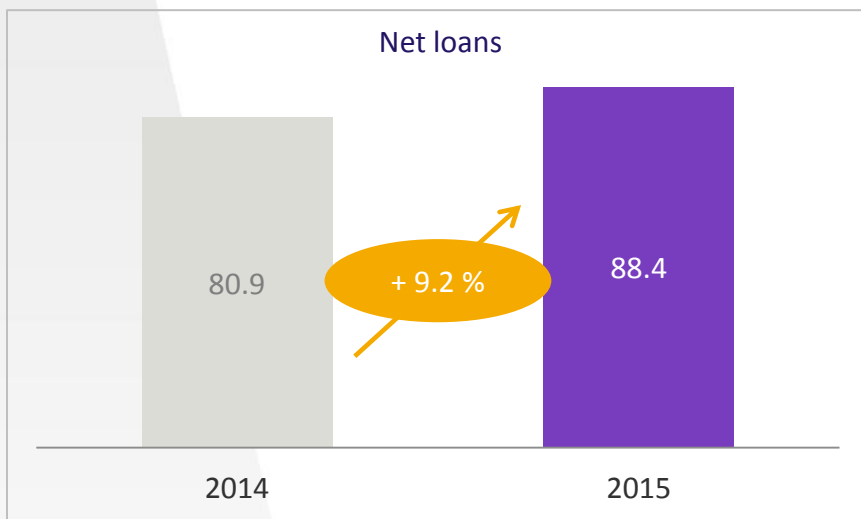
NOK millions	2015	2014
Net interest income	1,521	1,511
Net commission income	300	284
Net income from financial instruments	- 66	184
Other operating income	14	23
Total income	1,769	2,002
Total expenses	817	834
Profit before losses on loans	952	1,168
Losses on loans, guarantees	97	268
Profit before taxes	855	900
Tax expenses	231	215
Profit for the period	624	685



Profit and loss items

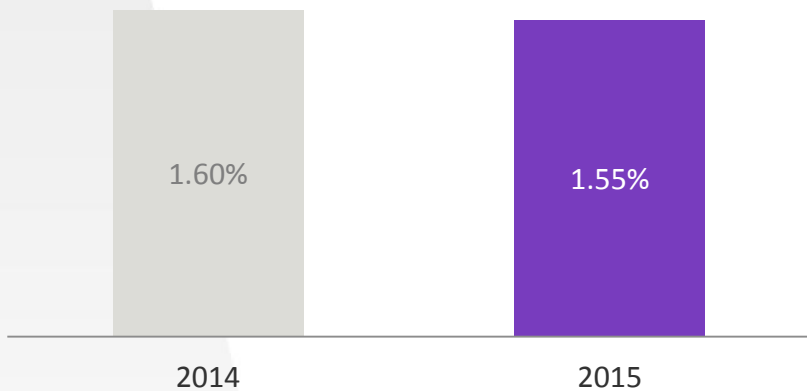


Balance sheet items

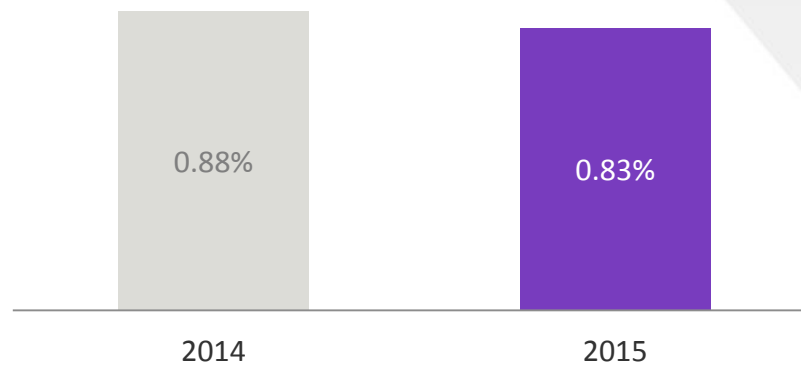


Key figures

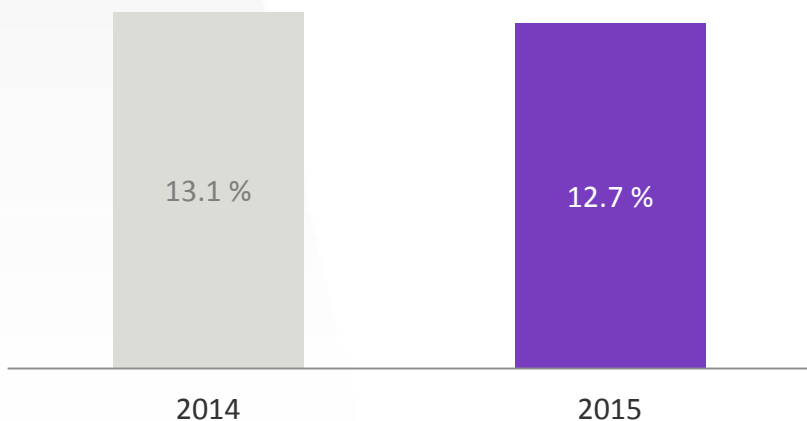
Net interest income as a percentage of average total assets



