

sparebanken

SØR



Growth

Net interest

Commission income

Reduced costs

losses and doubtful

RESULTS

Q3 and 9M 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 46.8 and 322.4 man-years as at 30. September 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.

- Continued growth on loans and deposits
- Further strengthened net interest and improved lending margins
- Growth in commission income from cards, mutual funds- and insurance sales
- Cost efficiency gives results, nominal reduction in costs

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	Approval from FSA in September/October.
Merger	Awaiting MoF approval and confirmed that we can expect response in due time for implementation on 1. January 2014.

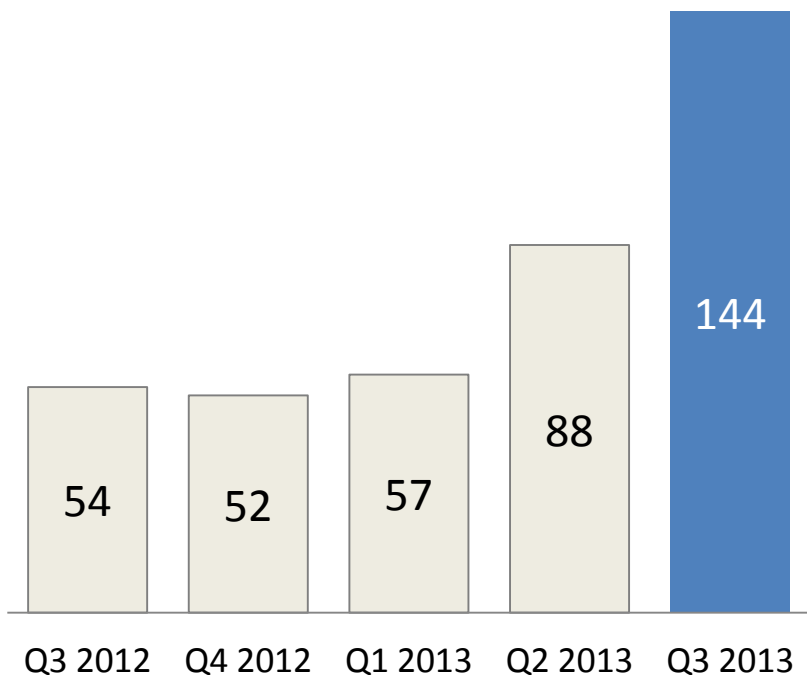
Key figures - Group

Profit and loss	Q3 2013	Q3 2012	9M 2013	9M 2012	2012
Net interest and credit commission income	214	187	594	510	705
Net commission income	43	40	119	122	175
Other income	14	40	19	67	70
Operating costs	116	119	366	365	513
Losses on loans, guarantees	15	10	52	33	61
Result ordinary operations	140	138	314	301	376
Valuation of debt	4	- 84	- 25	- 101	-125
Pre-tax profit	144	54	289	200	251

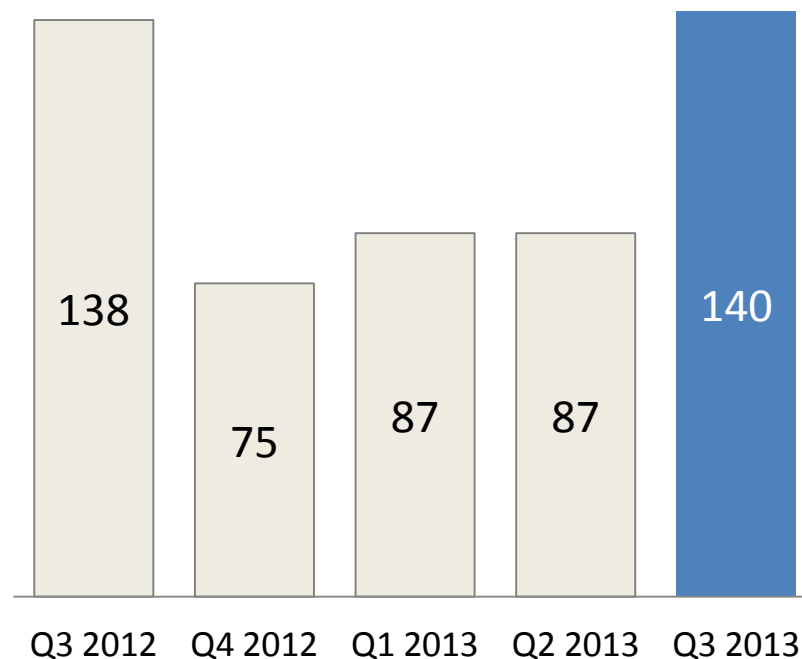
Balance Sheet			9M 2013	9M 2012	2012
Net loans			38.799	36.152	36.850
Deposits			21.885	20.048	20.999
Total assets			46.834	43.199	44.456

Stable profit from underlying operations

Pre-tax profit

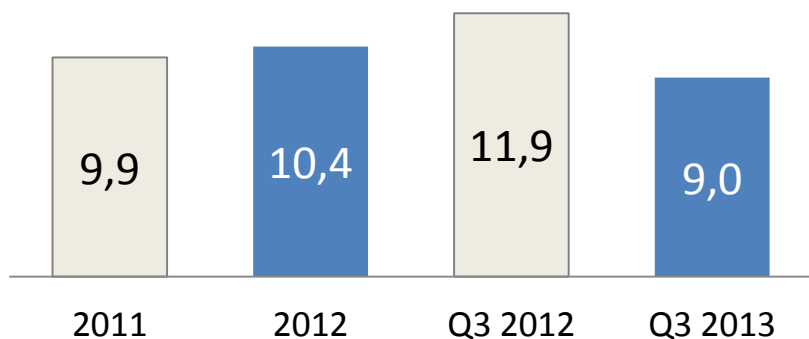


Adjusted for valuation of debt

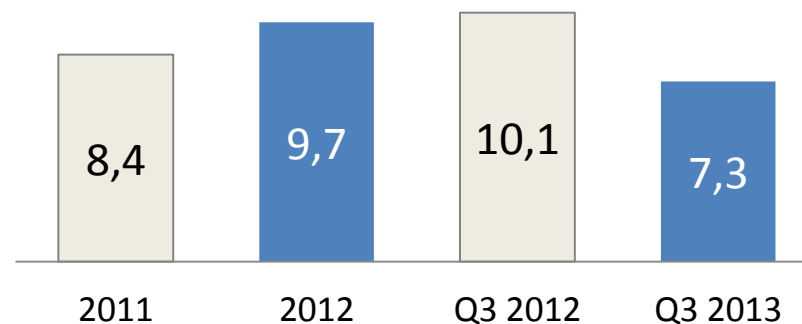


Valuation of debt limited effect in Q3, and increase in underlying operations. Result adjusted for valuation of debt constitutes 140 MNOK in Q2 2013.

