

# MOODY'S

## INVESTORS SERVICE

### COMPANY PROFILE

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## Sparebanken Sor

Arendal, Norway

### Company Overview

Sparebanken Sør is a Norwegian regional bank with headquarters located in Arendal. It operates primarily in the counties of Aust-Agder, Vest-Agder and Telemark. As of 30 September 2012, the bank provides retail and commercial banking, securities and real estate brokerage products and services through a network of 30 branches.

According to the loan and deposit information reported by the bank and the breakdowns of loans and deposits by county from Statistics Norway, it is estimated that Sparebanken Sør holds market shares of 15% in terms of lending and close to 20% in terms of deposits in the aforementioned counties. Nationally, the bank holds market shares of around 1% in terms of both deposits and lending. As of 30 September 2012, the bank reported total consolidated assets of NOK43.22 billion (€5.81 billion).

Sparebanken Sør originated in 1825 with the founding of Arendals Sparebank.

Subsequently, following a series of mergers with smaller savings banks, the current company was established as an independent savings bank with no external shareholders. However, in March 2012, the bank's Supervisory Board decided to convert NOK600 million (€79.1 million) of primary capital in the bank's Savings Bank Fund into equity certificates (ECs). The ECs will be issued to Sparebankstiftelsen Sparebank Sør, which will become owner of all the ECs issued.

Note: Currency converted using exchange rates of NOK-€0.13176, as of 28 Mar 2012, and NOK-€0.13123, as of 31 Mar 2012

Source: Company Reports (annual report Dec 2011 and Dec 2007, Q1 report Mar 2012, Q2 report June 2012), Company data, Moody's research, [www.oanda.com](http://www.oanda.com)

## Financial Highlights (as Reported)

*Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on Sparebanken Sør, please see <[Sparebanken Sør page on moodys.com](#)>.*

FIGURE 1

### Latest Full-Year Results

Sparebanken Sør

(in NOK Million)	31-Dec-11	31-Dec-10	31-Dec-09	% Change 11/10	% Change 10/09
NOK/€, Period end	0.12872	0.12787	0.12008	-	-
Total Assets	41,860	37,697	35,340	11.04	6.67
Total Shareholders' Equity	2,957	2,756	2,442	7.29	12.86
Shareholders' Equity excluding Minority Interest	2,951	2,750	2,436	7.31	12.89
Net Equity and Related Capital	3,384	3,214	3,115	5.29	3.18
Tier 1 Ratio (%)	14.2	14.0	14.1	20 bps	(14) bps
Net Income	219	368	148	(40.49)	148.65
Net Income Attributable to Equity Holders	219	368	147	(40.49)	150.34

Note: 1) Consolidated financials are considered

2) "Shareholders' Equity excluding Minority Interest" is calculated after deducting "Minority Interest" from "Total Shareholders' Equity"

Source: Company Report (annual report Dec 2011), [www.oanda.com](http://www.oanda.com)

FIGURE 2

### Latest Third-Quarter Results

Sparebanken Sør

(in NOK Million)	30-Sep-12	30-Sep-11	% Change 12/11
NOK/€, Period end	0.13576	0.12722	-
Total Assets	43,222	40,348	7.12
Total Shareholders' Equity	3,094	2,925	5.78
Shareholders' Equity excluding Minority Interest	3,088	2,919	5.79
Net Equity and Related Capital	3,057	3,207	(4.68)
Tier 1 Ratio (%)	13.2	13	20 bps
Net Income	143	175	(18.29)
Net Income Attributable to Equity Holders	143	175	(18.29)

Note: 1) Unaudited consolidated financials are considered

2) "Shareholders' Equity excluding Minority Interest" is calculated after deducting "Minority Interest" from "Total Shareholders' Equity"

Source: Company Report (Q3 report Sep 2012), [www.oanda.com](http://www.oanda.com)

## Business Activities

Sparebanken Sør is a Norwegian regional bank providing retail and commercial banking and financial services to private, corporate and public sector clients in southern Norway, in the counties of Vest-Agder, Aust-Agder and Telemark.

Through its subsidiaries and associated companies, Sparebanken Sør offers a range of financial products and services, including real estate brokerage (ABCenter), mortgage financing (Sør Boligkreditt AS), insurance (Frende Forsikring), securities brokerage (Norne Securities) and corporate leasing (Brage Finans).

