

# Fourth quarter report 2008

## As at 31 December

### Main features

The main features of the Bank's operations in 2008 are as follows:

- Financial crisis triggers
  - loss on securities portfolio
  - increased loss provisions
- Reduced operating result
- Increased net interest income
- Remaining other (non-interest) operating income in line with last year
- A very low overall cost ratio
- Strong core banking operations

### Framework conditions

Norges Bank changed its benchmark rate of interest five times in 2008. The interest rate was altered twice during the second quarter, each time by 0.25 percentage points. As a result of the development of financial crisis, interest rates were lowered three more times during the fourth quarter, on the first two occasions by 0.50 percentage points and the last time by 1.75 percentage points. The benchmark rate of interest was 3.00 per cent at the end of the fourth quarter.

The annual growth in domestic debt, K2, fell to 10.9 per cent at the end of November. The 12-month rate of growth decreased both for the business sector and private households. For households, this was the lowest growth since October 1999.

The Oslo Stock Exchange has also been through a turbulent year. During the first half of the year, prices came down by 5.6 per cent. During the first half of the third quarter, prices continued to fall, plummeting in September and October by 25 and 23 per cent respectively. In 2008, the total fall in the Oslo Stock Exchange index was 54.1 per cent.

The Norwegian krone was also subject to strong rate fluctuations throughout 2008, partly due to corresponding swings in the price of oil. Towards the end of the year, the Norwegian krone weakened against most currencies.

According to figures provided by NAV, unemployment has now increased, the registered level amounting to 2.0 per cent of the total labour force at the end of December. On a seasonally adjusted basis, the number of people without a job or participation in labour market measures totalled 64,211 persons.

### Operating result

The Bank's 2008 pre-tax operating result ended up at NOK 224.8 million, up from NOK 286.5 million in 2007. The result is equivalent to 0.83 per cent of average assets, as against 1.25 per cent 12 months ago.

Net interest income increased by NOK 64.0 million, totalling NOK 439.2 million. In relation to average assets, this amounted to 1.61 per cent.

Other (non-interest) operating income totalled to NOK 43.1 million, down by NOK 54.8 million on 2007. In view of the fact that the Bank does not have any subsidiaries, IFRS has not been introduced as the accounting standard, the Bank having therefore continued to prepare its accounts in accordance with NRS. This means that the bond portfolio is included in the accounts at the lower of cost or market value. A limited part (about 5 per cent) of the Bank's securities portfolio is to day classified as "To be held until maturity". The turbulence in the financial markets triggered a NOK 58.1 million write-down of the Bank's bond portfolio in 2008. On the other hand, there has been an increase in the value of the Bank's bond debt. As at 31.12.08, the latent gain on the bond-related funding and subordinated loan capital (credit spreads) far exceeded the loss on the bond portfolio. However, this effect has not been taken to income in the profit and loss account, which could have been done if IFRS were to have been applied. The Bank's exposure in the bond - and stock markets remains low.

Costs totalled NOK 203.1 million, up by NOK 15.2 million compared to last year. In relation to average assets, however, there was a very positive development. Costs in relation to average assets at the end of 2008 were at the low level of 0.75 per cent, down from 0.82 per cent during the last 12 months.

Costs as a percentage of income have also remained at a very low level. The ratio at the end of 2008 was 42.1 per cent.

### Total assets

At the end of 2008, total assets amounted to NOK 30,134 million. This involved an increase of NOK 4,458 million or 17.4 per cent during the last 12 months.

### Deposits

At the end of the fourth quarter, deposits from customers totalled NOK 12,936 million, 51.1 per cent of the Bank's loans were funded by customer deposits. The Bank always tries to fund the growth in its assets mainly through deposits and long-term borrowing in the Norwegian and international money- and capital markets. The global financial crisis has been making this a challenging task. However, Sparebanken Pluss's good results and excellent capital adequacy ratio have helped ensure that capital has been available at competitive terms and conditions.

### Loans

Gross lending to customers was up by NOK 3,403 million or 15.4 per cent, standing at NOK 25,445 million at the end of the year. Retail banking- and corporate loans increased by 12.1 and 21.1 per cent respectively, the two sectors accounting for 60.9 and 39.1 per cent respectively of the Bank's total loan portfolio. Gross loans in default are increasing, but the level remains relatively low. The credit risk contained in the Bank's lending portfolio is still regarded as low.