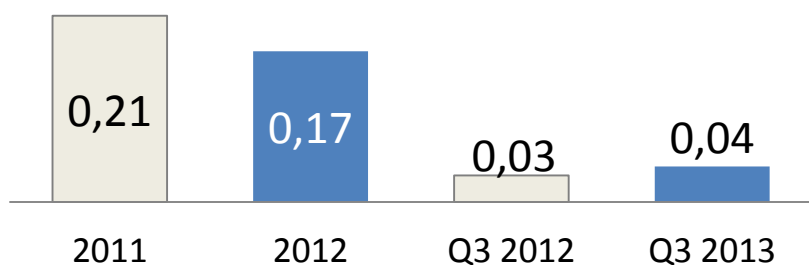
Deposit growth



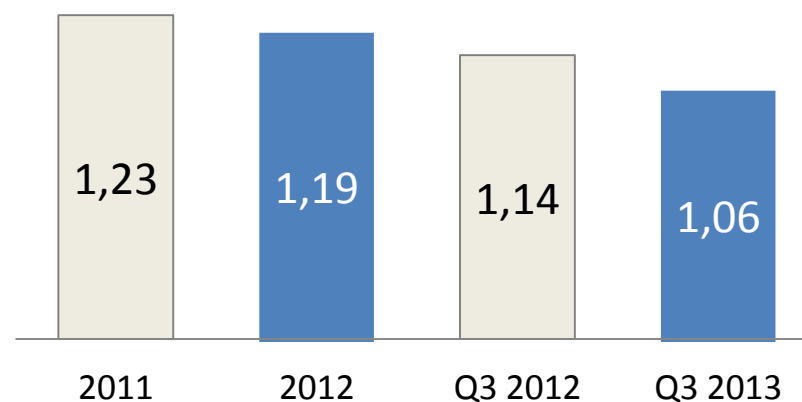
Lending growth



Losses as % of net loans

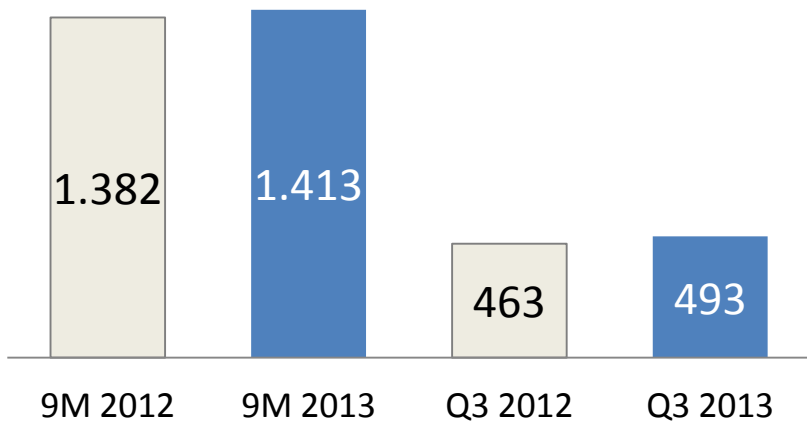


Cost ratio

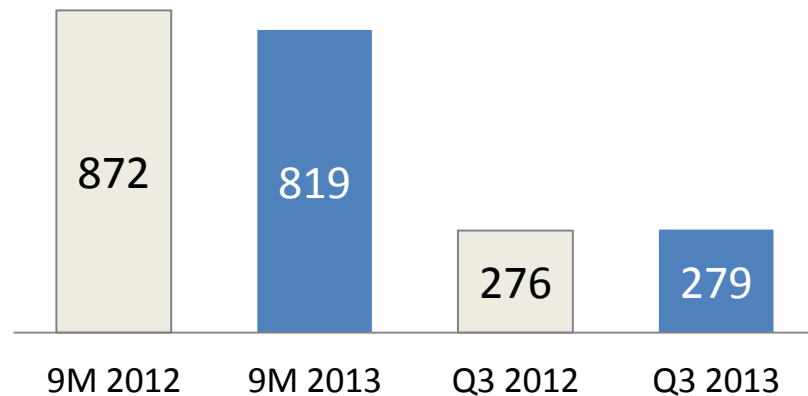


* Costs annualized as % of average total assets