Sparebanken Sør operates through four business segments: Retail Banking, Corporate Market, Capital Market and Real Estate Brokerage. In addition, it maintains a Not Allocated segment, which includes items that are not directly attributable to other business segments. In the financial year ended 31 December 2011 (2011), the largest contributor to the bank's net interest and credit commission income was the Retail Banking segment.<sup>1</sup>

**Retail Banking:** This segment, which in 2011 accounted for 58.3% of the bank's net interest and credit commission income, provides deposit facilities, loans, investment products and services, payment facilities, pensions and both life and non-life insurance. As of 31 December 2011, the segment reported total consolidated assets of NOK23.0 billion (€3.0 billion).

**Corporate Market:** This segment provides corporate clients with financial solutions, including deposits, financing, online brokerage, and both advisory and insurance services. As of 31 December 2011, the segment reported total consolidated assets of NOK10.6 billion (€1.4 billion), and accounted for 41.5% of the bank's net interest and credit commission income in 2011.

**Capital Market:** The segment offers capital market services, such as trading, foreign exchange and interest rate contracts. As of 31 December 2011, the segment reported total consolidated assets of NOK11.9 billion (€1.5 billion), and accounted for 0.2% of the bank's net interest and credit commission income in 2011.

**Real Estate Brokerage:** This segment comprises real estate brokerage services provided by the bank's wholly owned subsidiary, ABCenter. As of 31 December 2011, the segment reported total consolidated assets of NOK35 million (€4.5 million).

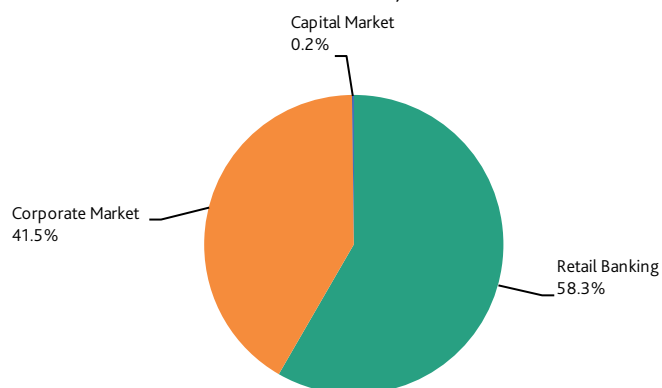
Note: Currency converted using exchange rate of NOK=€0.12872, as of 31 Dec 2011  
Source: Company Report (annual report Dec 2011), Moody's research, Company data

<sup>1</sup> Throughout this section, such percentages are calculated excluding both the "Real Estate Brokerage" segment, due to its nil contribution, and the "Not Allotted" segment

FIGURE 3

**Business Segment**

(% of Net Interest and Credit Commission Income, consolidated, for 2011)

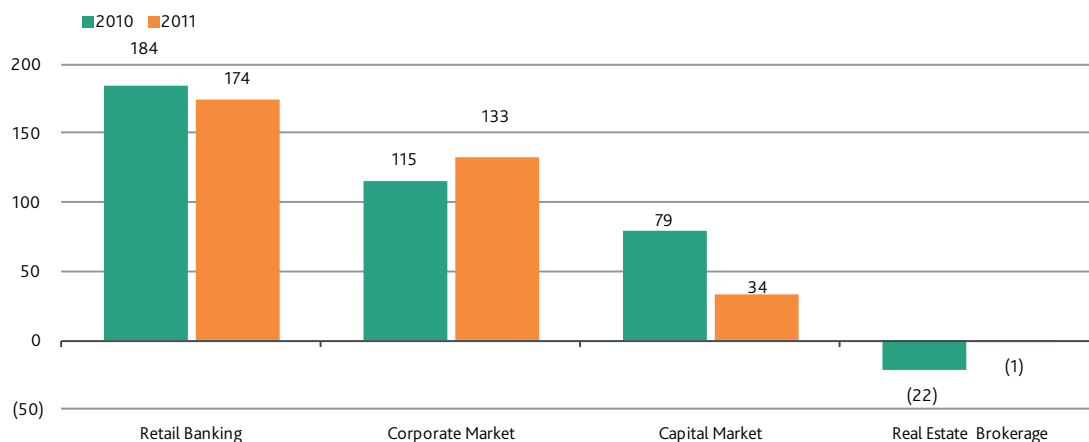


Note: Excluding both "Real Estate Brokerage" segment, due to its nil contribution, and "Not Allotted" segment  
 Source: Company Report (annual report Dec 2011, Pg: 31)