### Losses on loans and guarantees

Assessment of loans, credit losses and write-downs relating to losses is made in accordance with the rules and regulations pertaining to the treatment in the accounts of loans and guarantees.

Collective write-downs on loans were increased by NOK 20 million to NOK 91.9 million during the fourth quarter.

Individual write-downs on loans increased by NOK 32.1 million, amounting to NOK 43.2 million, including amortised amounts relating to loans. At the end of the fourth quarter, net recoveries from earlier losses included in the accounts amounted to NOK 2.6 million, net loss cost on loans and guarantees amounting to NOK 45.6 million.

In the opinion of the Board of Directors, the level of write-downs is sufficient to cover the credit risk contained in the Bank's loan portfolio at the end of the fourth quarter.

### Equity capital and capital adequacy

With effect from 01.01.2008 Sparebanken Pluss implemented the new capital adequacy rules and regulations (Basel II). For the time being, the Bank will apply the standard approach for credit risk and the basis approach for operational risk. The implementation of Basel II means that the figures for capital adequacy for 2007 will not be directly comparable with those for 2008.

At the end of the fourth quarter this year, Sparebanken Pluss had subordinated loans of NOK 698 million and equity capital of NOK 1,913 million. The capital adequacy ratio was 13.56 per cent, well in excess of statutory requirements. Despite the strong turbulence in the global financial markets, the Bank has succeeded in maintaining a relatively high return on its equity capital. At the end of the fourth quarter of 2008, the ratio was 8.5 per cent, as opposed to 12.0 per cent 12 months ago.

### Pluss Boligkreditt AS

In December 2008, Sparebanken Pluss was granted the necessary licence to establish a mortgage company which will be able to issue preference bonds. Pluss Boligkreditt AS is in the process of being established and will be wholly-owned by Sparebanken Pluss. In this way, The Bank will be in a position to participate in the authorities' scheme according to which preference bonds may be swapped for government securities.

### Primary Capital Certificates (PCCs)

In 2008, 212,437 PCCs were traded; there were 1,026 transactions in all. As at 31.12.2008, the Bank had 1,772 PCC-holders. A list of the 20 largest PCC-holders at the end of the quarter currently under review is shown in one of the attached notes to the accounts. As at

31.12.2008, preliminary figures show a result per PCC of NOK 12.0, as against NOK 17.00 at the same time last year.

The Board of Directors will propose to the Bank's Board of Trustees payment of a dividend for 2008 of NOK 12.00 per PCC and transfer of NOK 30 million to the Donations Fund.

#### **Future prospects**

The Board of Directors expects Sparebanken Pluss's operating result to be satisfactory in 2009 too. However, the global financial crisis is likely to have a substantial impact on the Norwegian economy in 2009. This will also have direct and indirect effects on the banking industry and the Bank.

Kristiansand, 29 January 2009

Arvid Grundekjøn  
Chairman

Norunn Tveiten Benestad  
Deputy Chairman

Thore Westermoen

Kristin Wallevik

Peder Syrdalen

Bente Pedersen

## PROFIT AND LOSS ACCOUNT

(NOK 1.000)

PER CENT OF AVERAGE /

2008	2007		2008	2007
1.882.458	1.243.020	Interest receivable and similar income	6,90	5,42
1.443.306	867.891	Interest payable and similar costs	5,29	3,79
<b>439.151</b>	<b>375.129</b>	<b>Net interest- and credit commission income</b>	<b>1,61</b>	<b>1,64</b>
5.561	2.003	Dividends and other income from securities with var. yield	0,02	0,01
92.204	98.062	Commissions and income from banking services	0,34	0,43
13.503	13.451	Commissions payable and costs of banking services	0,05	0,06
-52.298	3.445	Net gains from foreign exchange and securities	-0,19	0,02
11.140	7.852	Other operating income	0,04	0,03
43.104	97.912	Sum other operating income	0,16	0,43
172.527	160.025	Wages, salaries and general administration costs	0,63	0,70
11.239	10.149	Depreciation etc. of fixed - and intangible assets	0,04	0,04
19.345	17.769	Other operating costs	0,07	0,08
203.111	187.943	Sum operating costs	0,74	0,82
<b>279.145</b>	<b>285.098</b>	<b>Result from ordinary operations before losses on loans</b>	<b>1,03</b>	<b>1,24</b>
45.602	-1.360	Losses on loans, guarantees etc.	0,17	-0,01
8.781	0	Depreciation of securities classified as fixed assets	0,03	0,00
<b>224.762</b>	<b>286.458</b>	<b>Operating result</b>	<b>0,83</b>	<b>1,25</b>
69.763	84.254	Taxes	0,26	0,37
<b>154.999</b>	<b>202.204</b>	<b>Result after taxes</b>	<b>0,57</b>	<b>0,88</b>