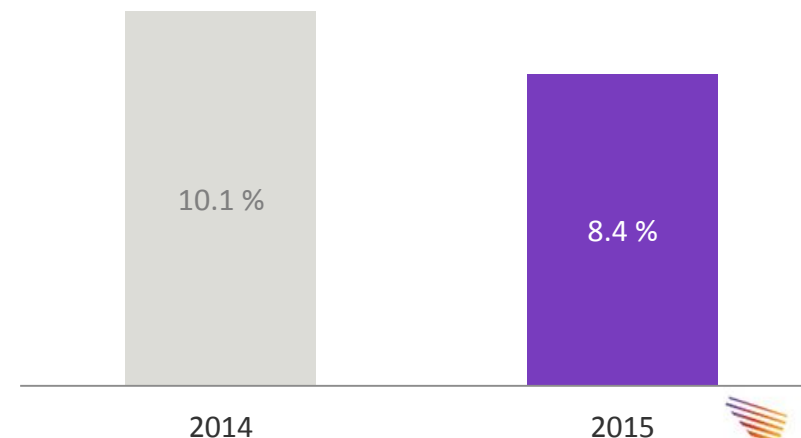
Total expenses as a percentage of average total assets



Core Equity Tier 1 capital ratio

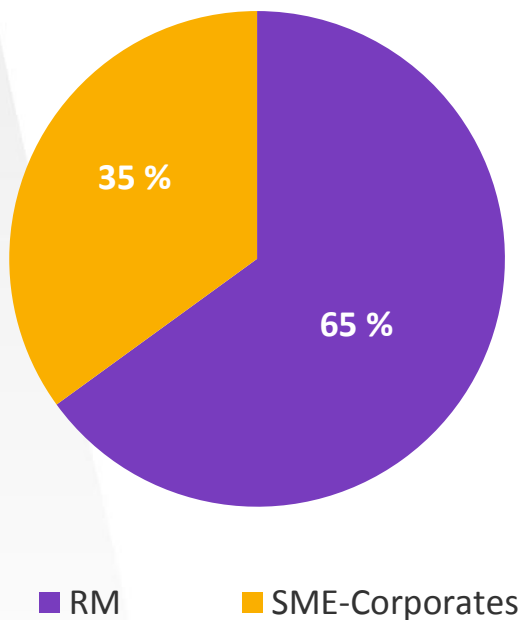


Post tax RoE

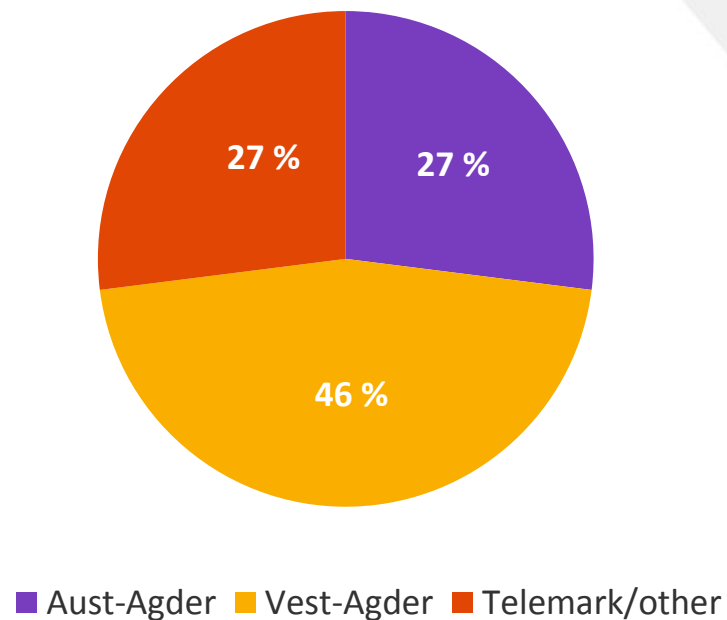


Diversified loan book

Distribution RM/SME-Corporates



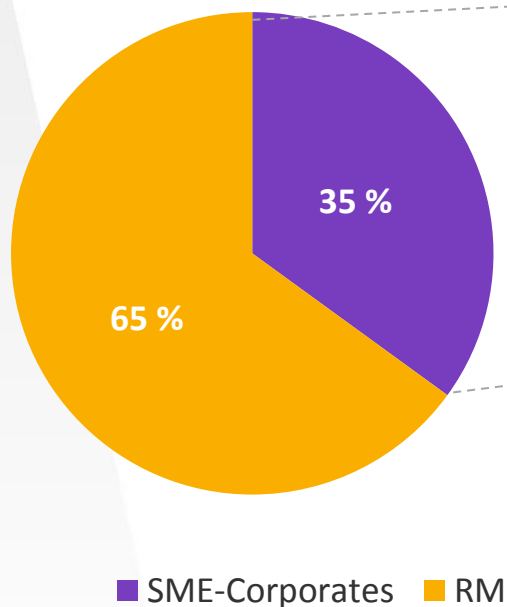
Distribution by geography



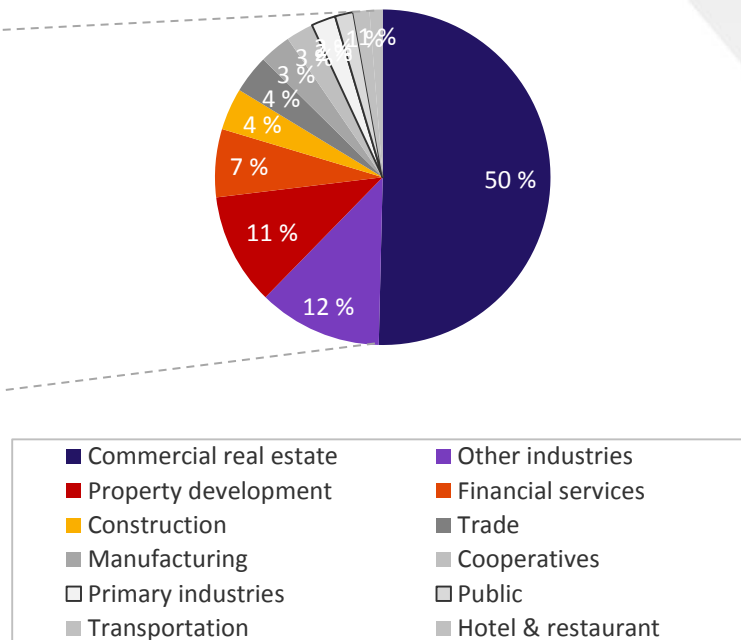