FIGURE 4

**Profit/(Loss) Before Tax per Business Segment**

(consolidated, NOK Million)



Note: 1) Excluding "Not Allotted" segment

2) Comparative figures for 2009 are not available, due to a change in the bank's segment reporting in 2011

Source: Company Report (annual report Dec 2011, Pg: 31)

The bank's gross loans by sector/industry are as follows:

FIGURE 5

**Sparebanken Sør**

Gross Loans by Sector/Industry	% Share	
	31-Dec-11	31-Dec-10
Retail banking customers	68.17	67.23
Public sector	0.06	0.11
Primary industry	1.32	1.31
Industry	2.03	2.35
Building and construction	5.48	5.28

FIGURE 5

**Sparebanken Sør**

Gross Loans by Sector/Industry	% Share	
	31-Dec-11	31-Dec-10
Transport and communication	1.06	1.08
Wholesale and retail trade	2.54	2.70
Hotel and restaurant	0.78	0.82
Real estate	14.53	15.36
Financial/business services	2.47	2.17
Sundry/other industries	1.56	1.59
<b>Total Gross Loans</b>	<b>100.00</b>	<b>100.00</b>

Source: Company Reports (Q1 reports Mar 2012 and Mar 2011)

## Distribution Capacity and Market Share

Sparebanken Sør is a regional savings bank with strong market positions in southern Norway, particularly in its home counties of Vest-Agder, Aust-Agder and Telemark.

As of 30 September 2012, the bank distributed its products and services through a network of 30 branches at 12 locations within the counties of Vest-Agder, Aust-Agder and Telemark. Furthermore, the bank's real estate subsidiary ABCenter operated 12 branches in the same counties, as of 31 December 2011. The bank also delivers products and services through alternative delivery channels, including ATMs and telephone and internet banking.

While the bank holds a 1% share of the total Norwegian banking market, its core markets are the counties of Vest-Agder, Aust-Agder and Telemark, where it retains approximately a 15% market share in terms of loans and around 20% in terms of deposits.

Source: Company Reports (annual report Dec 2011, Q2 report June 2012), Company data, Moody's research

## Ownership and Structure

In March 2012, the Supervisory Board of the bank decided to convert NOK600 million (€79.1 million) of primary capital in the bank's Savings Bank Fund into equity certificates (ECs). The ECs will be issued to Sparebankstiftelsen Sparebank Sør, a savings bank foundation established in connection with the conversion. As a result of the conversion, Sparebankstiftelsen Sparebanken Sør will, without payment, become owner of all the ECs issued, representing an ownership stake of around 20.73%.

Note: Currency converted using exchange rate of NOK-€0.13176, as of 28 Mar 2012

Source: Company Reports (annual report Dec 2011, Q1 report Mar 2012), Company data, Moody's research, [www.oanda.com](http://www.oanda.com)

## Subsidiaries and Associates

As of 31 December 2011, the subsidiaries and associates of the bank were as follows:

FIGURE 6

### Sparebanken Sør

Company	Principal Activity	Held (%)
<b>Subsidiary Company</b>		
ABCcenter Holding AS	Real estate brokerage	100
AS Eiendomsvekst	Real estate	100
Bankbygg AS	Real estate	51
Markensgate 9 AS	Real estate	80
Prosjektutvikling AS	Real estate	100
Rettighetskompaniet AS	Manager of naming rights	100
Sør Boligkreditt AS	Mortgages	100
<b>Associate Company</b>		
Søndeled Bygg AS	N/A	29
Frende Forsikring	Insurance	10
Norne Securities	Securities brokerage	14.8
Brage Finans	Leasing and secured loans to corporates	14

Source: Company Report (annual report Dec 2011), Company data

## Government Support Programme

In 2008, the Norwegian government established a swap arrangement, to allow banks to swap covered bonds for government bonds in order to support their liquidity. The swap arrangement amounted to NOK350 billion and was for maturities of up to five years. In response, in 2008, Sparebanken Sør established Sør Boligkreditt AS, a wholly owned mortgage company. With the improved market conditions, this arrangement was phased out in late 2009.