## BALANCE SHEET

(NOK 1.000)

ASSETS	As at 31.12.08	As at 31.12.07
Cash-in-hand and claims on central banks	1.754.617	1.407.528
Net loans to and claims on credit institutions	88.053	99.697
Gross loans	25.444.972	22.042.181
- Individual write-downs on loans	43.254	9.468
- Write-downs of groups of loans	91.941	80.441
Net loans to and claims on customers	25.309.777	21.952.272
Repossessed assets	327	308
Certificates, bonds and other interest-bearing securities	2.440.489	1.746.828
Shares	153.883	144.910
Fixed assets	131.737	127.415
Other assets	12.759	9.080
Prepaid costs and accrued income, not yet received	242.642	188.129
<b>TOTAL ASSETS</b>	<b>30.134.284</b>	<b>25.676.168</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>	<b>As at 31.12.08</b>	<b>As at 31.12.07</b>
Liabilities to credit institutions	1.659.407	1.183.942
Deposits from and liabilities to customers	12.936.353	13.425.128
Liabilities incurred through issuance of securities	12.261.910	8.128.648
Other liabilities	166.663	210.721
Incurred costs and prepaid income	487.371	245.795
Provisions against liabilities and costs	11.092	25.893
Subordinated loans	697.564	697.114
<b>TOTAL LIABILITIES</b>	<b>28.220.360</b>	<b>23.917.242</b>
Primary Capital Certificates	125.000	125.000
Premium Fund	34.324	34.324
The Savings Bank's Fund	1.588.337	1.588.337
Dividend Equalisation Fund	11.264	11.264
Retained earnings	154.999	0
<b>TOTAL EQUITY CAPITAL</b>	<b>1.913.924</b>	<b>1.758.925</b>
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>	<b>30.134.284</b>	<b>25.676.168</b>
<b>Total off-balance sheet items</b>	<b>2.689.638</b>	1.741.171

## QUARTERLY PROFIT AND LOSS FIGURES

(NOK 1.000)

	4th quarter 2008	3rd quarter 2008	2nd quarter 2008	1st quarter 2008	4th quarter 2007
Interest receivable and similar income	532.233	496.216	444.348	409.661	380.186
Interest payable and similar costs	413.295	381.559	340.016	308.436	277.782
<b>Net interest- and credit commission income</b>	<b>118.938</b>	<b>114.657</b>	<b>104.332</b>	<b>101.225</b>	<b>102.404</b>
Dividends and other income from securities with var. yield	26	1.963	2.660	912	506
Commissions and income from banking services	22.741	22.197	23.891	23.375	24.334
Commissions payable and costs of banking services	3.384	3.354	3.399	3.366	3.429
Net gains from foreign exchange and securities	-19.959	-24.472	1.574	-9.441	2.011
Other operating income	4.437	1.963	1.923	2.817	1.933
Sum other operating income	<b>3.861</b>	<b>-1.703</b>	<b>26.649</b>	<b>14.297</b>	<b>25.355</b>
Wages, salaries and general administration costs	46.618	41.645	43.553	40.711	43.221
Depreciation etc. of fixed - and intangible assets	2.799	2.850	2.812	2.778	2.741
Other operating costs	4.873	4.702	5.170	4.600	4.315
Sum operating costs	54.290	49.197	51.535	48.088	50.277
<b>Result from ordinary operations before losses on loans</b>	<b>68.509</b>	<b>63.756</b>	<b>79.445</b>	<b>67.433</b>	<b>77.483</b>
Losses on loans, guarantees etc.	48.898	4.258	814	-8.368	-3.042
Depreciation of securities classified as fixed assets	8.781	0	0	0	0
<b>Operating result</b>	<b>10.830</b>	<b>59.498</b>	<b>78.631</b>	<b>75.801</b>	<b>80.525</b>
Taxes	6.655	17.450	23.376	22.282	22.929
<b>Result after taxes</b>	<b>4.175</b>	<b>42.048</b>	<b>55.255</b>	<b>53.519</b>	<b>57.596</b>