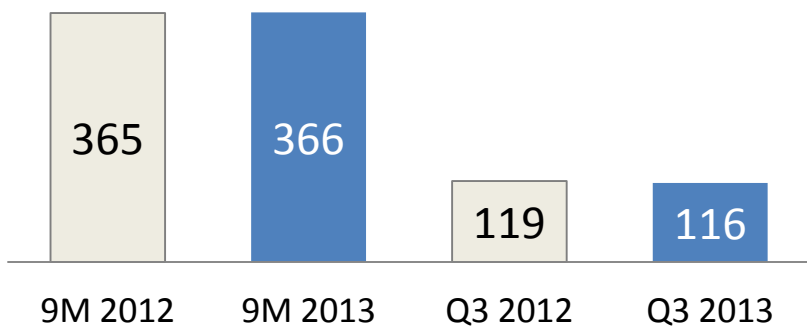
Interest income



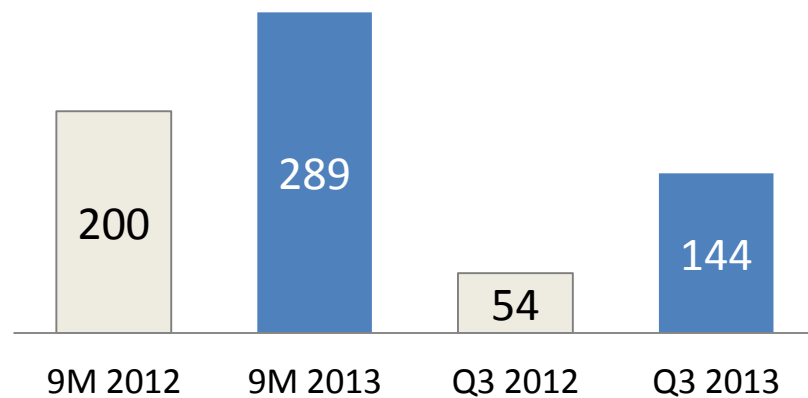
Interest costs



Operating costs

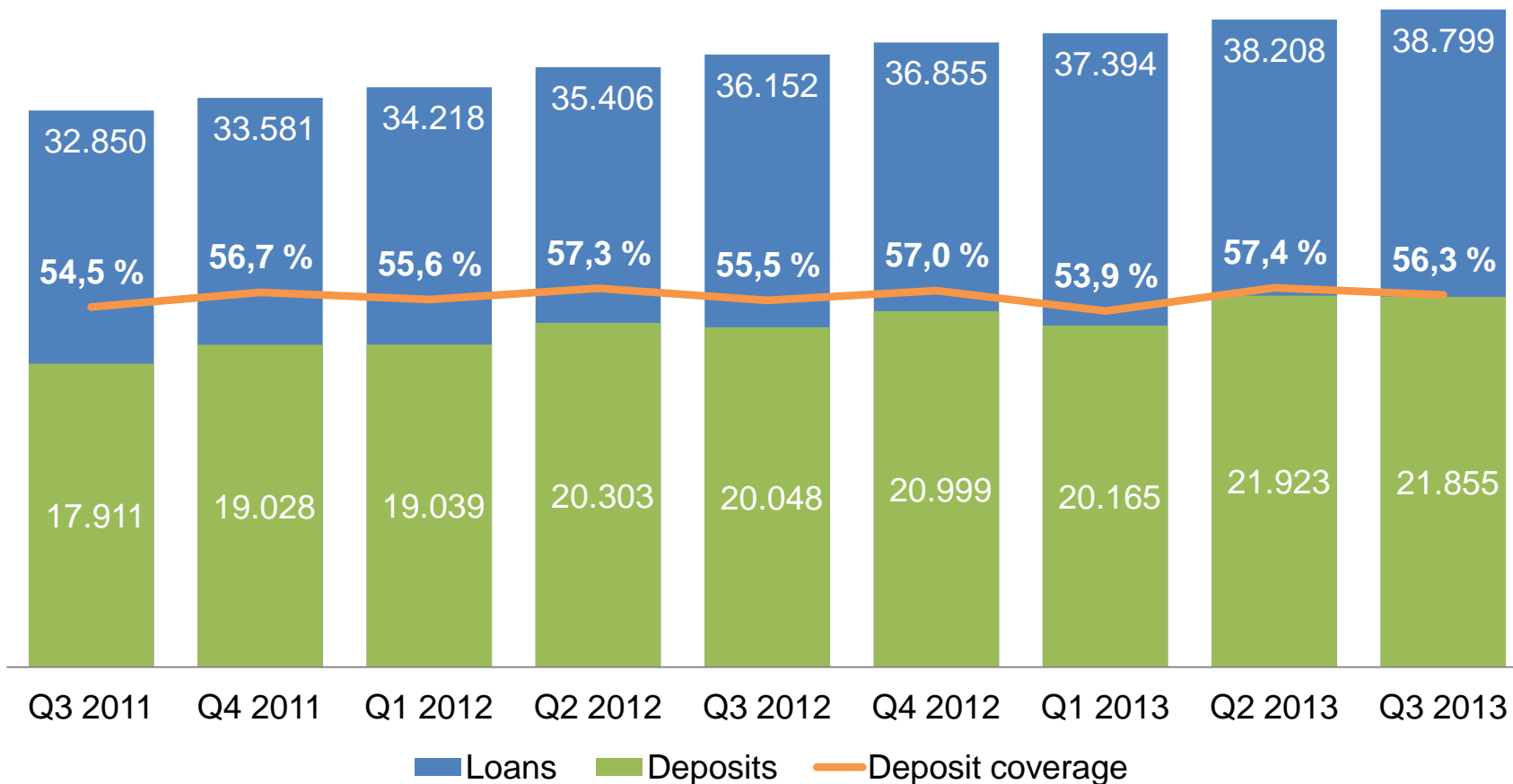


Pre-tax profit



Development deposits - loans

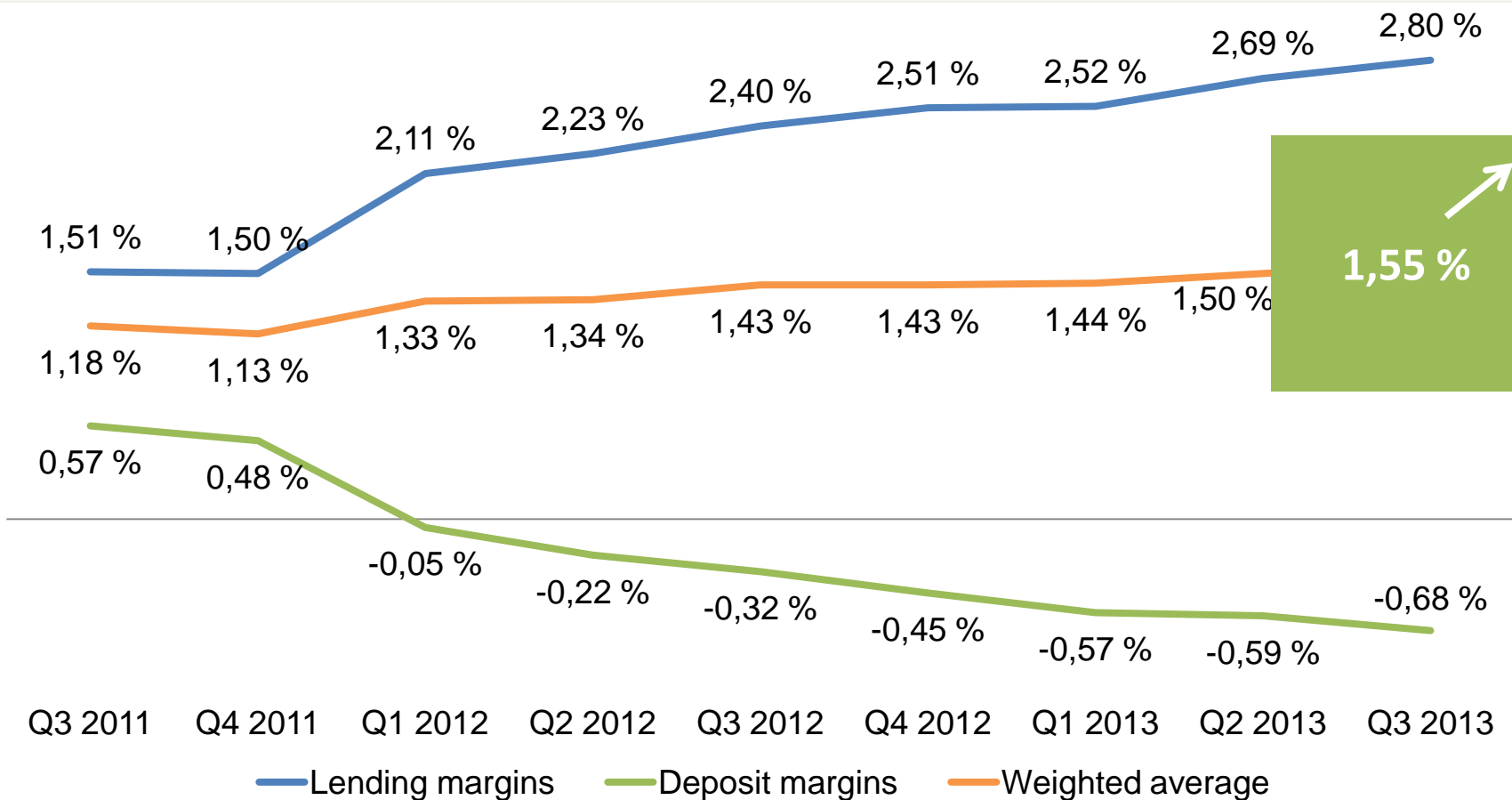
Deposit coverage above target of 56 percent