Substantial retail market share and wide geographic footprint secure a well diversified loan book

Loan portfolio distribution

Distribution RM/SME-Corporates



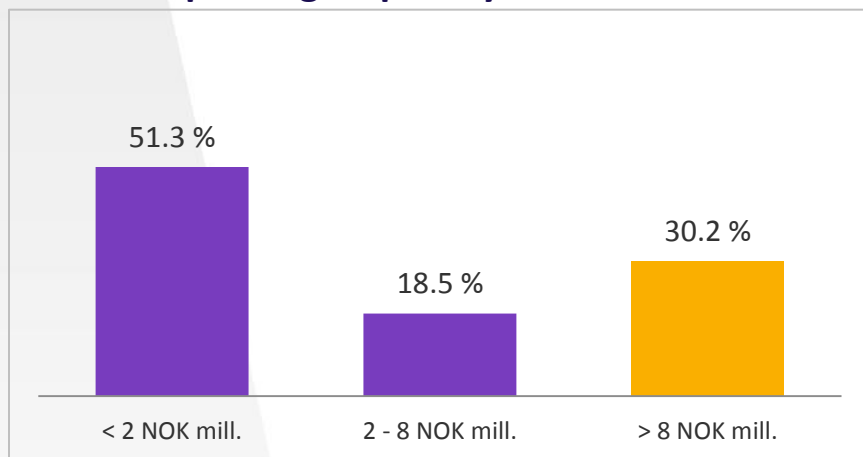
Distribution SME-Corporates market



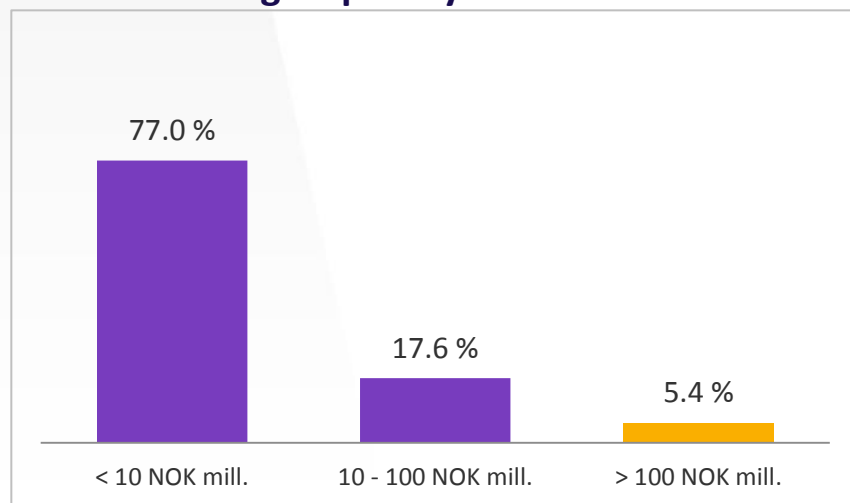
A well-diversified portfolio which reflects the business activity in the region, with one important exception: The bank has only marginal direct exposure to the oil- and oil service industry.