In February 2009, the government announced a crisis relief package, whereby two new funds were established – one to provide core capital to Norwegian banks and another to invest in fixed income securities issued by Norwegian banks and other corporates. The banks had until the end of September 2009 to apply for capital. In August 2009, Sparebanken Sør borrowed NOK400 million (ca. €50 million) in Tier 1 hybrid capital from the State Finance Fund. It was repaid in December 2010, and partially replaced by a NOK200 million (€25.6 million) Tier 1 issue.

Note: Currency converted using exchange rates of NOK–€0.12536, as of 31 Aug 2010, and NOK–€0.12787, as of 31 Dec 2010  
Source: Company Reports (annual report Dec 2010, Dec 2009 and Dec 2008), Moody's research, [www.oanda.com](http://www.oanda.com)

## Company Management

Company Director	Current Title	Age
Geir Bergskaug	Sparebanken Sør: General Manager and Managing Director	51

As of 18 June 2012

Board of Directors	Affiliation	Committees
Torstein Moland	Sparebanken Sør: Chairman	N/A
Unni Grete Farestveit	Sparebanken Sør: Deputy Chairman	N/A
Jill Heidi Eklund Akselsen	Sparebanken Sør: Member	Remuneration Committee (C)
Kjell Pedersen-Rise	Sparebanken Sør: Member	Remuneration Committee
Erling Holm	Sparebanken Sør: Member	N/A
Olav Inge Nordbø	Sparebanken Sør: Member	Remuneration Committee
Per Adolf Bentsen	Sparebanken Sør: Member and Employee's Representative	N/A
Cathy Steller	Sparebanken Sør: Member and Employee's Representative	N/A
Agnes Berntsen	Sparebanken Sør: Member	N/A
Jan Trygve Reinertsen	Sparebanken Sør: Deputy Member	N/A
Trond Olaf Holteberg	Sparebanken Sør: Deputy Member	N/A
Gunn Marit Helgesen	Sparebanken Sør: Deputy Member	N/A
Dina Helen Stendal	Sparebanken Sør: Deputy Member and Employee's Representative	N/A