* Deposit coverage as % of net loans

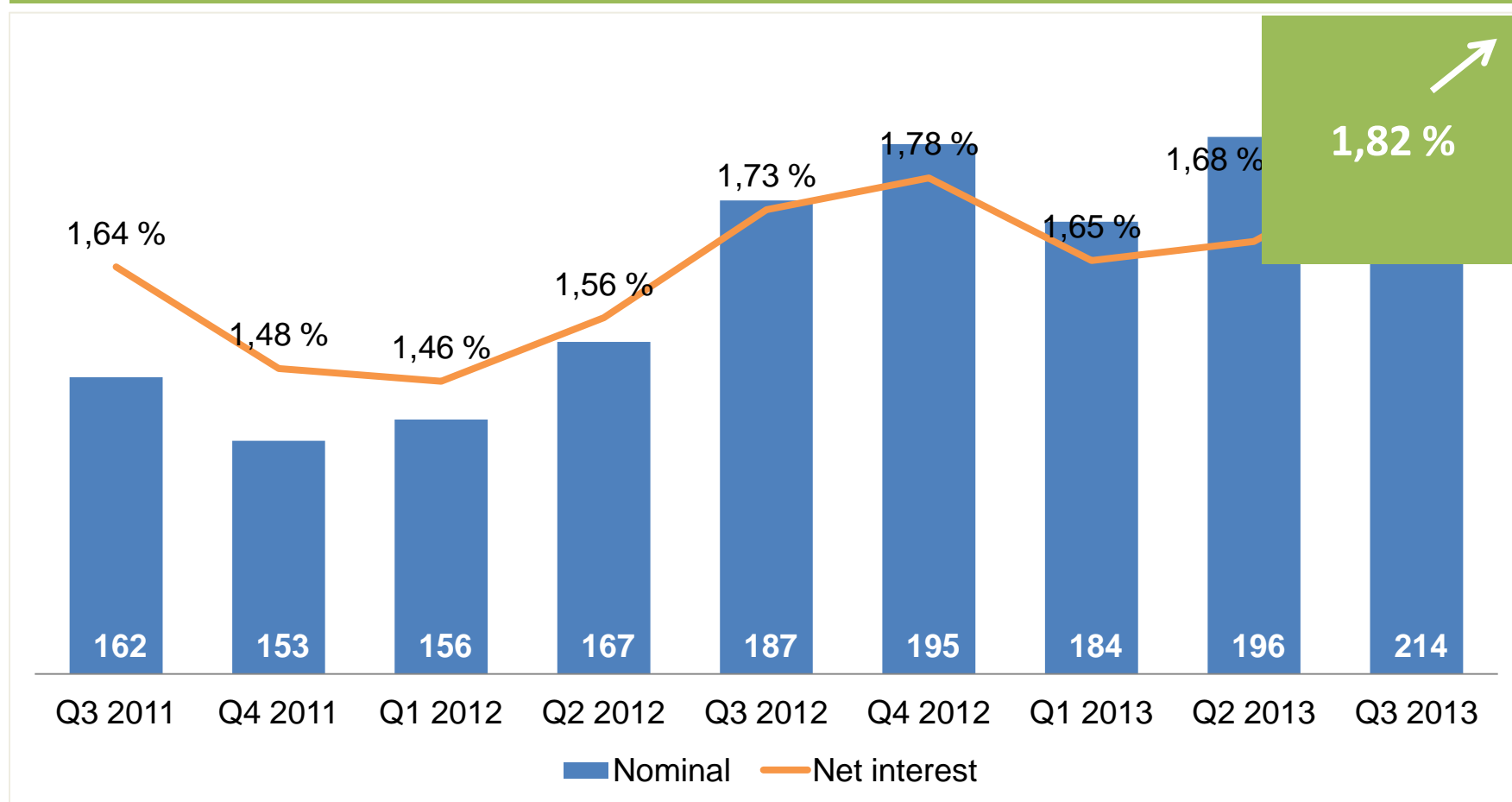
Lending and deposit margins

Increased lending margins, but still lower deposit margins



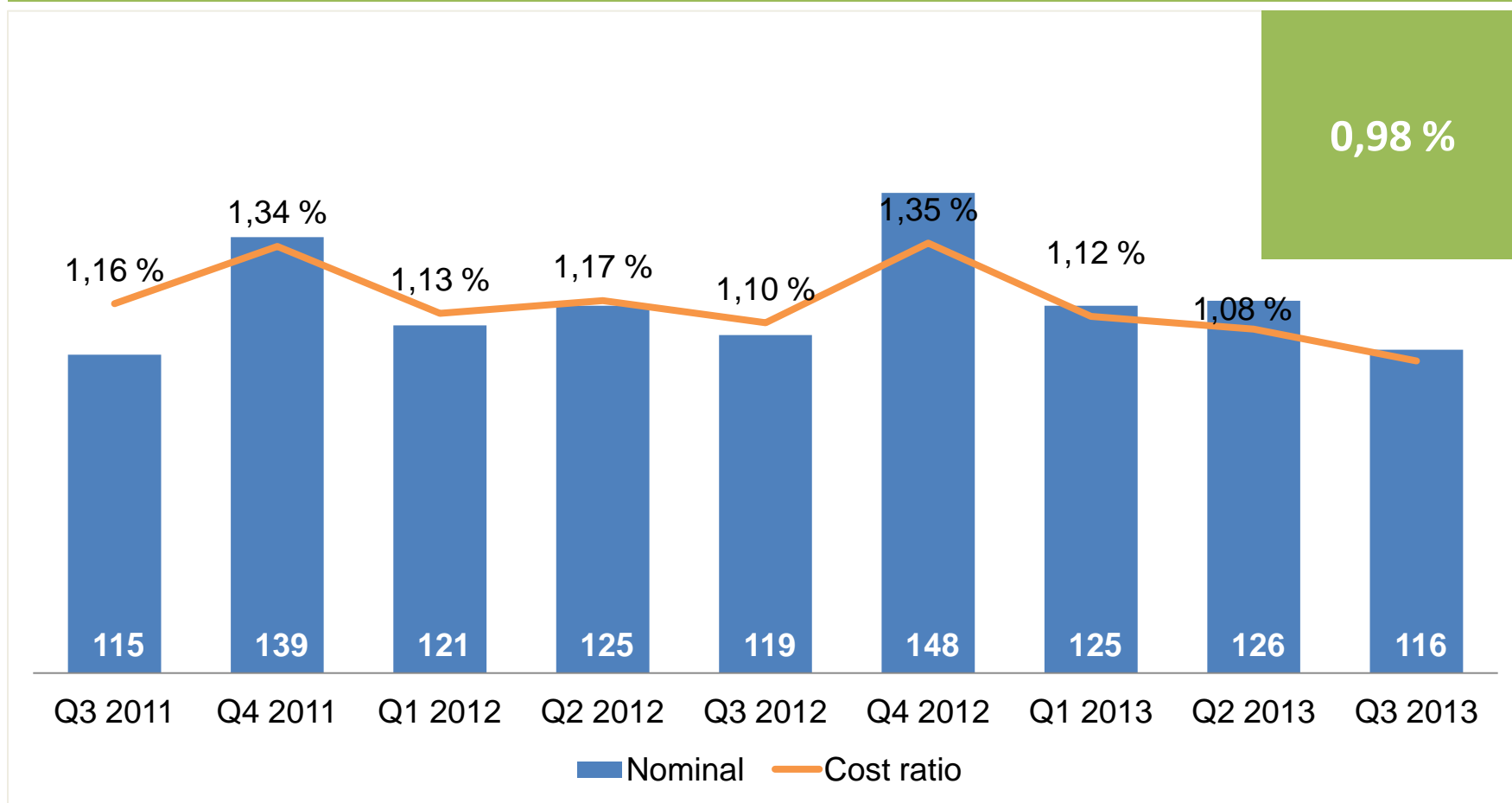
* Margin relative to 3 months NIBOR

Effects of interest rate adjustments in May



* Quarterly net interest annualized as % of average total assets

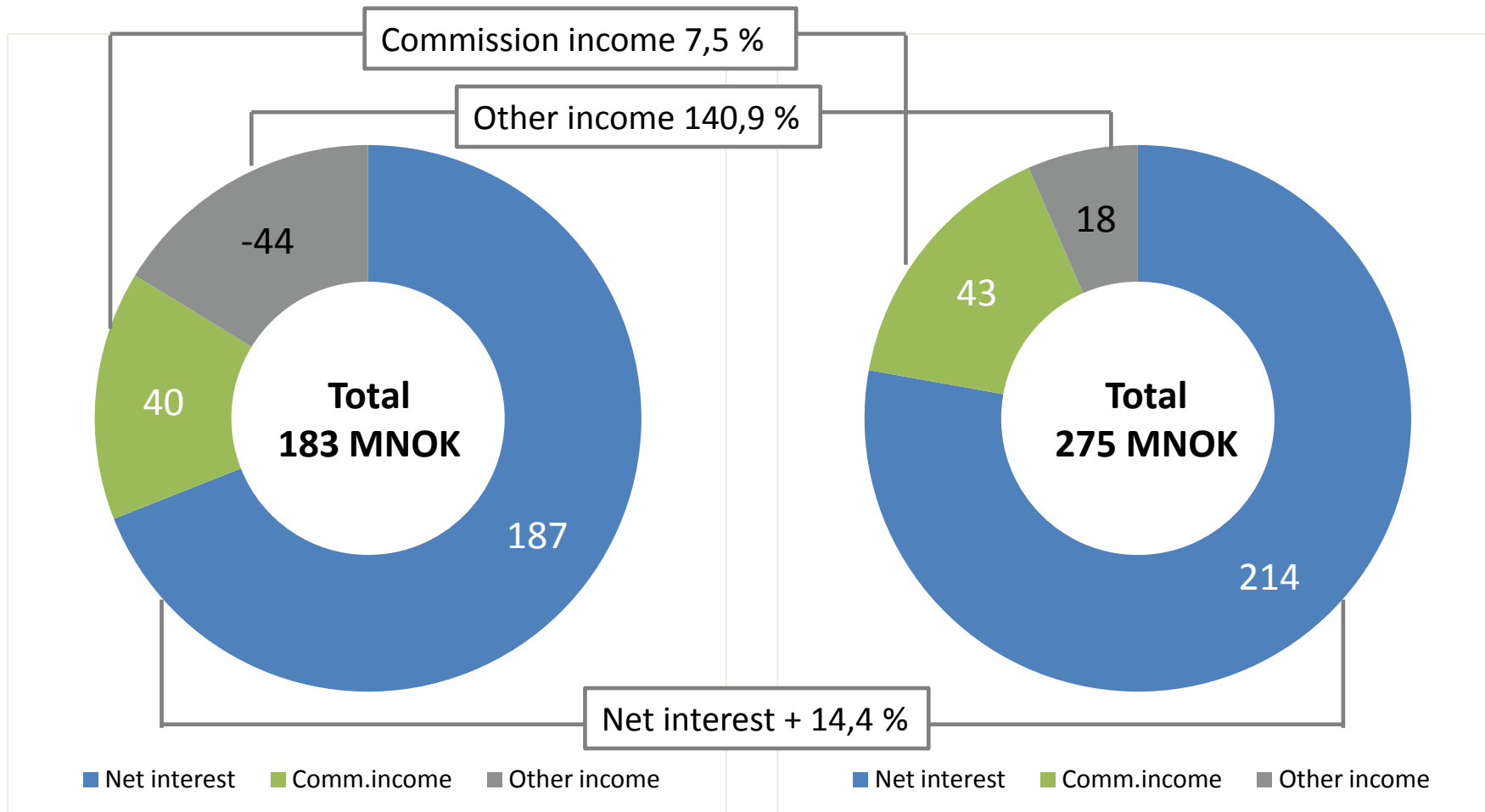
Efforts to reduce costs continues and effects beginning to show