Breakdown of deposits and loans

Deposits grouped by individual size



Loans grouped by individual size

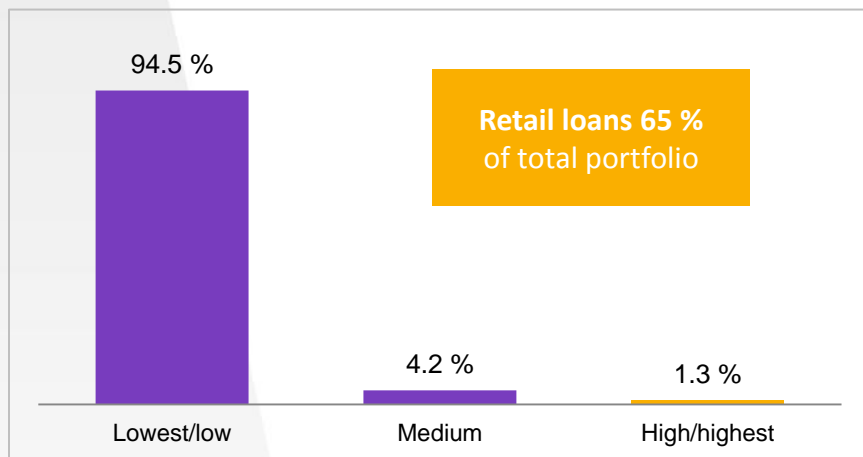


- Deposits with balance below 2 NOK mill. constitute 51.3 % of total deposits
- Deposits with balance between 2 and 8 NOK mill. constitute 18.5 %
- Deposits with balance above 8 NOK mill. constitute 30.2 % of total deposits

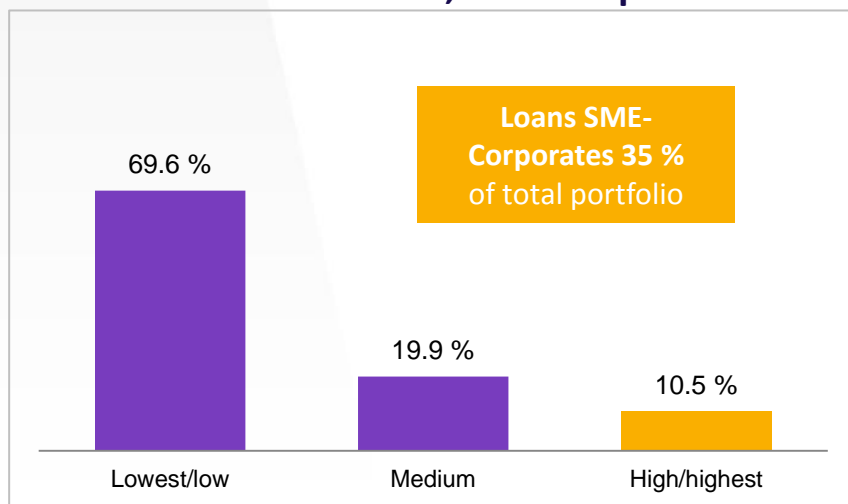
- Loans with balance below 10 NOK mill. constitute 77.0 % of total loans
- Loans with balance between 10 and 100 NOK mill. constitute 17.6 %
- Loans with balance above 100 NOK mill. constitute 5.4 % of total loans

Risk profile

Distribution of risk, retail



Distribution of risk, SME-Corporates



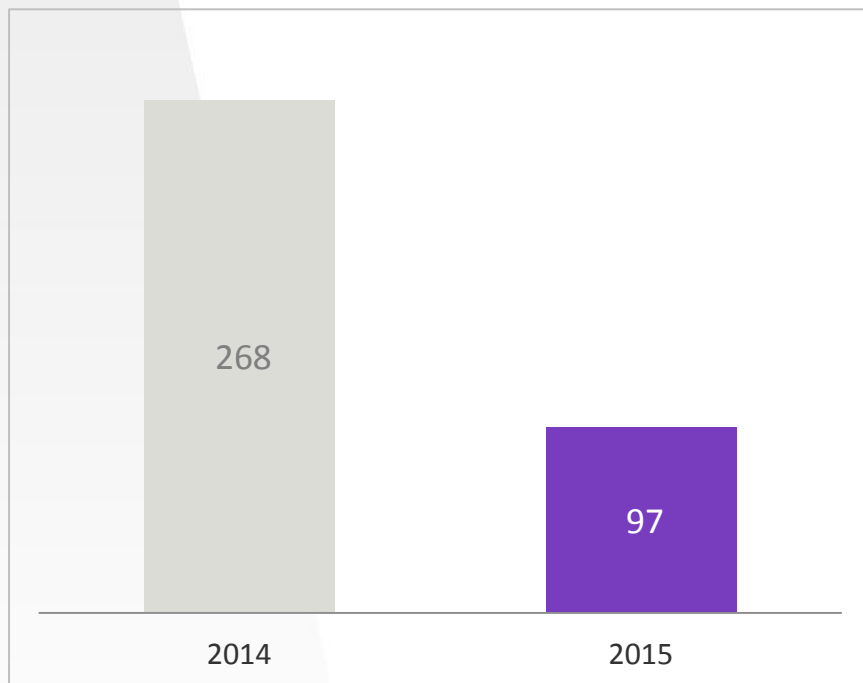
Risk class	Low limit	High limit
A	0.00	0.10
B	0.10	0.25
C	0.25	0.50
D	0.50	0.75
E	0.75	1.25
F	1.25	2.00
G	2.00	3.00
H	3.00	5.00
I	5.00	8.00
J	8.00	99.99
K	100	

