

sparebanken

SØR



Growth

Net interest

Commission income

Reduced costs

Increased losses and doubtful

RESULTS

Q2 and 1H 2013



1825

Sparebanken Sør has its origin from 1825, when Arendal Sparebank was set up as one of the first six banks in Norway.

1984

Sparebanken Sør was established in 1984 after a merger between Aust-Agder Sparebank, 2 other savings banks in Aust-Agder and 9 from Vest-Agder.

Aust Agder

- 108.000 inhabitants
- 9.212 square km
- 12 branches



2013

Sparebanken Sør is an independent savings bank with total assets BNOK 47.1 and 319.4 man-years as at 30. June 2013.

1973

In 1973 the bank merged with 4 other savings banks in Aust-Agder, and formed Aust-Agder Sparebank.

Vest Agder

- 172.000 inhabitants
- 7.276 square km
- 11 branches



Going forward ->

We have supported businesses and people in the region to realize their dreams for more than 180 years, and have thus influenced the local history...

Telemark

- 169.000 inhabitants
- 15.299 square km
- 7 branches



2007

In 2007 we opened a branch in Bø and 8. October 2008 our first branch in Grenland. In autumn 2012, the bank opened its branch in Skien.

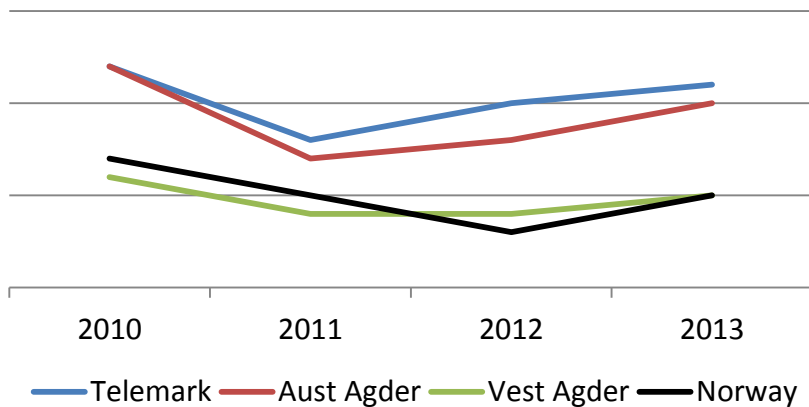
As an independent savings bank close to customers and with local decision-making, we will continue to be the most important and best bank for the counties of Agder and Telemark.

- Solid growth on loans and deposits
- Further strengthened net interest and improved lending margins
- Underlying growth in commission income
- Cost efficiency gives results

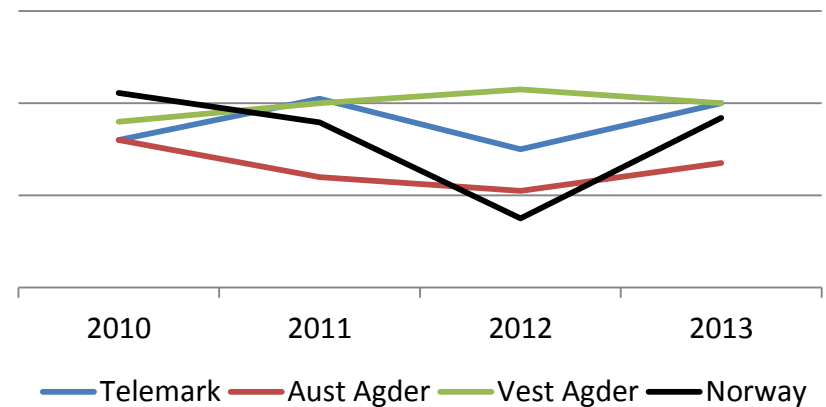
Status – The merger with Sparebanken Pluss

On plan	A hectic spring has passed with progression as planned.
Resolution	Unanimous decisions on both banks Board of Trustees before summer.
The Competition Authority	The merger is approved by The Competition Authority.
FSA	Expectations of approval from FSA in August/September.
Merger	Still expectations of implementation from 1.January 2014.

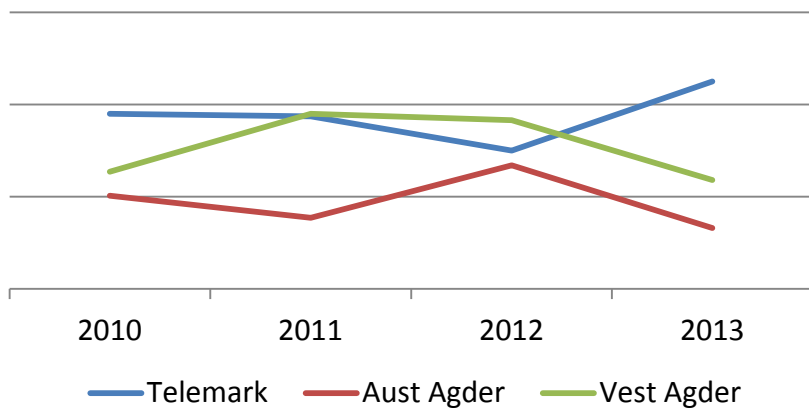
Unemployment



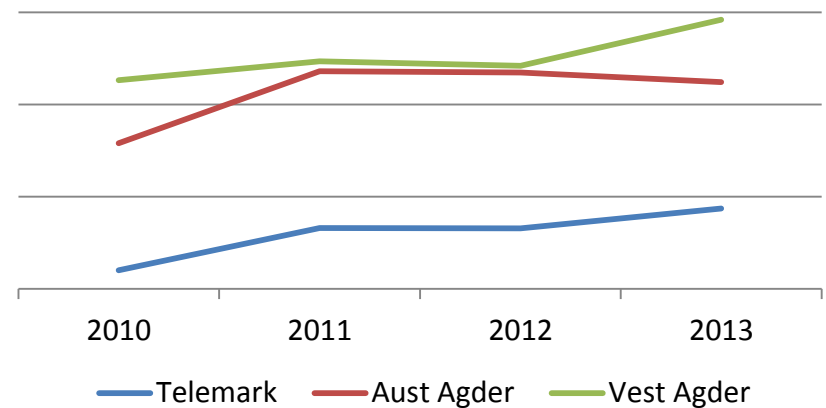
Bankruptcies



House sales



Sq. meter price (detached houses)



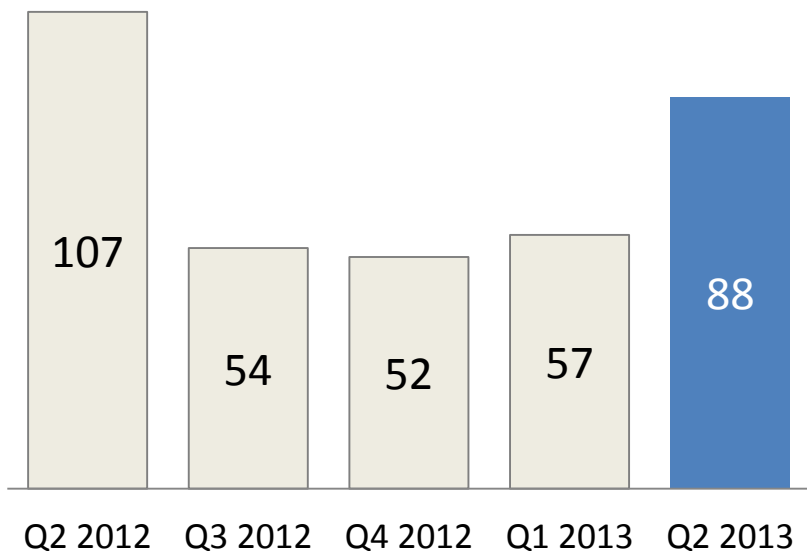
Key figures - Group

Profit and loss	Q2 2013	Q2 2012	1H 2013	1H 2012	2012
Net interest and credit commission income	196	167	380	323	705
Net commission income	42	45	76	82	175
Other income	6	2	5	27	70
Operating costs	126	125	250	246	513
Losses on loans, guarantees	31	12	37	23	61
Result ordinary operations	87	77	174	163	376
Valuation of debt	1	30	- 29	- 17	-125
Pre-tax profit	88	107	145	146	251