## QUARTERLY PROFIT AND LOSS FIGURES IN PER CENT OF AVERAGE ASSETS

	4th quarter 2008	3rd quarter 2008	2nd quarter 2008	1st quarter 2008	4th quarter 2007
<b>Net interest- and credit commission income</b>	<b>1,64</b>	<b>1,67</b>	<b>1,56</b>	<b>1,58</b>	<b>1,64</b>
Sum other operating income	0,05	-0,02	0,40	0,22	0,41
Sum operating costs	0,77	0,70	0,78	0,75	0,81
<b>Result from ordinary operations before losses on loans</b>	<b>0,92</b>	<b>0,95</b>	<b>1,18</b>	<b>1,05</b>	<b>1,24</b>
Losses on loans, guarantees etc.	0,69	0,05	0,01	-0,13	-0,04
Depreciation of securities classified as fixed assets	0,10	0,00	0,00	0,00	0,00
<b>Operating result</b>	<b>0,13</b>	<b>0,90</b>	<b>1,17</b>	<b>1,18</b>	<b>1,28</b>

## KEY FIGURES AS AT

	31.12.08	30.9.08	30.6.08	31.3.08	31.12.07
Growth in gross loans (% p.a.)	15,4	15,6	14,9	15,7	16,6
- Retail banking	12,1	12,6	12,9	13,1	13,8
- Corporate banking	21,1	20,8	18,4	20,3	21,8
Growth in deposits (% p.a.)	-3,6	1,4	7,8	6,0	17,7
Growth in total assets (% p.a.)	17,4	16,6	17,3	14,1	19,2
Average assets (NOK mill.)	27.280	26.780	26.253	25.801	22.923
Loan loss ratio (%)	0,18	-0,01	-0,03	-0,04	-0,01
Overall deposit coverage (%) <sup>1</sup>	51,1	52,9	56,8	57,7	61,2
After-tax return on equity capital (%) <sup>2</sup>	8,5	11,0	12,0	12,1	12,0
Total other operating costs in relation to net income (%) <sup>3</sup>	42,1	41,4	40,4	41,6	39,7
Earnings per PCC (NOK) <sup>4</sup>	12,0	11,7	8,4	4,2	17,0
Earnings per PCC (NOK) per quarter	0,3	3,3	4,2	4,2	4,8
Primary Capital Certificates (PCCs) price (NOK)	134	160	177	175	224
Number of branches	15	15	15	14	15
Number of man years	170	170	169	170	172

**Definitions:** <sup>1</sup> Deposits from and liabilities to customers, divided by loans to and claims on customers. <sup>2</sup> After-tax result, divided by average equity capital.

<sup>3</sup> Total other operating costs, divided by net interest- and credit commission income plus total other (non-interest) operating income. <sup>4</sup> PCC-holders' share of operating result after tax, divided by average number of outstanding certificates.

## NOTES TO THE ACCOUNTS

The accounts have been completed in accordance with the Banking, Insurance and Securities Commission's rules and regulations. In view of the fact that the Bank does not have any subsidiaries it does not have to report according to the new IFRS rules and regulations from 2005. All figures included in the attached Notes to the Accounts are in NOK thousand.