Table risk class

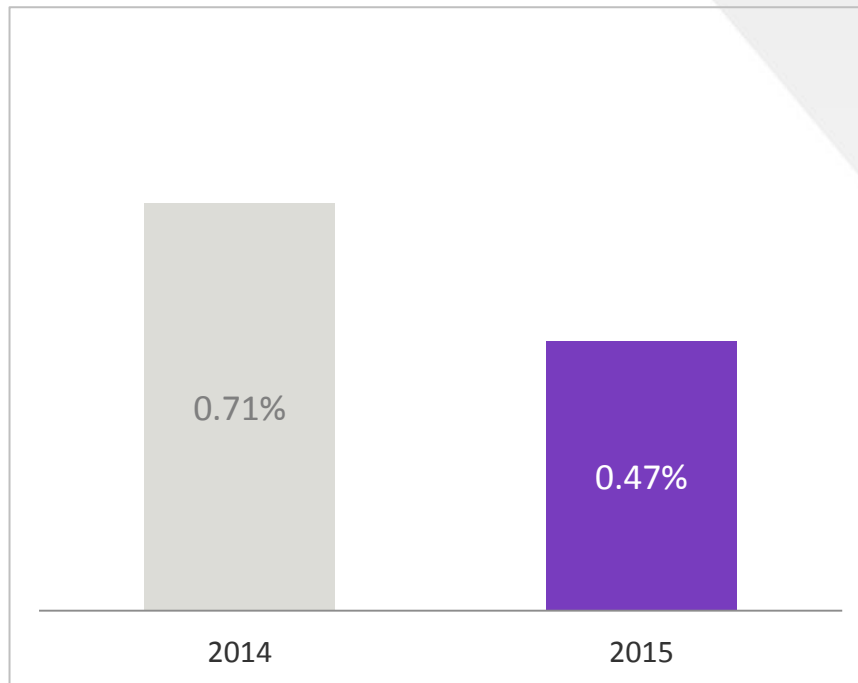


Development in losses on loans and defaulted loans

Development in loan losses



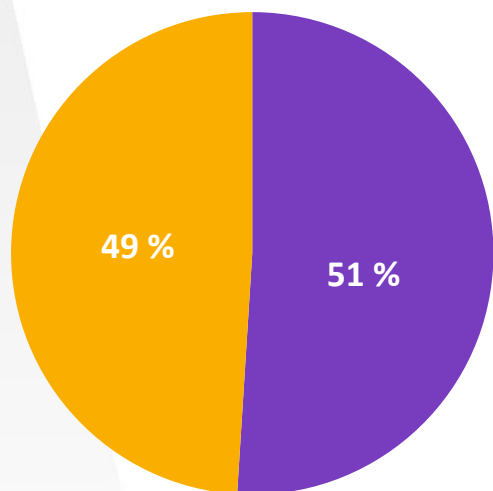
Gross defaults > 90 days in % of gross loans



Significant reduction in losses on loans and positive development in defaulted loans. Loan loss provisions further strengthened, and constitute a solid 0.82 % by end of 2015.