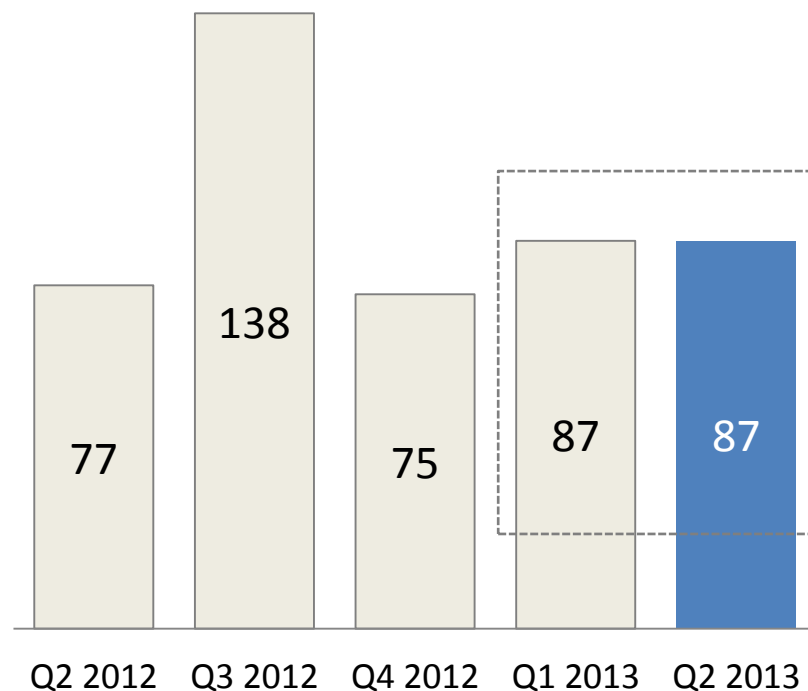
Balance Sheet			1H 2013	1H 2012	2012
Net loans			38.208	35.406	36.850
Deposits			21.923	20.303	20.999
Total assets			47.088	42.717	44.456

Stable profit from underlying operations

Pre-tax profit

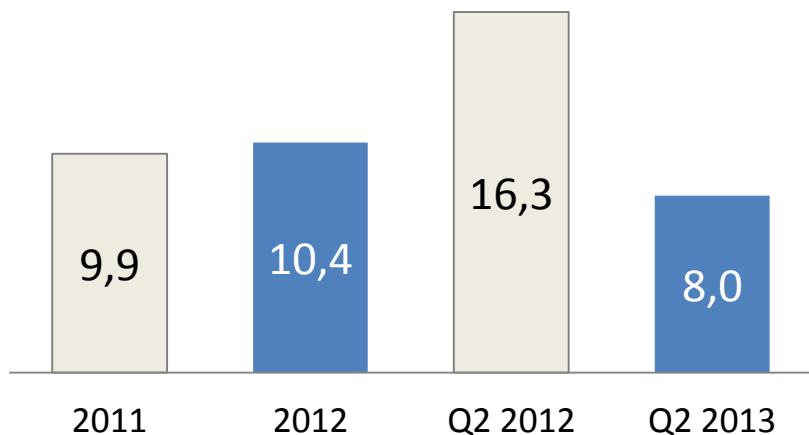


Adjusted for valuation of debt

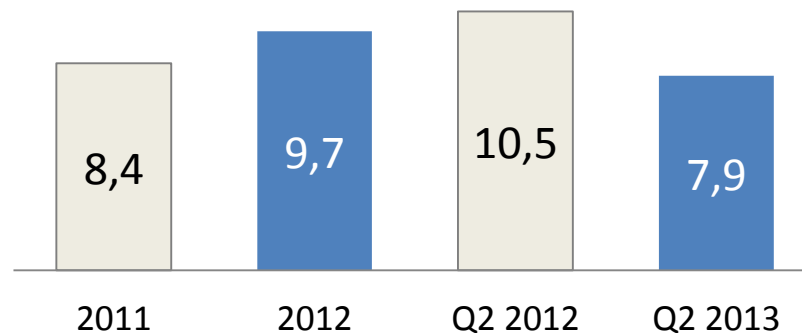


Valuation of debt affects positively in Q2, and stable underlying operations. Result adjusted for valuation of debt constitutes 87 MNOK in Q2 2013.

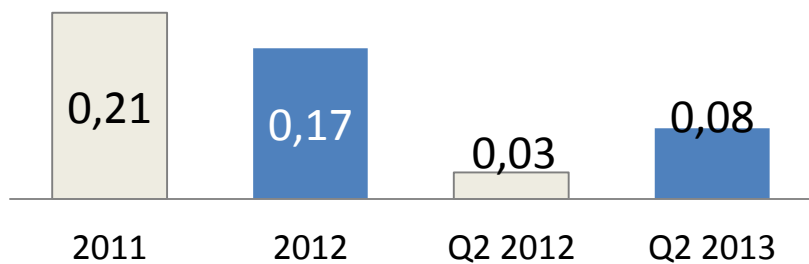
Deposit growth



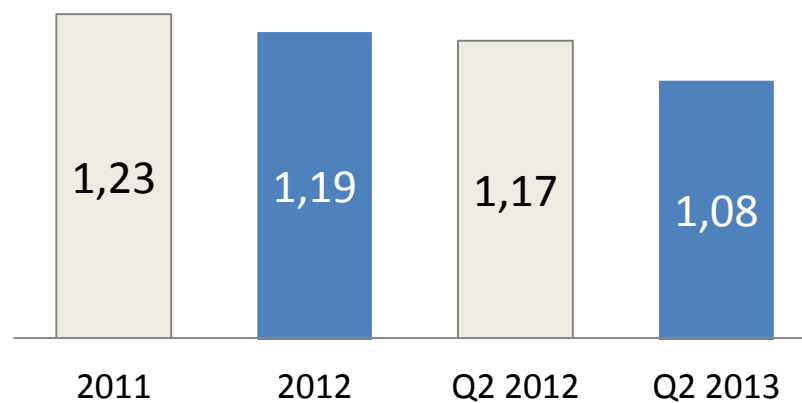
Lending growth



Losses as % of net loans



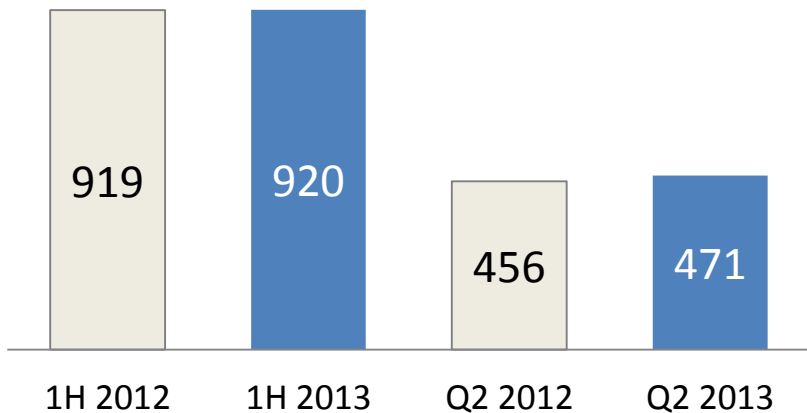
Cost ratio



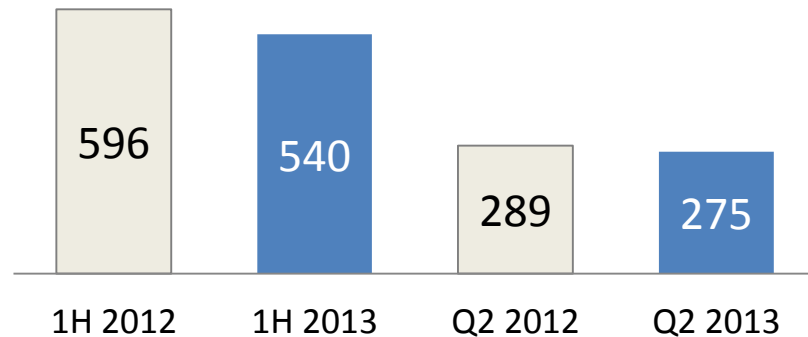
* Costs annualized as % of average total assets