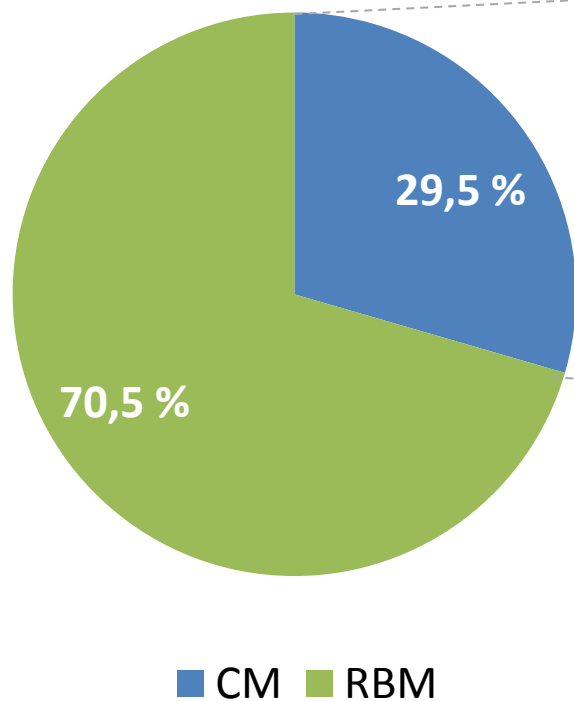
* Quarterly costs annualized as % of average total assets

Q3 2012

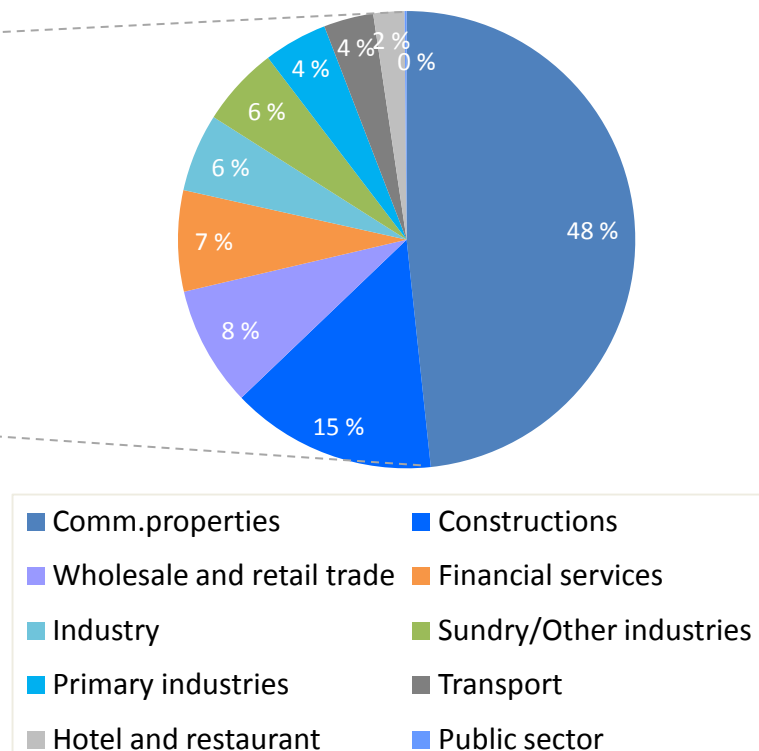
Q3 2013



Distribution RBM/CM

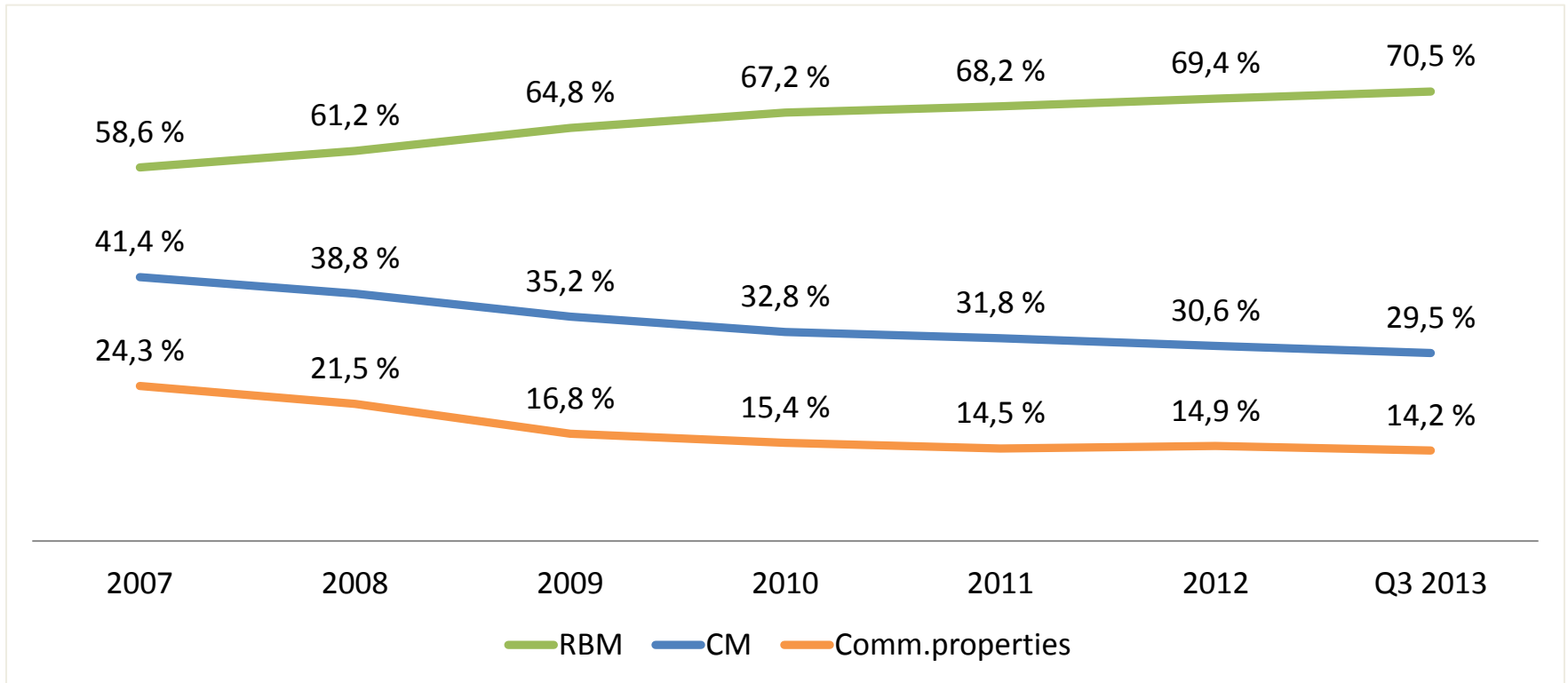


Distribution Corporate Market



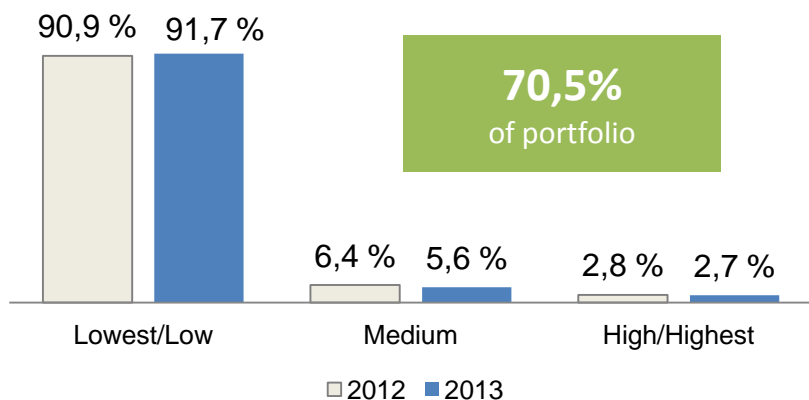
Well-diversified portfolio that reflects the business activity in the region.