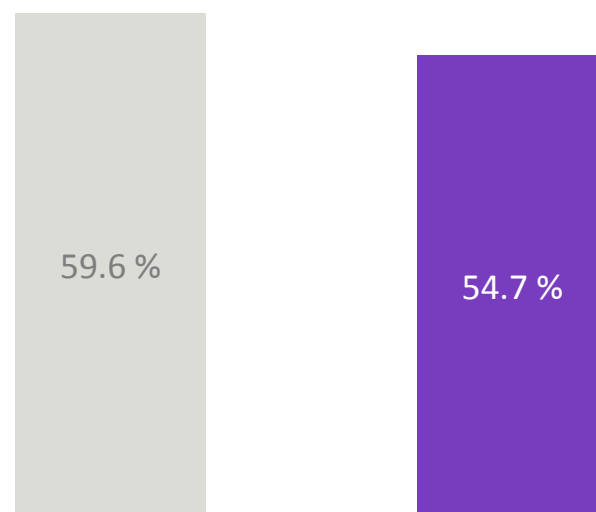
Deposits

Distribution RM/SME-Corporates



■ SME-Corporates ■ RM

Ratio of deposits to net loans



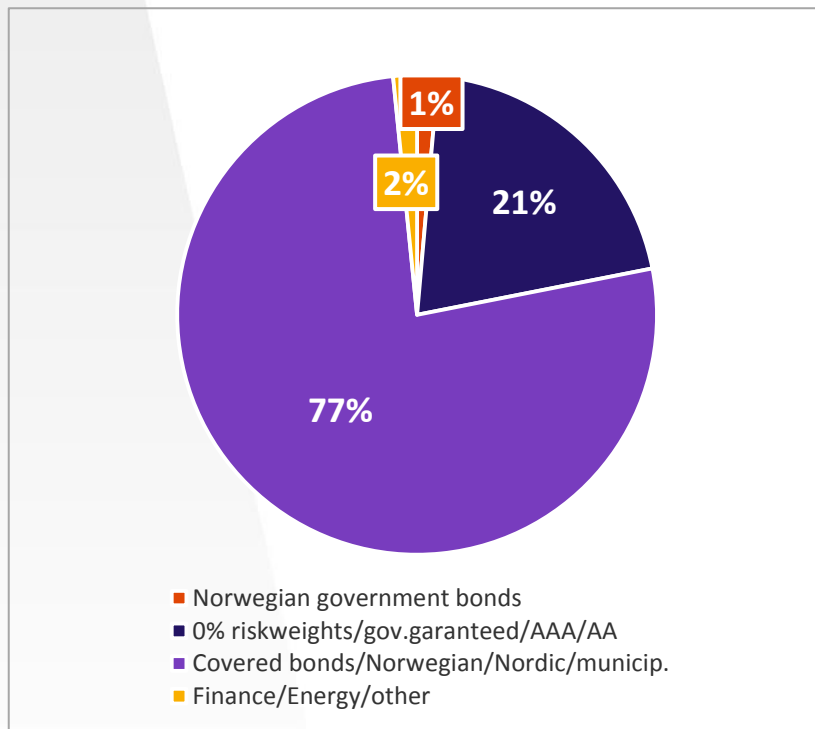
2014

2015

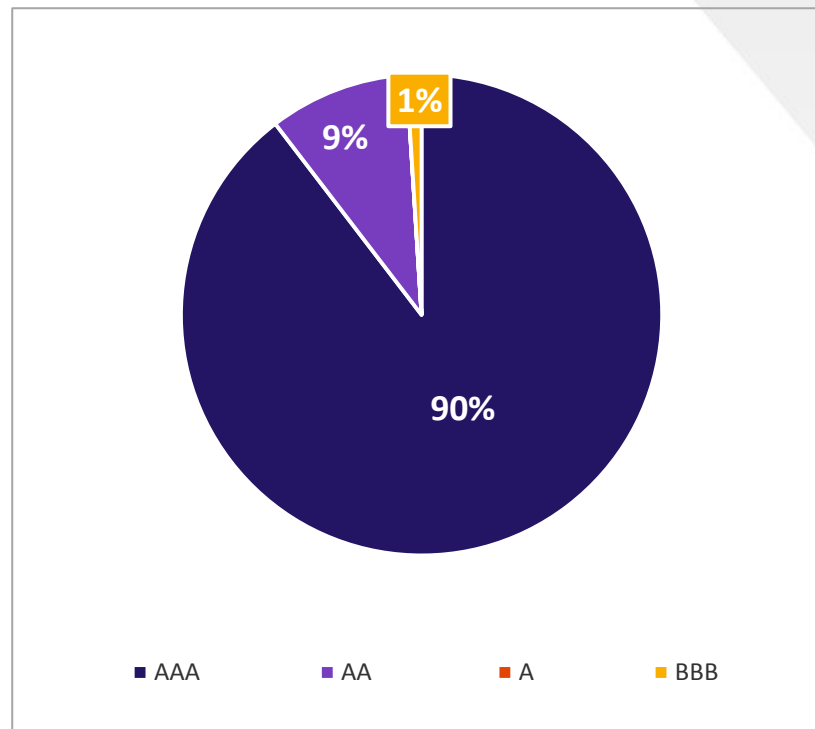
Reduced deposit to net loan ratio in 2015 due to price measures implemented to increase net interest income. Retail deposits increased by NOK 600 mill. (2.7%) – SME deposits decreased by NOK 500 mill. (-2.1%)