Profit and loss

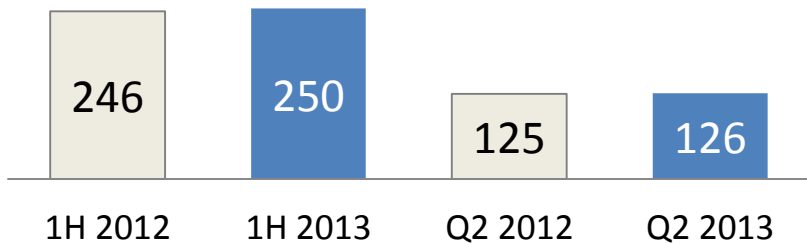
Interest income



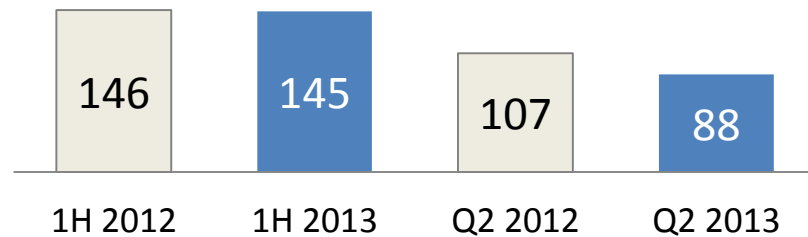
Interest costs



Operating costs

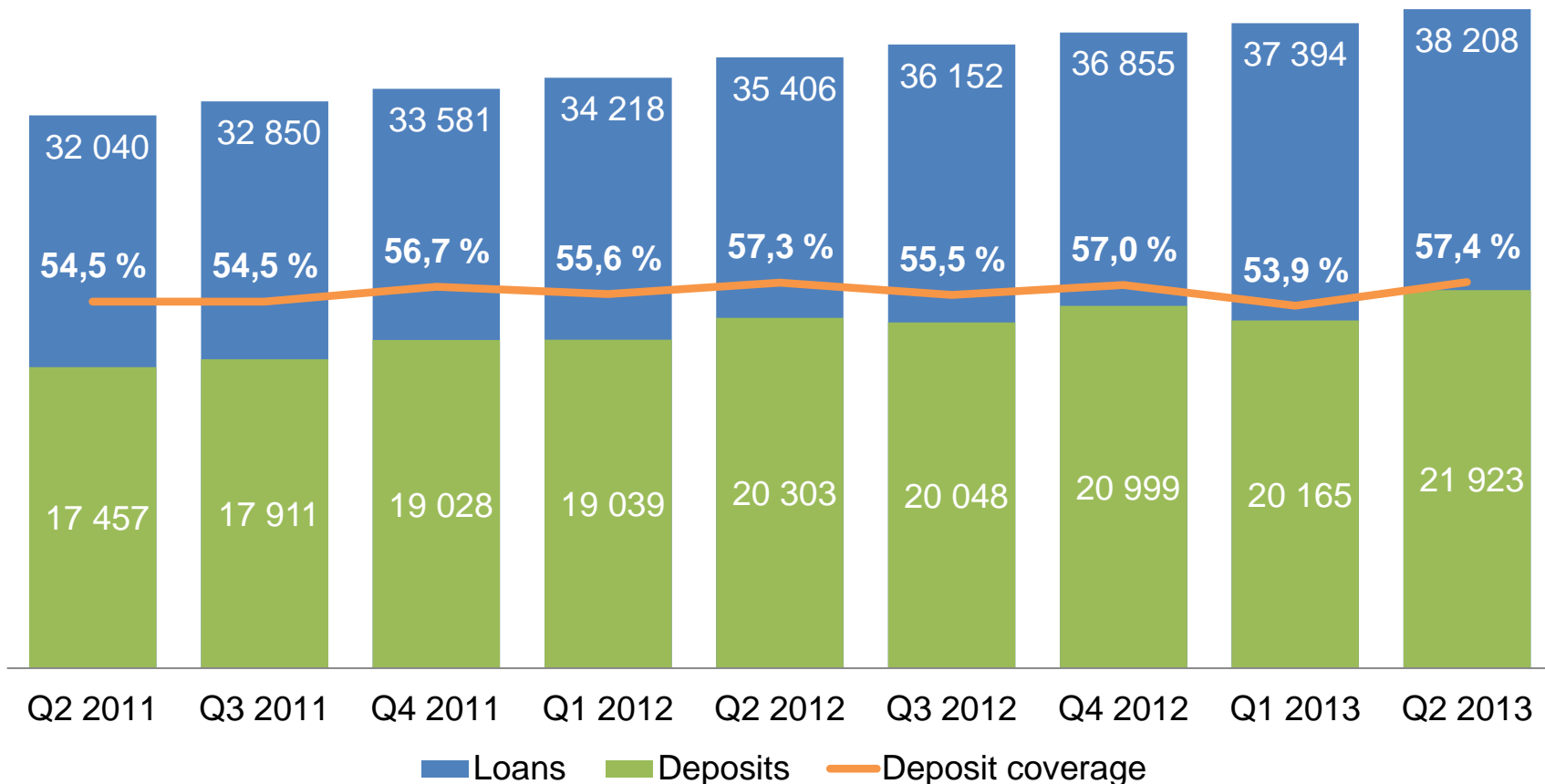


Pre-tax profit



Development deposits - loans

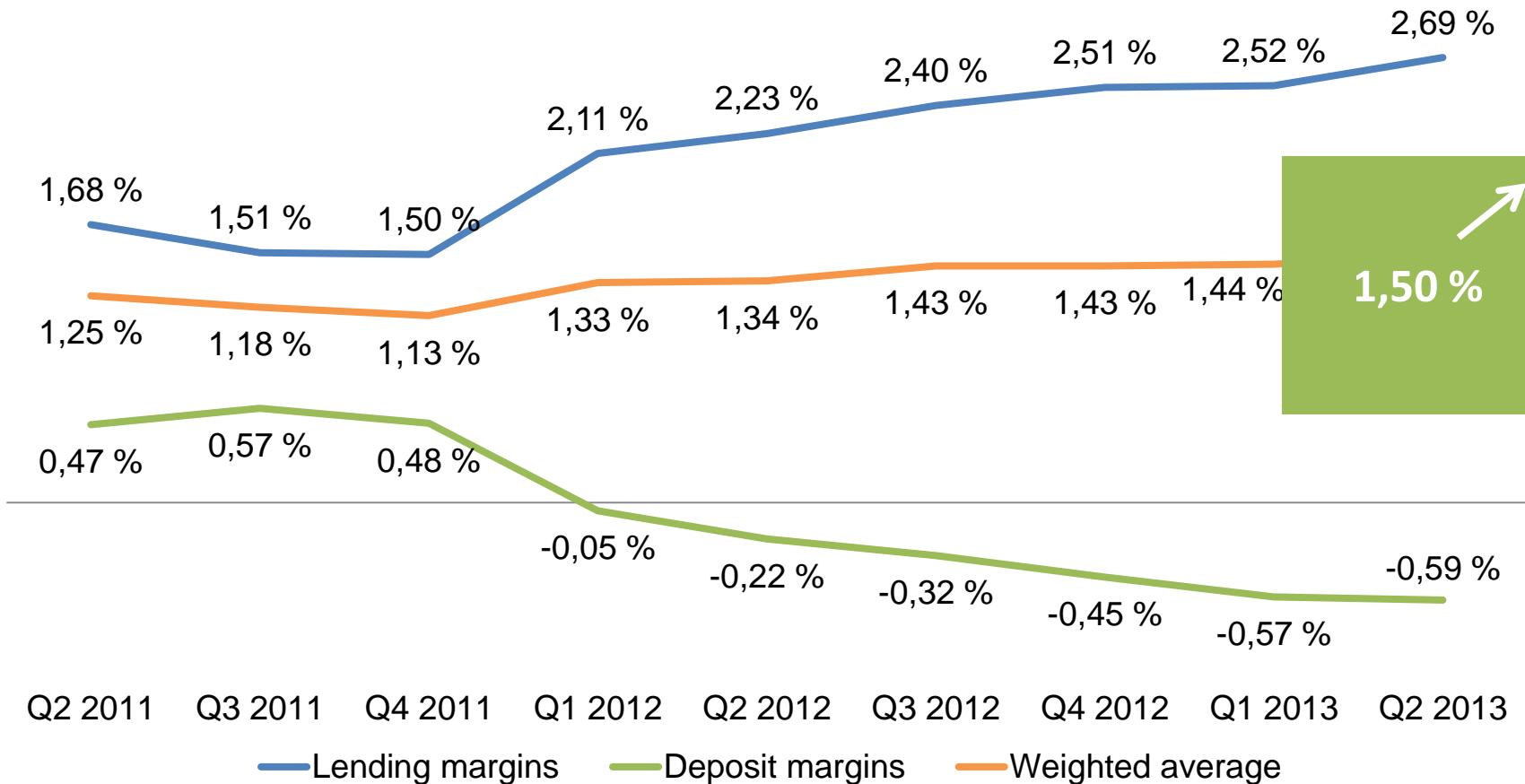
Increased deposit coverage in Q2