Lending distribution – development



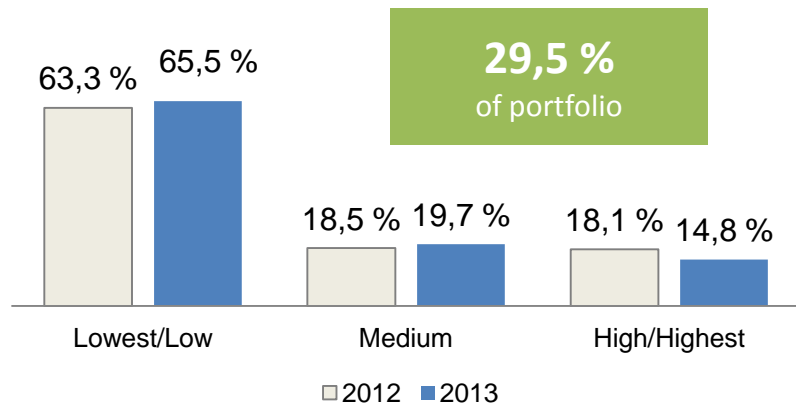
Altered ratio between RBM and CM have reduced the risk in the portfolio

Portfolio according to risk groups RBM



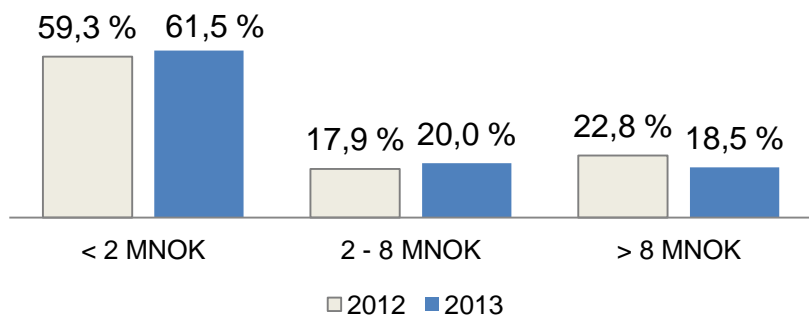
- RBM Sør has a high proportion of loans with low risk
- RBM Sør has a low proportion of loans with high risk

Portfolio according to risk groups CM

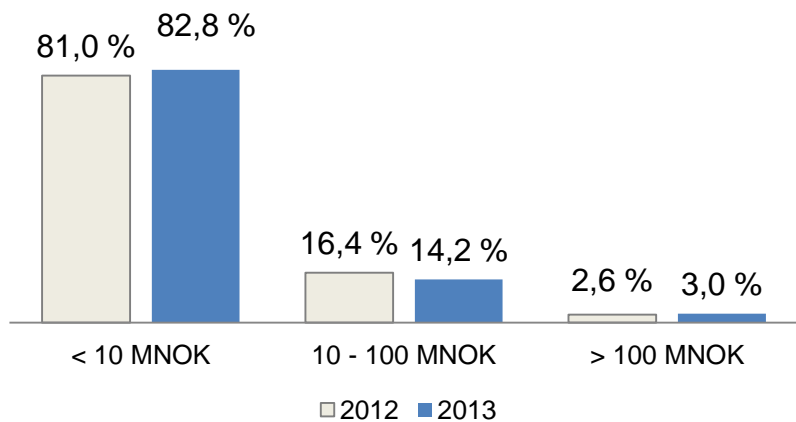


- CM Sør has a moderate to high proportion of loans with low risk
- CM Sør has a moderate to low proportion of loans with high risk

Deposits by the amount



Lending by exposure size

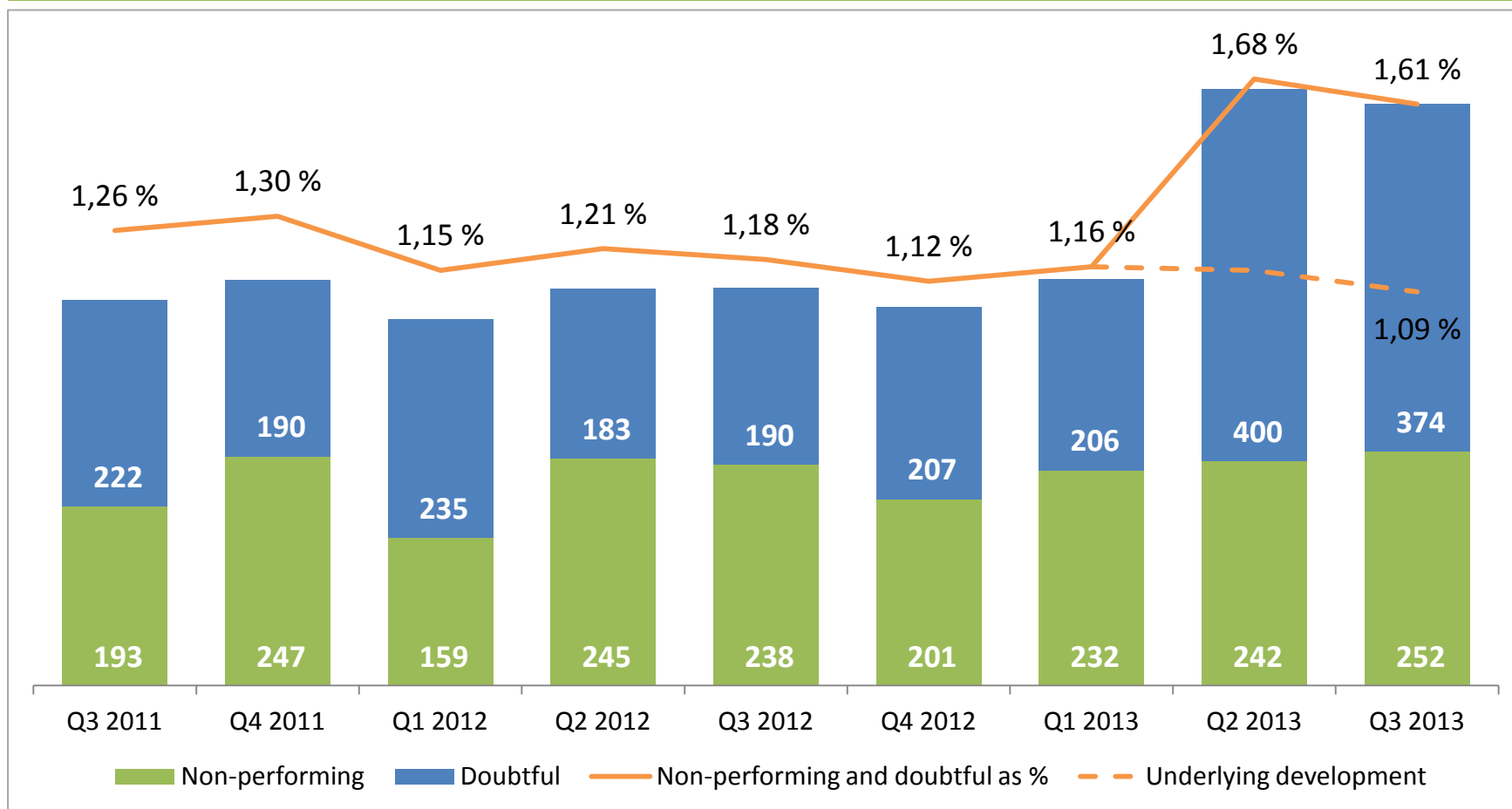


- Proportion of deposits below 2 MNOK constitutes 61.5%
- Proportion of deposits between 2 and 8 MNOK constitutes 20.0 %
- Proportion of deposits over 8 MNOK constitutes 18.5 %