Certificates and bonds

Liquidity portfolio

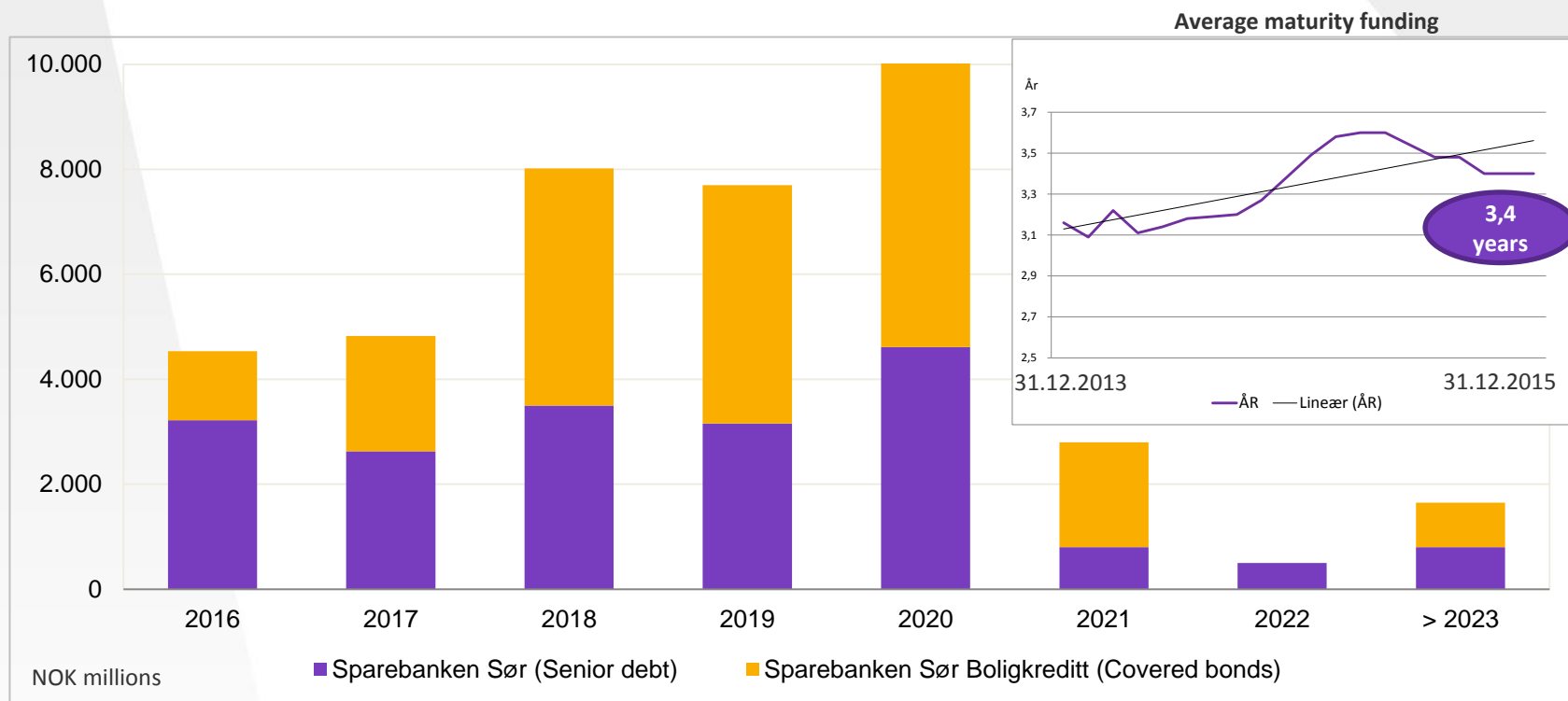


Rating



- Total liquidity portfolio of NOK 10.6 billion
- 100 per cent investment grade and 100 per cent liquid instruments
- Liquidity indicator at 106 per cent and LCR at 108 per cent.