* Deposit coverage as % of net loans

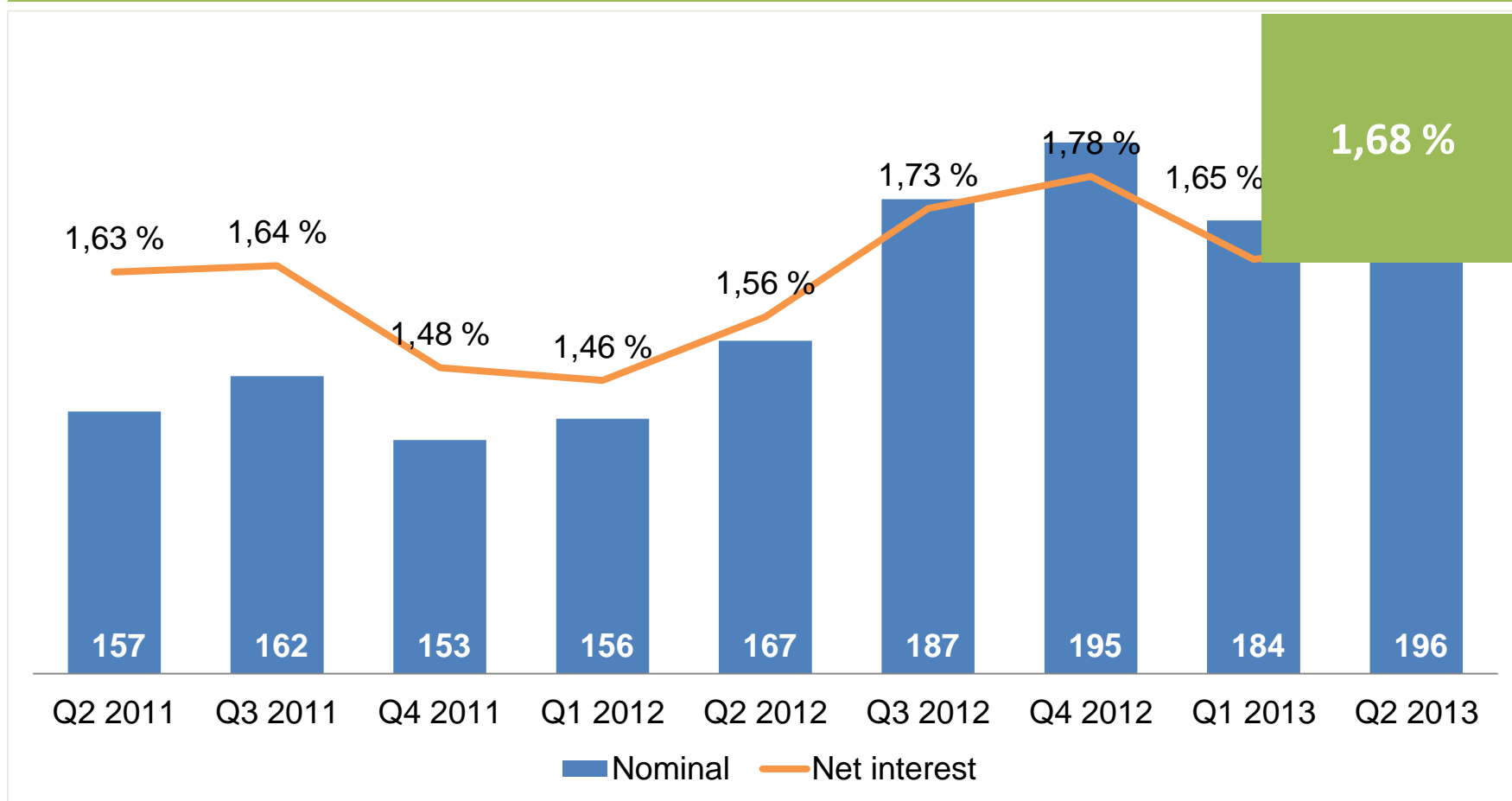
Lending and deposit margins

Increased lending margins, but still lower deposit margins



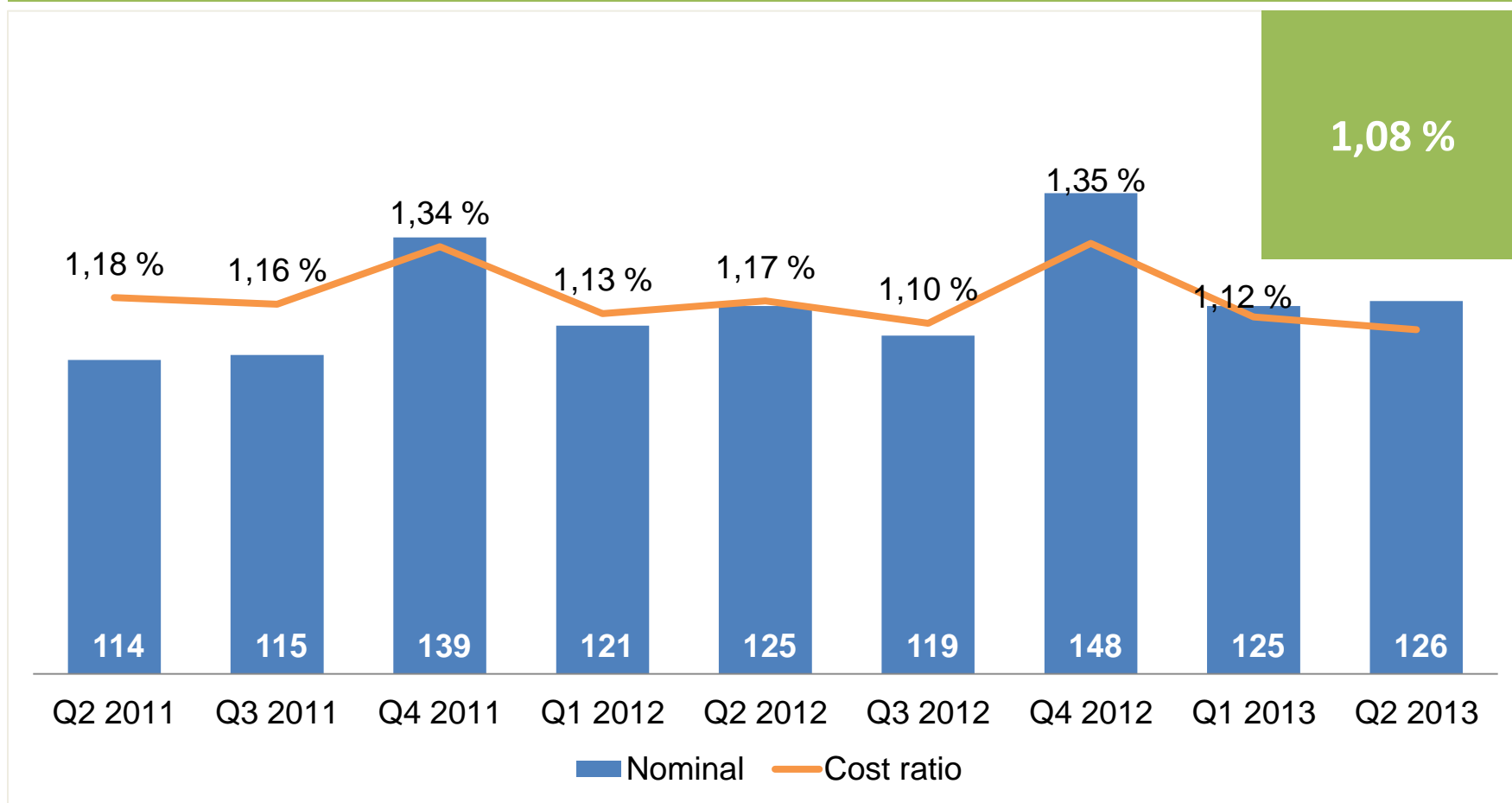
* Margin relative to 3 months NIBOR

Beginning to see the effects of interest rate adjustments in May