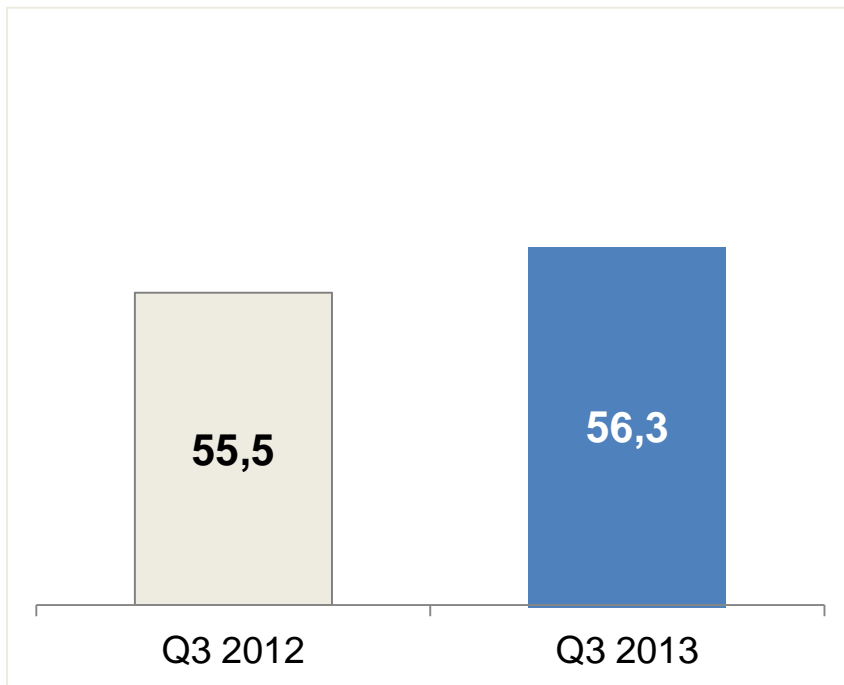
- Proportion of commitments under 10 MNOK at 82.8 %
- Proportion of commitments below 10 and 100 MNOK constitutes 14.2 %
- Proportion of commitments over 100 MNOK constitutes 3.0 %

Net non-performing and doubtful commitments

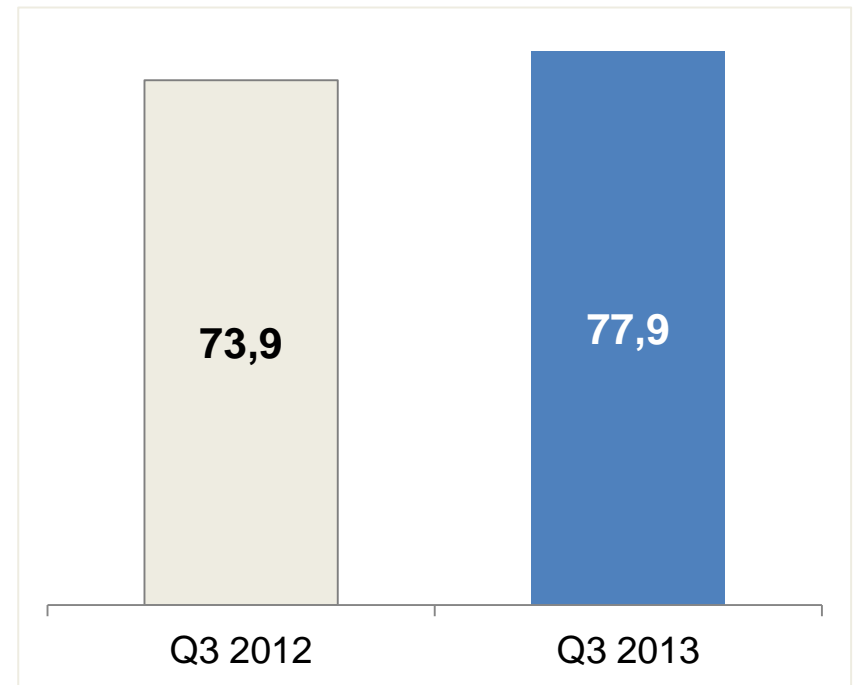
One commitment (old) contribute negatively, improved underlying development



Group



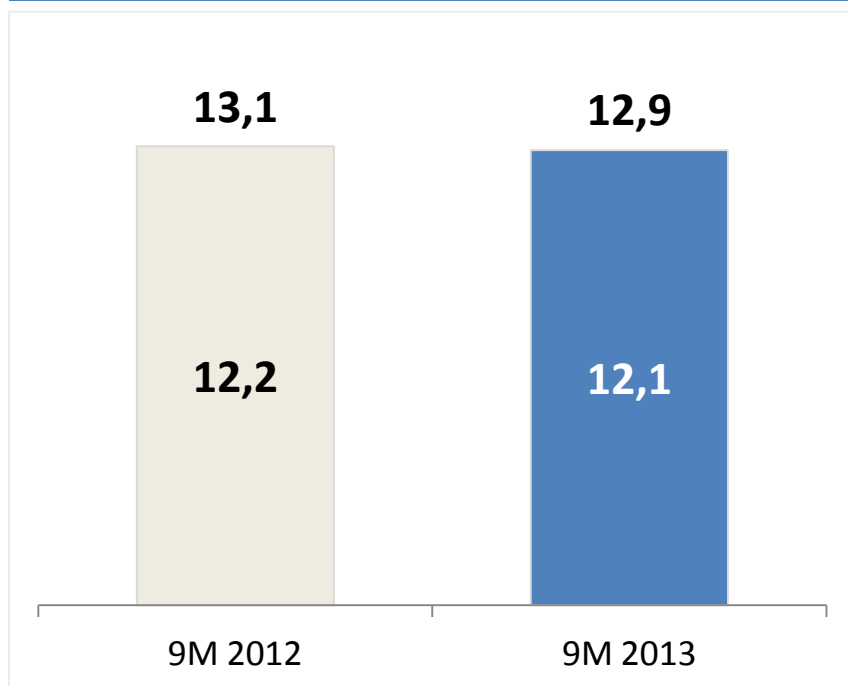
Group ex Sør Boligkreditt



* Deposit coverage as % of net loans

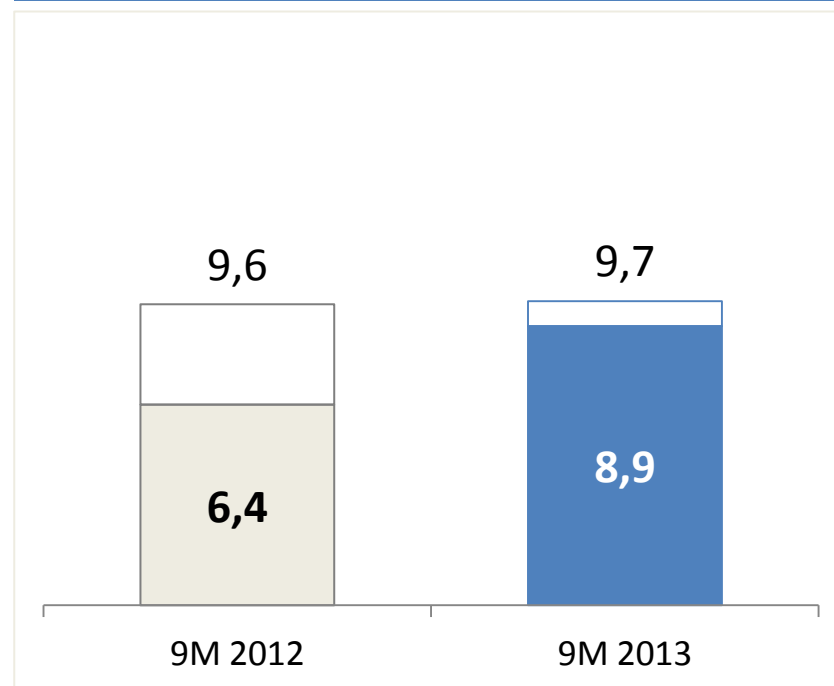
- Deposit coverage over target level at > 56 %
- High deposit coverage in Group ex Sør Boligkreditt at 77.9 %