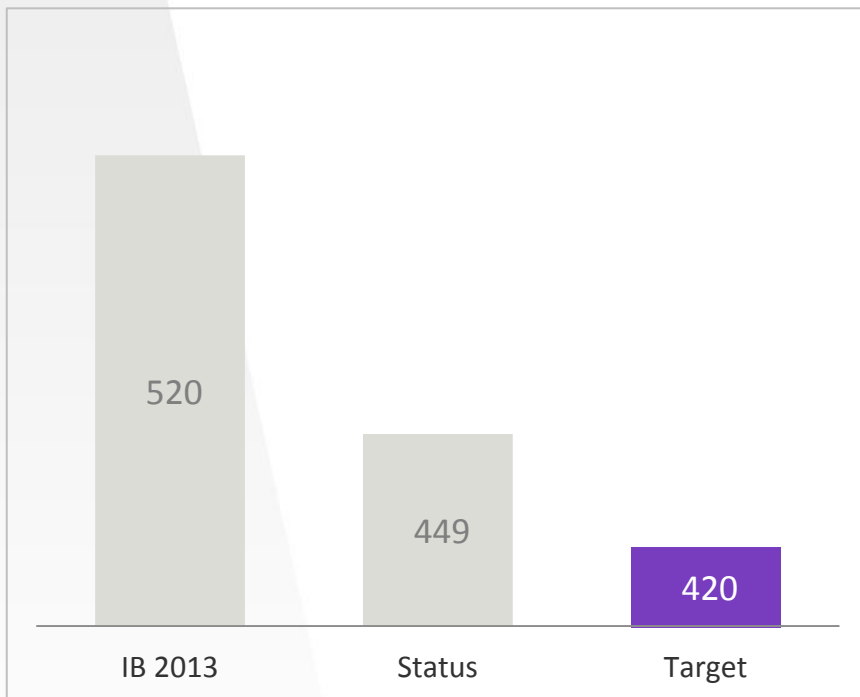
Funding



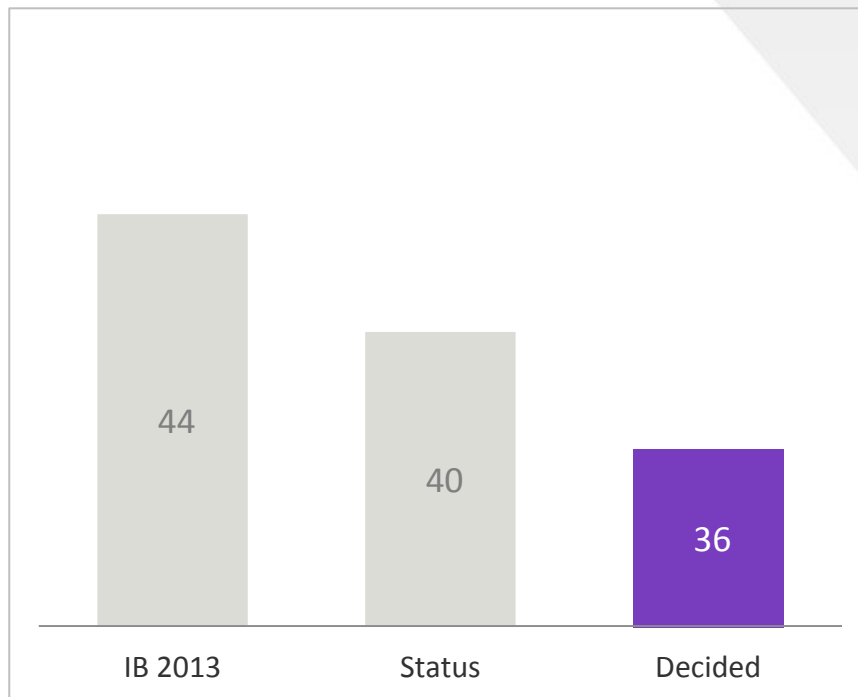
- Total funding of NOK 41.1 billion, with NOK 21.9 billion issued as covered bonds.
- International uncertainty effects liquidity and price volatility in the Norwegian bond market.
- Well diversified maturity structure, which reduces liquidity risk.
- Funding with maturities > 12 months constitutes 89.0 percent.

Synergies from the merger

Number of FTEs in the bank



Number of branches



Significant potential already realized, and further ambitions part of ongoing operations.

Equity certificate owners

20 largest EC owners as of December 31th 2015

	Name	Number of EC	Share of EC		Name	Number of EC	Share of EC
1	Sparebankstiftelsen Spb. Sør	2,432,024	51.00 %	11	Wenaasgruppen AS	53,760	1.13 %
2	HOLTA INVEST AS	134,410	2.82 %	12	NorgesInvestor Proto AS	48,604	1.02 %
3	Arendal Kommunale Pensjonskasse	130,000	2.73 %	13	Bergen Kom. Pensjonskasse	46,880	0.98 %
4	Verdipapirfondet EIKA	126,223	2.65 %	14	Allumgården	45,179	0.95 %
5	Pareto AS	124,150	2.60 %	15	Sparebanken Vest Aksjer	45,000	0.94 %
6	GLASTAD INVEST AS	100,000	2.10 %	16	Gumpen Bileiendom AS	40,730	0.85 %
7	SEB London Branch AIF Irish clients	80,650	1.69 %	17	Brøvig Holding AS	34,800	0.73 %
8	Sparebankstiftelsen DnB	62,300	1.31 %	18	Varodd AS	32,800	0.69 %
9	MP Pensjon PK	56,900	1.19 %	19	Sparebanken Sør	31,600	0.66 %
10	Gustav Pedersen AS	53,760	1.13 %	20	Wenaas Kapital AS	26,880	0.56 %
	10 largest owners	3,300,417	69.22 %		20 largest owners	3,706,650	77.73 %

- As of December 31th 2015, 4,768,674 equity certificates are issued. The equity certificate ratio is 13.5 %.
- Profit per equity certificate (Group) constitutes NOK 17.60.
- Board proposes dividend of NOK 9,00 per equity certificate.

Summary 4th quarter 2015

Result	Improved earnings from positive growth, increased net interest income and commission income and reduced costs and losses on loans.
Financial income	Due to turbulence in the financial markets, the credit spreads have increased through the 3 rd and 4 th quarter, which have resulted in an unrealized negative value change in the bank's liquidity portfolio.
Capital adequacy	The bank's financial strength is considered to be satisfactory in light of current regulatory requirements. At the end of 2015 the core tier 1 ratio was 12.7 per cent and the (total) capital ratio was 15.5 per cent.
Growth	The bank experience competitive conditions and the influx of new low risk loans has been good. Lending growth constitutes NOK 7,5 billions or 9.2 per cent, and deposit growth NOK 0,1 billions or 0.2 per cent for 2015.
Summary	Sound operations contribute to a pre-tax result of NOK 855 millions at year end 2015.

Future prospects

Macro	The growth in the Norwegian economy is moderate. Unemployment levels are increasing and the development in the oil industry will effect the growth rate going forward.
The region	Sparebanken Sør has only marginal direct exposure to the oil and oil service industry, but as the largest bank in the region it will be affected by the general economic development in the region.
Capital requirements	The bank will strengthen its core tier 1 equity ratio through improved results from ordinary operations, reduced growth in risk weighted assets and a guaranteed fully subscribed rights issue of up to NOK 600 millions.
Funding and liquidity	International uncertainty effects liquidity and price volatility in the Norwegian bond market. The bank has facilitated to obtain long term funding outside of Norway through an EMTN program.
Summary	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.



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