* Quarterly net interest annualized as % of average total assets

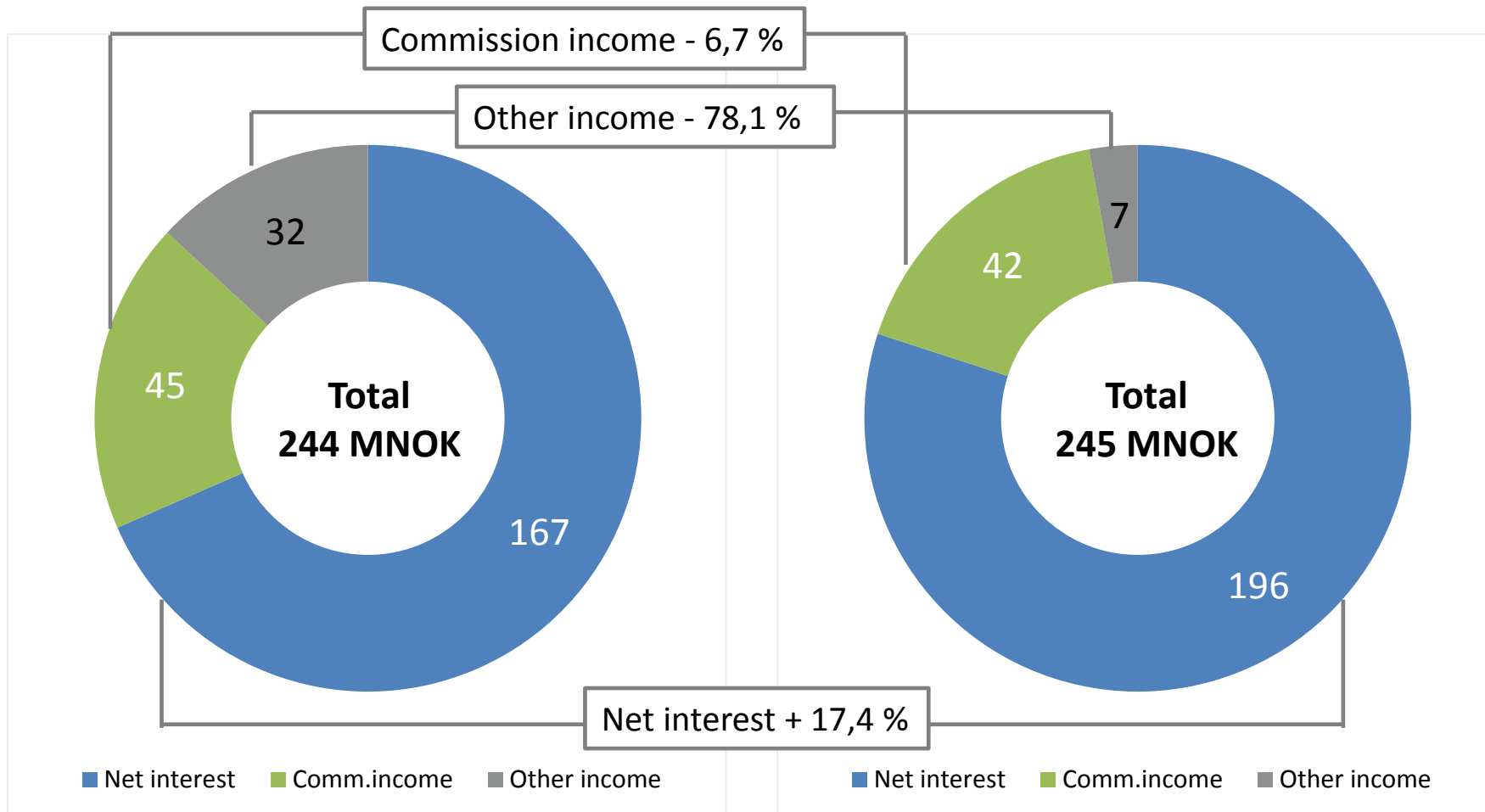
Efforts to reduce costs continues



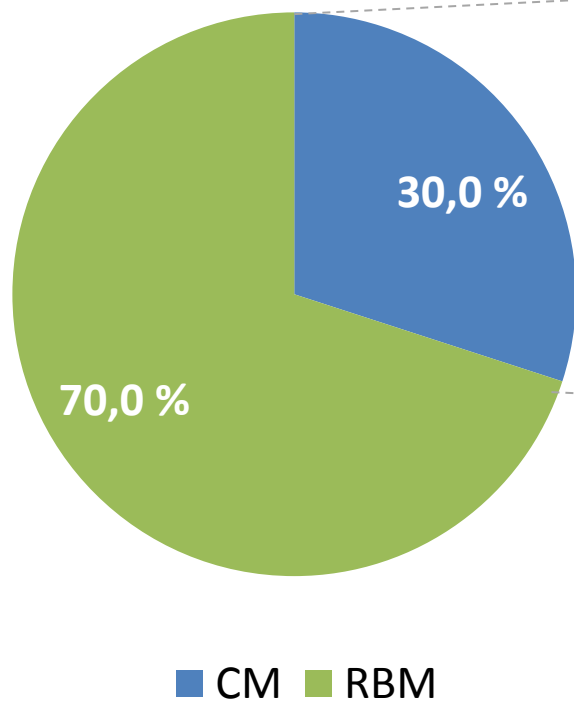
* Quarterly costs annualized as % of average total assets

Q2 2012

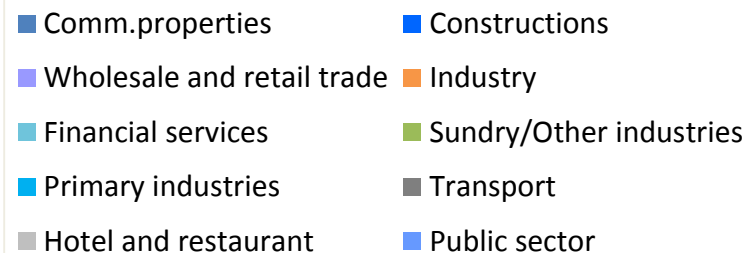
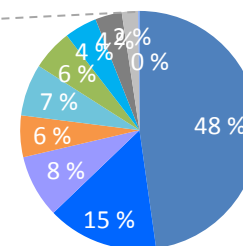
Q2 2013