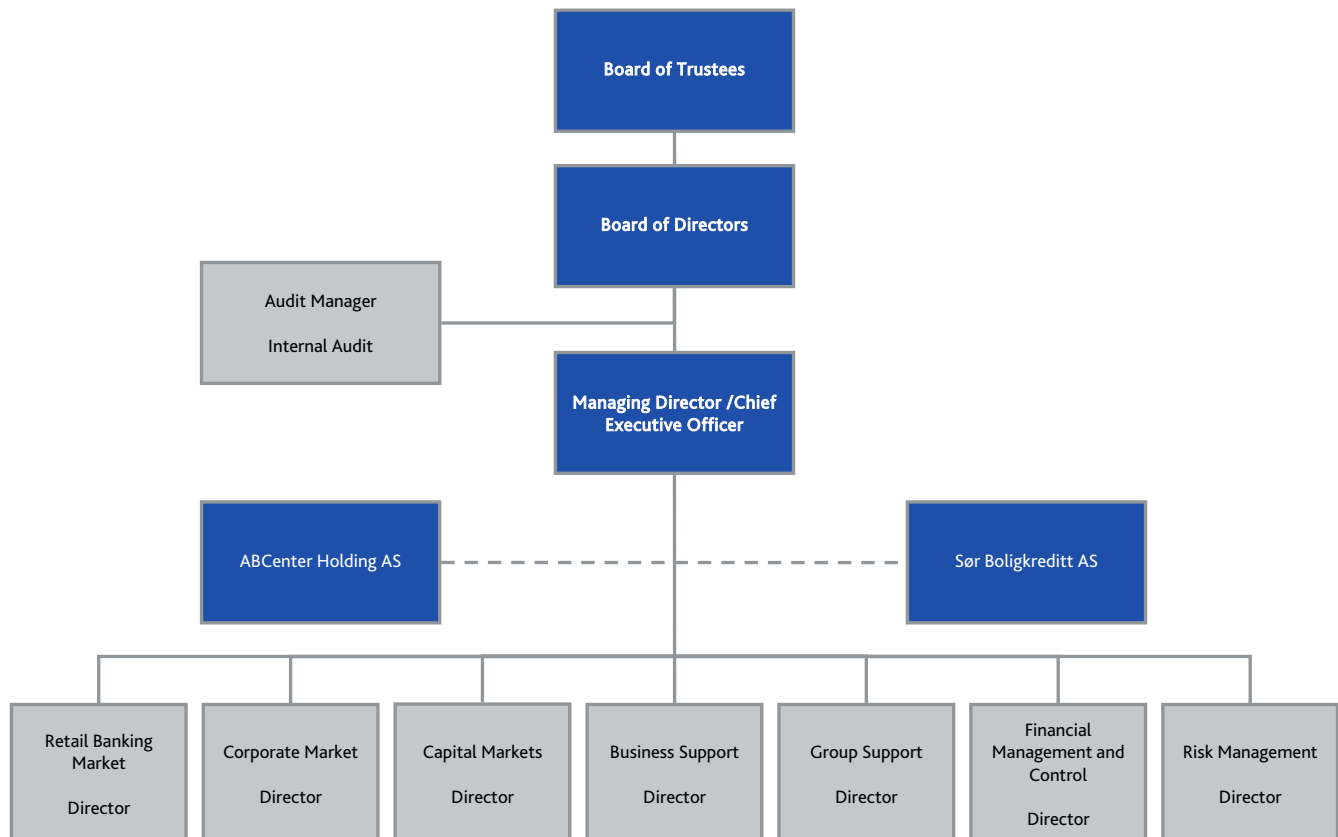
(C) = Chairman

As of 18 June 2012

Source: Company Report (annual report Dec 2011), Company data

FIGURE 7

## Organisational Chart as of 31 December 2011



Source: Company Report (annual report Dec 2011)

## Company History

Sparebanken Sør originated in 1825 with the founding of Arendals Sparebank. Subsequently, following a series of mergers with smaller savings banks, the current company was established as an independent savings bank with no external shareholders. It had a strong regional focus in southern Norway, particularly in the counties of Vest-Agder, Aust-Agder and Telemark.

Since 1999, Sparebanken Sør has been a partial owner of ABCenter, the largest real estate broker in the region. Currently, it fully owns the company.

In December 2008, the bank established a mortgage subsidiary, Sør Boligkreditt AS.

In 2009, together with 14 other independent Norwegian savings banks, Sparebanken Sør became minority co-owner of insurance company Frende Forsikring (10%) and securities brokerage company Norne Securities (14.8%). The group also holds a 14% stake in Brage Finans, a corporate leasing and factoring company.



In March 2012, the Supervisory Board of the bank decided to convert NOK600 million (€79.1 million) of primary capital in the bank's Savings Bank Fund into equity capital. The ECs will be issued to Sparebankstiftelsen Sparebank Sør, a savings bank foundation established in connection with the conversion. Sparebankstiftelsen Sparebanken Sør will, without payment, become owner of all the ECs issued as a result of the conversion, representing around 20.73% of ownership interest.

Note: Currency converted using exchange rate of NOK-€0.13176, as of 28 Mar 2012

Source: Company Reports (annual report Dec 2010, Dec 2009, Dec 2008 and Dec 2007, Q1 report Mar 2012), Company data, Moody's research, [www.oanda.com](http://www.oanda.com)

## Peer Group

- » Aktia Bank Plc
- » Länsförsäkringar Bank AB (publ)
- » Ringkjøbing Landbobank A/S
- » Sparebanken Hedmark
- » SpareBank 1 SR-Bank ASA
- » SpareBank 1 SMN
- » SpareBank 1 Nord-Norge
- » Sparebanken Vest
- » Sparebanken Møre
- » Sparebanken Øst
- » Sparebanken Pluss
- » Sparebanken Sogn og Fjordane
- » Spar Nord Bank A/S
- » Storebrand Bank
- » Sydbank A/S

## Related Websites and Information Sources

For additional information, please see:

- » the company's website: [www.sor.no](http://www.sor.no)
- » the regulator's website: [www.finanstilsynet.no](http://www.finanstilsynet.no)
- » the Central Bank's website: [www.norges-bank.no](http://www.norges-bank.no)

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## Moody's Related Research

### Credit Opinion:

- » [Sparebanken Sør, July 2012](#)

### Banking System Outlook:

- » [Norway, November 2011 \(137158\)](#)

### Banking System Profile:

- » [Norway, May 2012 \(141857\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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