<b>Losses on loans in the period</b>	<b>As at 31.12.08</b>	<b>As at 31.12.07</b>
Write-downs of loans	45.516	-1.361
Losses on guarantees	85	0
<b>Write-down on loans and losses on guarantees</b>	<b>45.601</b>	<b>-1.361</b>
<b>Losses on loans</b>		
Changes in specific write-downs of loans in the period	32.090	-4.854
+ Changes in write-down on groups of loans in the period	11.500	680
+ Amortised loans	3.636	566
+ Confirmed losses in the period for which specific write-downs have previously been made	261	3.636
+ Confirmed losses in the period for which no specific write-downs have previously been made	679	2.185
- Recoveries from previous confirmed losses	2.650	3.574
<b>= Write-down on loans in the period</b>	<b>45.516</b>	<b>-1.361</b>
<b>Changes in specific write-downs</b>		
Specific write-downs of loans as at 1.1	8.959	13.813
- Confirmed losses on loans in the period for which specific write-downs have previously been made	261	3.636
+ Increased specific write-downs in the period	2.446	1.975
+ New specific write-downs in the period	33.173	2.950
- Recoveries from specific write-downs in the period.	3.268	6.143
+ Amortised loans	2.205	509
<b>= Specific write-downs.</b>	<b>43.254</b>	<b>9.468</b>
<b>Changes in write-downs on groups of loans</b>		
Write-downs of groups of loans as at 1.1	80.441	79.761
+ Changes in write-downs of groups of loans in in the period	11.500	680
<b>= Write-downs of groups of loans</b>	<b>91.941</b>	<b>80.441</b>
<b>Defaulted loans/credits</b>		
Gross defaulted loans/credits>90 days	133.659	13.034
- Specific write-downs	11.030	177
<b>= Net defaulted loans/credits</b>	<b>122.629</b>	<b>12.857</b>
Gross defaulted loans as a percentage of gross loans	0,53 %	0,06 %
<b>Other bad and doubtful loans/credits</b>		
Other bad and doubtful loans/credits, against which write-downs have been made	114.453	33.804
- Specific write-downs	32.223	9.291
<b>= Net other bad and doubtful loans/credits</b>	<b>82.230</b>	<b>24.513</b>
<b>Gross defaulted loans and bad and doubtful commitments</b>		
Gross defaulted loans and bad and doubtful commitments	248.112	46.838
- Specific write-downs	43.253	9.468
<b>Net defaulted loans and bad and doubtful commitments</b>	<b>204.859</b>	<b>37.370</b>

<b>Equity capital movements</b>	<b>AS at 31.12.08</b>	<b>AS at 31.12.07</b>
Primary Capital Certificates	125.000	125.000
Premium Fund	34.324	34.324
The Savings Bank's Fund	1.588.338	1.588.338
Dividend Equalisation Fund	11.264	11.264
Equity Capital	1.758.926	1.758.926
Retained earnings	154.999	0
<b>Total Equity Capital</b>	<b>1.913.925</b>	<b>1.758.926</b>

### **Capital adequacy**

Net equity and related capital	2.593.262	2.449.594
Risk-weighted asset total	19.124.351	16.451.824
Capital adequacy as a percentage	13,56	14,89
Core capital adequacy ratio	11,48	12,48

The figures for the fourth quarter of 2008 have been calculated according to Basel II.

Figures for previous periods have not been restated. The fourth quarter accounts for 2008 have not been audited.

### **The 20 largest PCC holders as at 31.12.2008**

<b>NAME</b>	<b>Number of PCCs held</b>	<b>% part of total PCC capital</b>	<b>NAME</b>	<b>Number of PCCs held</b>	<b>% part of total PCC capital</b>
1. Sparebankstiftelsen DnB NOR	62.300	4,98	11. Birkenes Sparebank	20.000	1,60
2. Glastad Farsund AS	46.250	3,70	12. Flekkefjord Sparebank	15.800	1,26
3. Sparebank 1 SR-Bank Finan	37.497	3,00	13. Hol Sparebank	15.000	1,20
4. Terra Utbytte VPF	33.900	2,71	14. Strømme Leif	13.400	1,07
5. Varodd AS	32.800	2,62	15. Bratland Bjørn	12.800	1,02
6. Sparebanken Sør	31.600	2,53	16. Allungården	12.350	0,99
7. Brøvig Holding AS	27.000	2,16	17. Engelschiøn Marwell Hauge	10.500	0,84
8. Spareskillingsbanken	26.600	2,13	18. Mørch Gerd Turid	10.200	0,82
9. Gunpers Auto AS	26.350	2,11	19. Pareto AS	10.150	0,81
10. MP Pensjon	26.000	2,08	20. Akselsen Carsten	10.050	0,80
<b>Total - 10 largest PCC holders</b>	<b>350.297</b>	<b>28,02</b>	<b>Total - 20 largest PCC holders</b>	<b>480.547</b>	<b>38,44</b>

As at 31.12.2008, Sparebanken Pluss owned none of the Bank's Primary Capital Certificates (PCCs). The Bank's PCC capital totalled NOK 125 million, made up 1,250,000 PCCs, each of a nominal value of NOK 100.