CT 1/Core capital adequacy ratio



* This years result not included

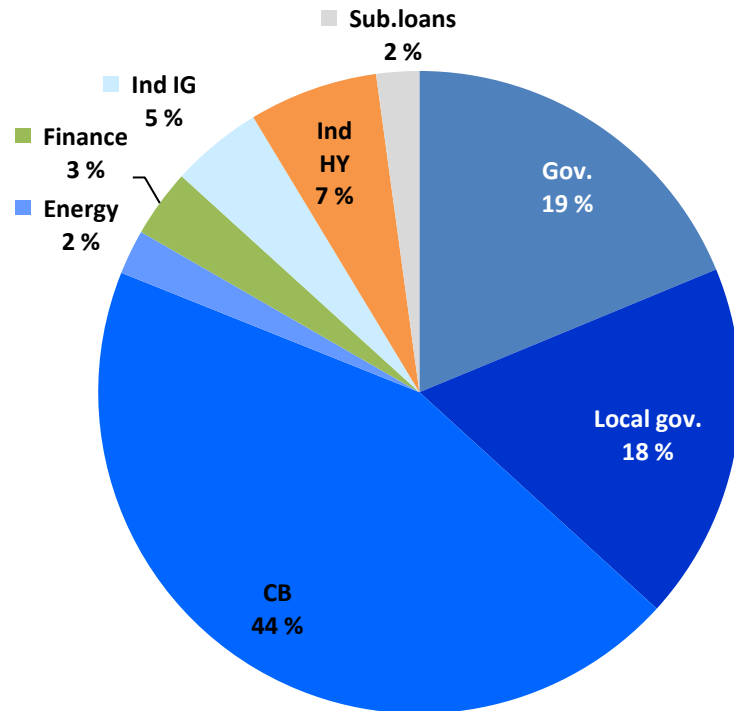
Return on equity



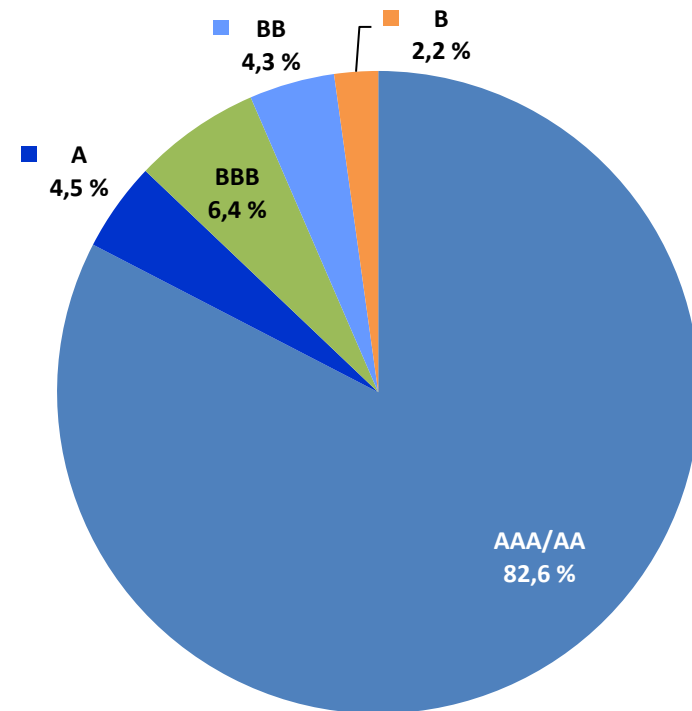
* Return on Equity annualized

- Core Tier 1 12,1 % – required > 9 % (12,6 % including part of this year result)
- Return on equity 9,7 % after 9M 2013 adjusted for valuation of debt

Assets



Rating



- Total portfolio 6.7 BNOK – Liquidity buffers 4.0 BNOK
- ~ 94 % investment grade – Liquidity buffers 100 % AAA/AA

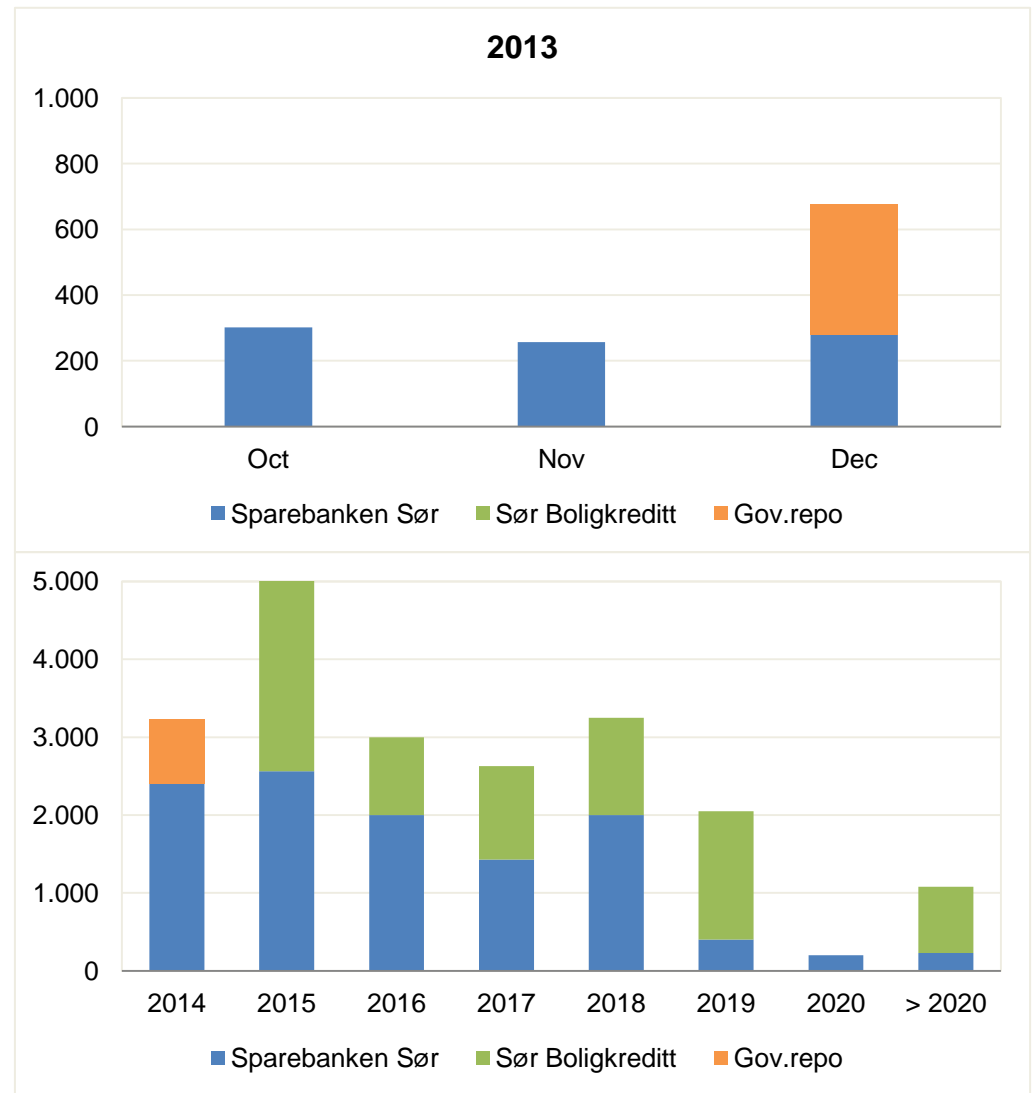
Maturity structure - debt

Good access to new funding at reasonable market prices.

Good maturity structure, provides greater security under volatile conditions.

Funding > 12 months constitute 80.4 %.

Increasing maturities on average funding.



Stable access to long-term funding

9M 2013		BNOK	Maturity	Margin (bp) 3 months NIBOR
	Covered bonds	2,7	8,1	50
	Senior bonds	1,2	5,1	89
	Total	3,9	7,2	62
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 14 % compared to same period last year, and good underlying growth in commission income.
Costs	Costs under control and reduced nominal development.
Growth	Continued strong growth in lending and deposits.
Funding	Group funding are made at long maturities.
Total	Improved underlying operations.

Income	Interest rate adjustments will continue to contribute positively.
Growth	Expectations of continued 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

Frende

Brage

We contribute to a better life in the region



SAVINGS

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