Distribution RBM/CM

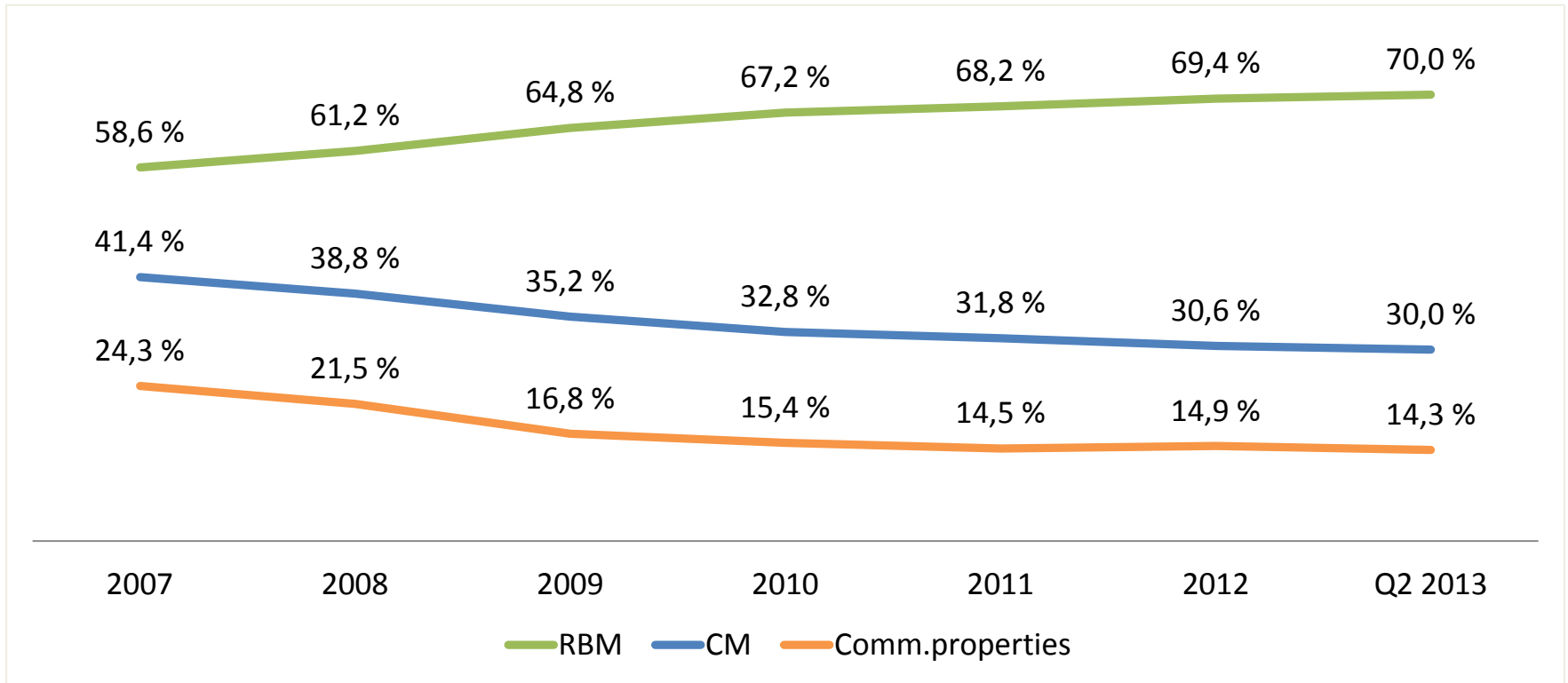


Distribution Corporate Market



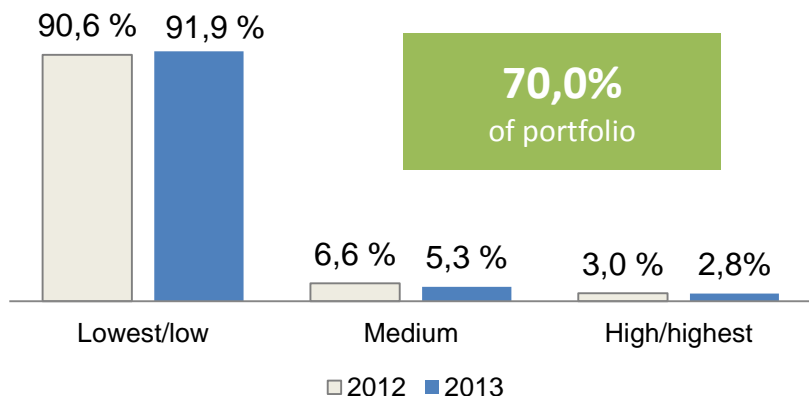
Well-diversified portfolio that reflects the business activity in the region.
Reduced exposure to Commercial properties and Constructions.

Lending distribution – development

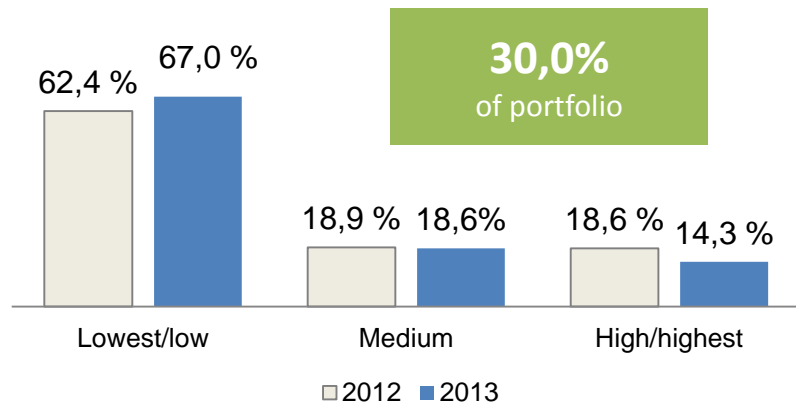


Altered ratio between RBM and CM have reduced the risk in the portfolio

Portfolio according to risk groups RBM

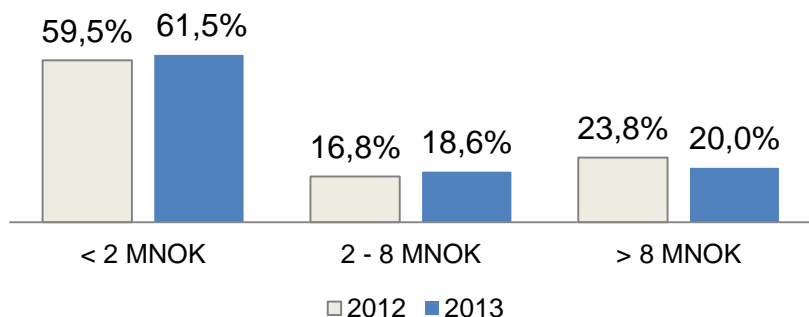


Portfolio according to risk groups CM

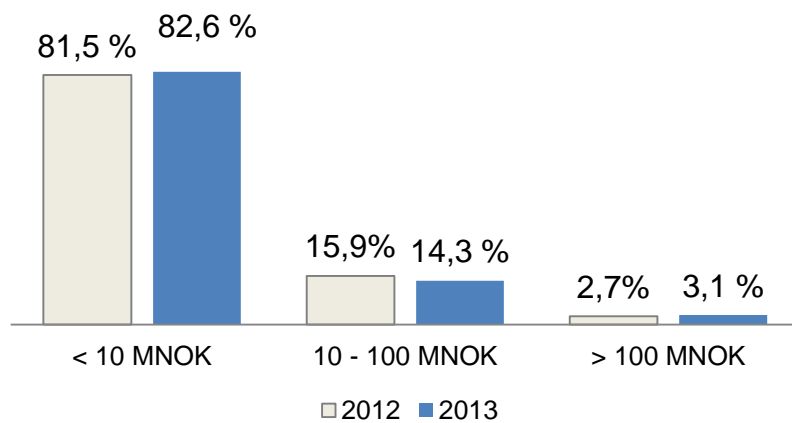


- RBM Sør has a high proportion of loans with low risk
- RBM Sør has a low proportion of loans with high risk
- CM Sør has a moderate to high proportion of loans with low risk
- CM Sør has a moderate to low proportion of loans with high risk

Deposits by the amount



Lending by exposure size

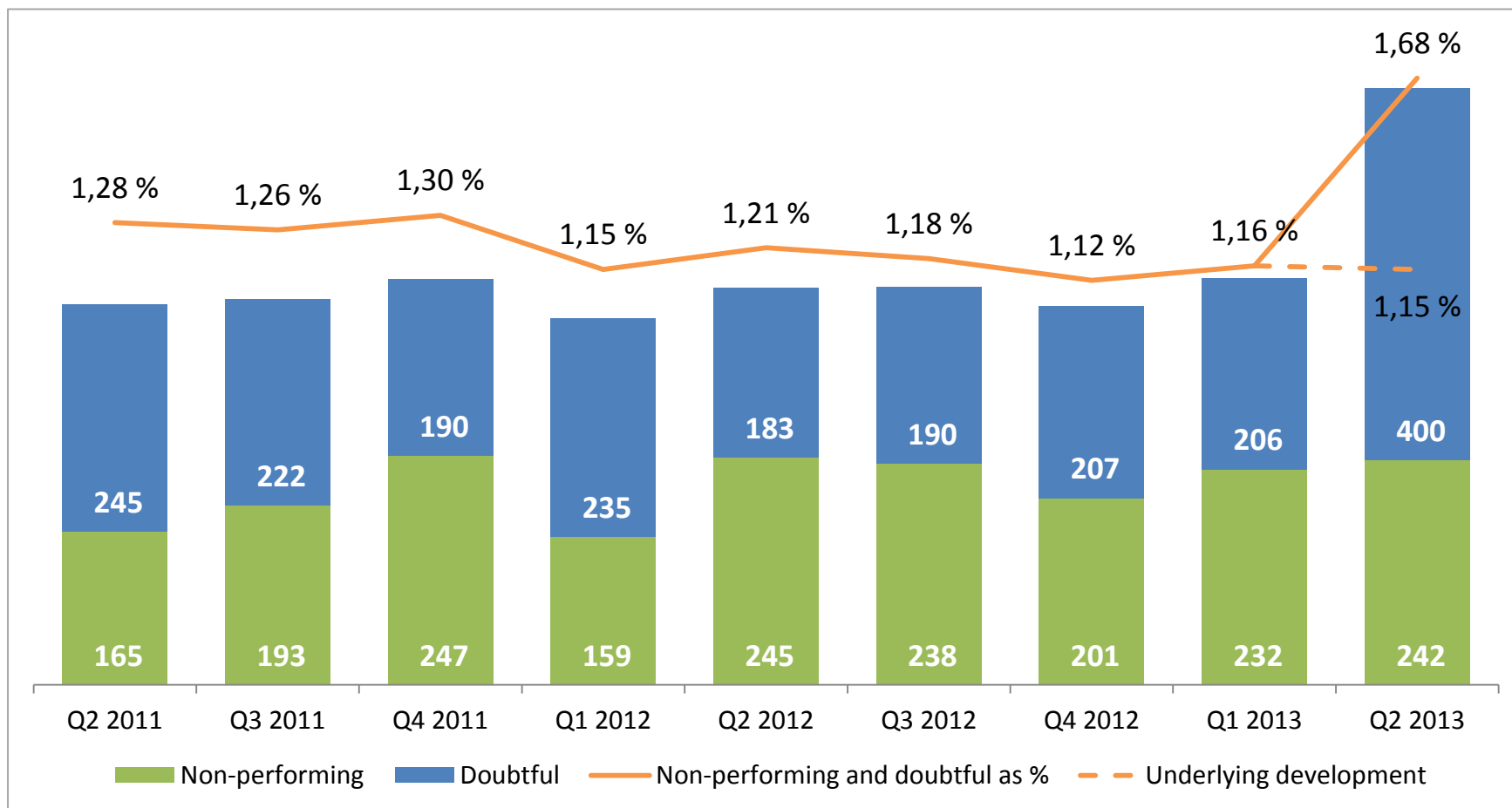


- Proportion of deposits below 2 MNOK constitutes 61,5%
- Proportion of deposits between 2 and 8 MNOK constitutes 18,6 %
- Proportion of deposits over 8 MNOK constitutes 20,0 %

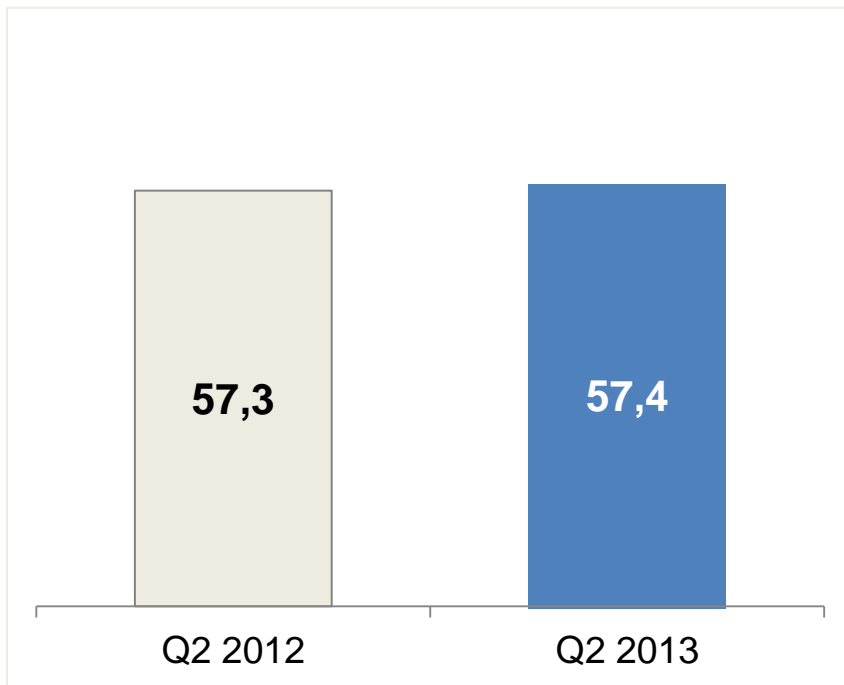
- Proportion of commitments under 10 MNOK constitutes 82,6 %
- Proportion of commitments below 10 og 100 MNOK constitutes 14,3 %
- Proportion of commitments over 100 MNOK constitutes 3,1 %

Net non-performing and doubtful commitments

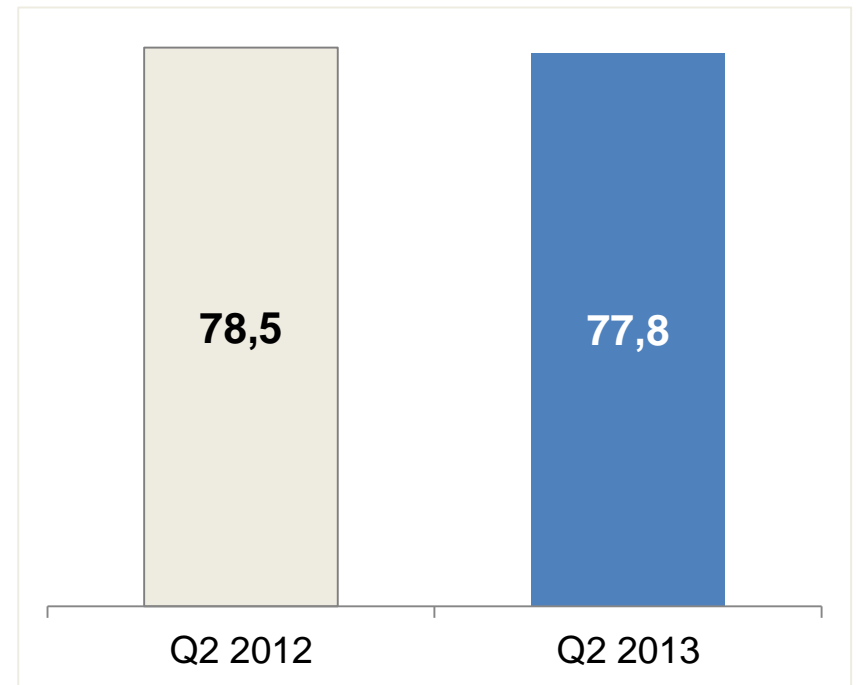
One commitment (old) contribute negatively, stable underlying development



Group



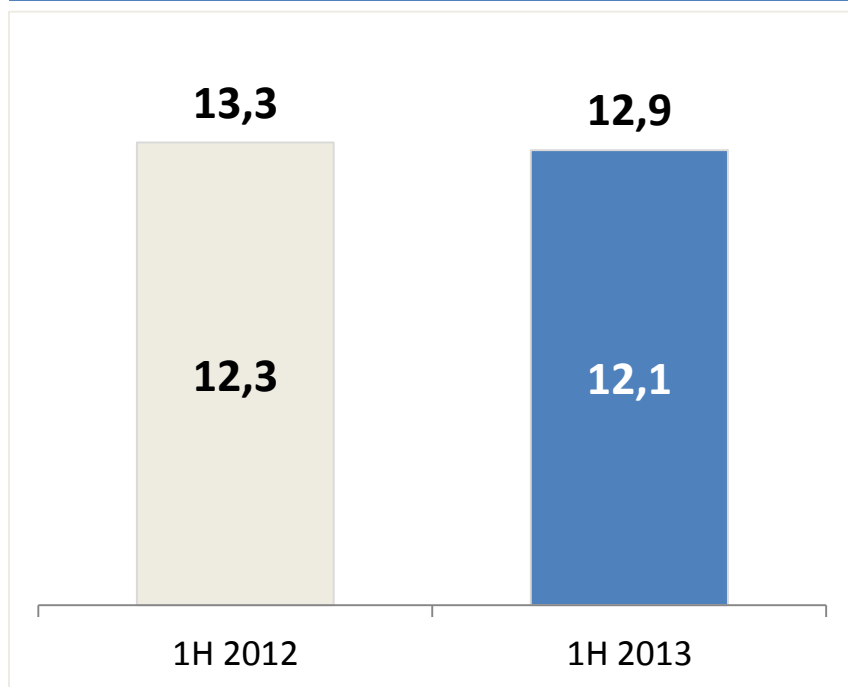
Group ex Sør Boligkreditt



* Deposit coverage as % of net loans

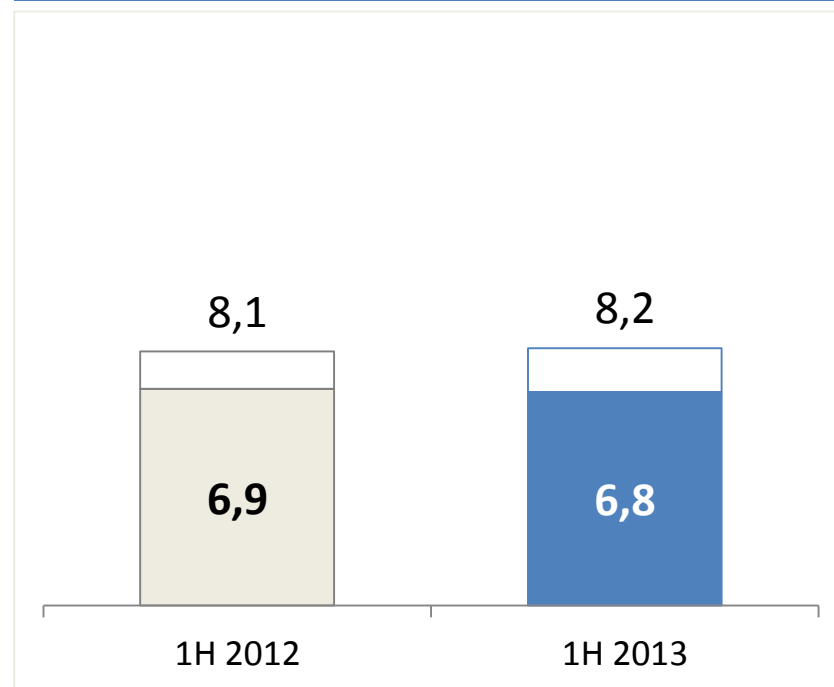
- Deposit coverage over target level at > 56 %
- High deposit coverage in Group ex Sør Boligkreditt at 77,8 %

CT 1/Core capital adequacy ratio



* This years result not included

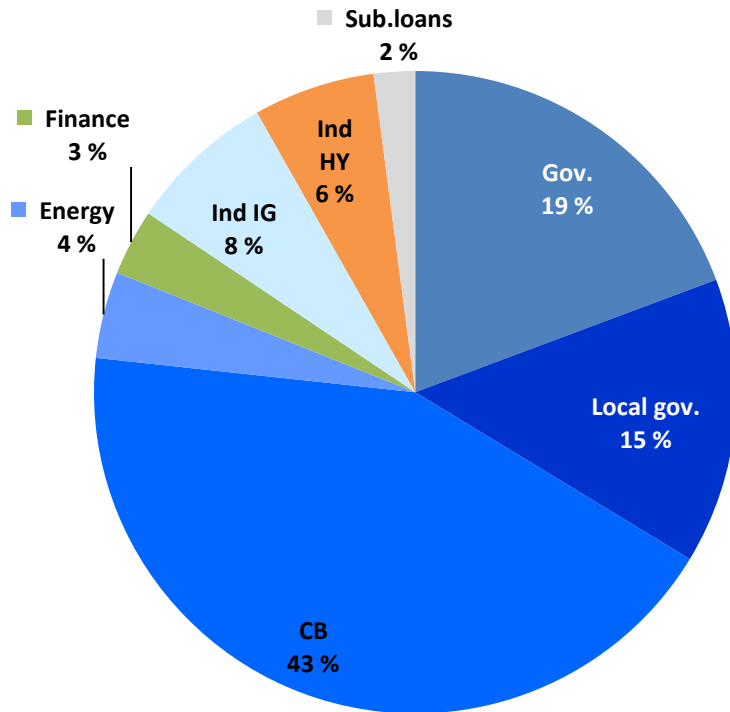
Return on equity



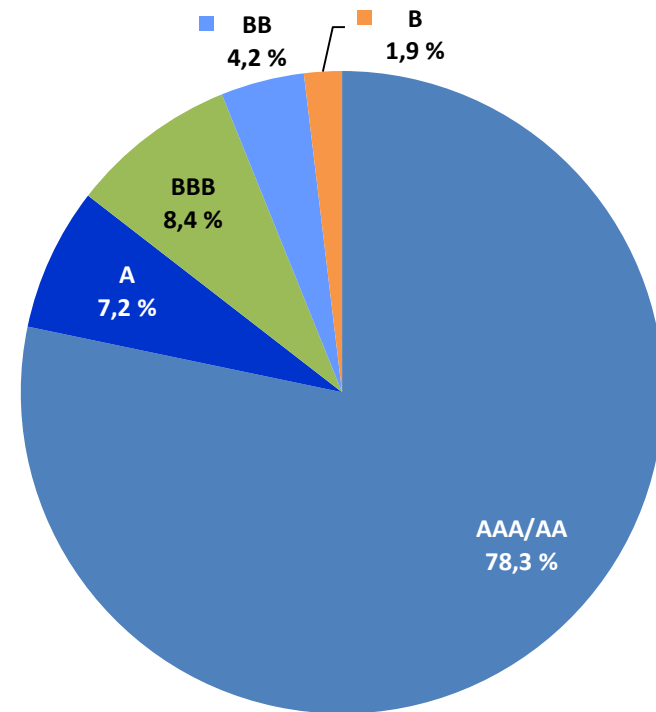
* Return on Equity annualized

- Core Tier 1 12,1 % – required > 9 %
- Return on equity 8,2 % in 1H 2013 adjusted for valuation of debt

Assets



Rating



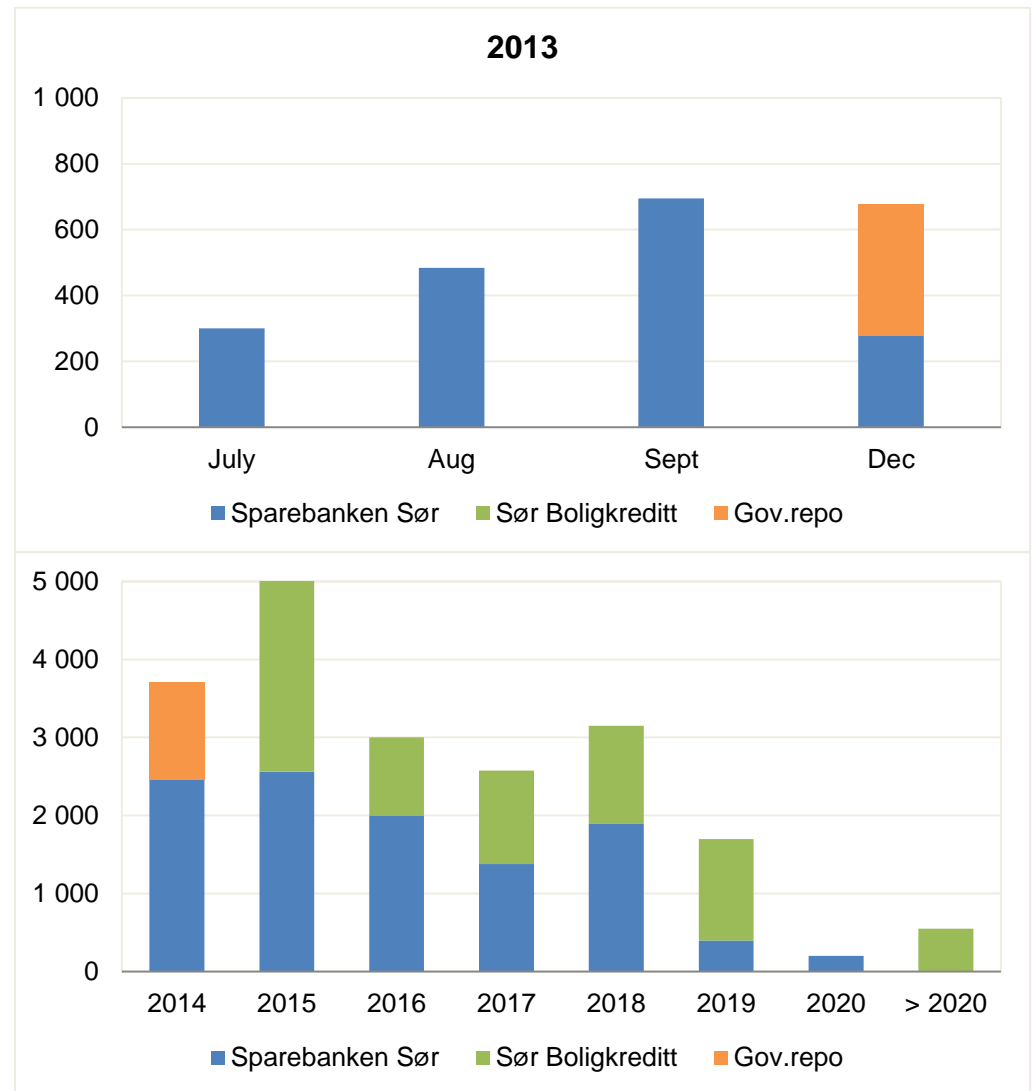
- Total portfolio 6,9 BNOK – Liquidity buffers 3,9 BNOK
- ~ 94 % investment grade – Liquidity buffers 100 % AAA/AA

Good access to new funding at reasonable market prices.

Good maturity structure, provides greater security under volatile conditions.

Funding > 12 months constitute 78,5 %.

Increasing maturities on average funding.



Stable access to long-term funding

1H 2013		BNOK	Maturity	Margin (bp) 3 months NIBOR
	Covered bonds	2,1	7,8	51
	Senior bonds	1,0	5,2	91
	Total	3,1	6,9	64
2012		BNOK	Maturity	Margin (bp) 3 months NIBOR
	Covered bonds	3,4	4,4	49
	Senior bonds	2,5	5,4	168
	Total	5,9	4,8	100

Income	Net interest income improved 17% compared to same period last year, and good underlying growth in commission income.
Costs	Costs under control and essentially flat nominal development.
Growth	Continued strong growth in lending and deposits.
Funding	Group funding are made at long maturities.
Total	Stable underlying operations.

Income	Interest rate adjustments will continue to contribute positively.
Growth	Expectations of continued strong lending growth, but slightly reduced development in deposits.
Costs	Effects of cost reductions are balanced against necessary investments.
Funding	Good access to new funding.
Macro	Growth in the Norwegian economy is still good, but signs of somewhat more challenging macro conditions.

sparebanken

SØR



INSURANCE

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MARKETS

LOANS

Norne

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Brage

We contribute to a better life in the region



SAVINGS

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