

Sparebanken Sør

3rd quarter 2015

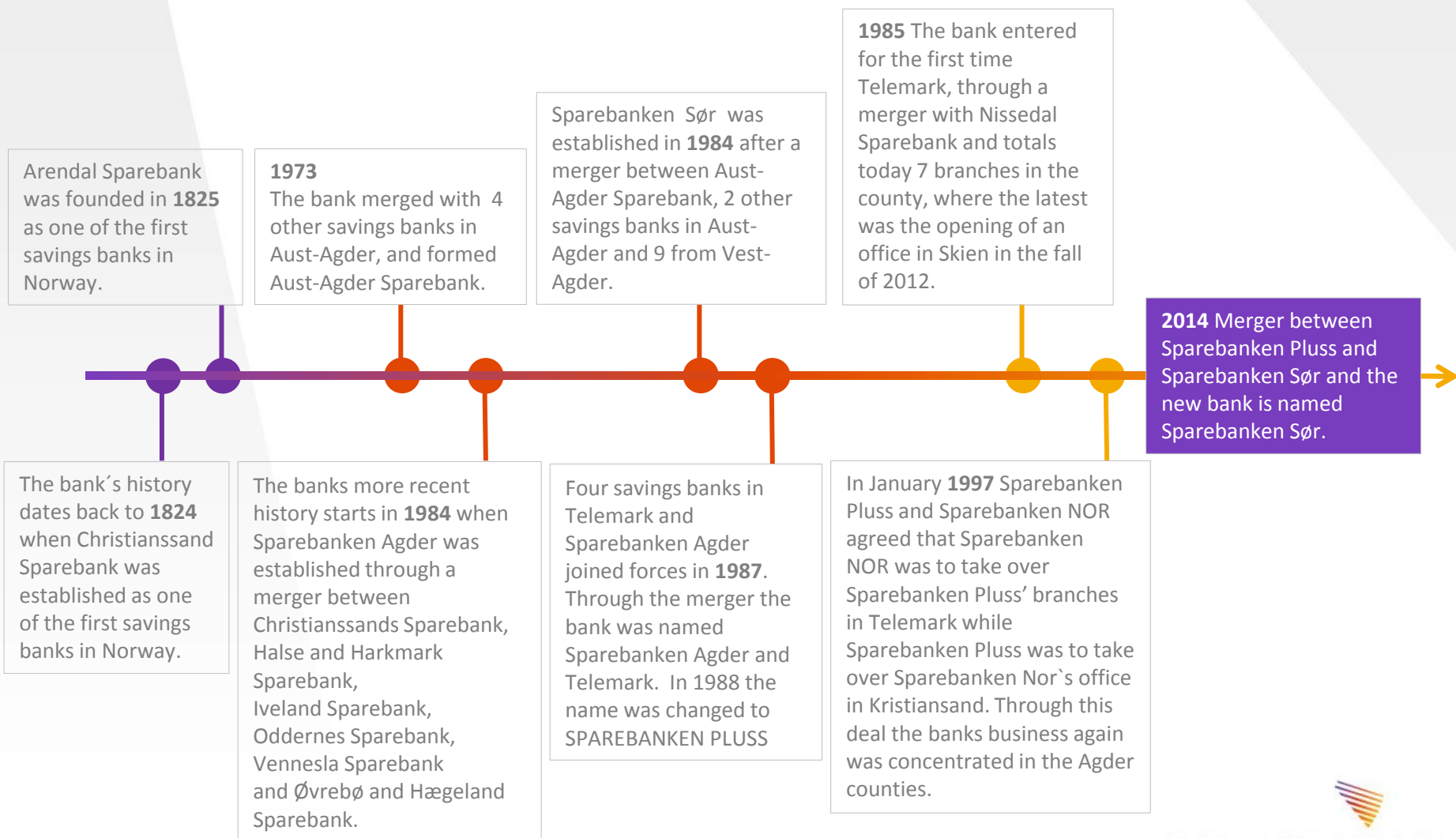


SPAREBANKEN SØR

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.

190 years of development and renewal



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 approaching 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 contribute to further growth and development in the region.

Key features 3rd quarter 2015

- Positive trend in result from ordinary operations, profit before tax up NOK 65 million compared with last year
- Volume growth compensated for lower margins and contributed to stable net interest income
- Net income from financial instruments reduced due to write-down of liquidity portfolio
- Lower costs in the bank, down 3.8 per cent from the same period last year
- Low losses on loans
- Loan growth of 7.2 per cent, and deposit growth of 2.7 per cent
- Return on equity after tax of 8.6 per cent

Income statement Sparebanken Sør

3rd quarter pre-tax profit of NOK 653 millions.

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

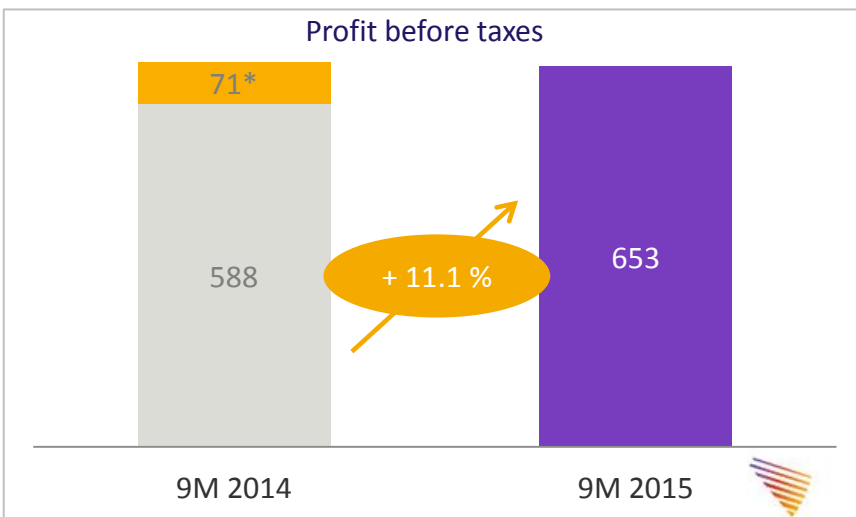
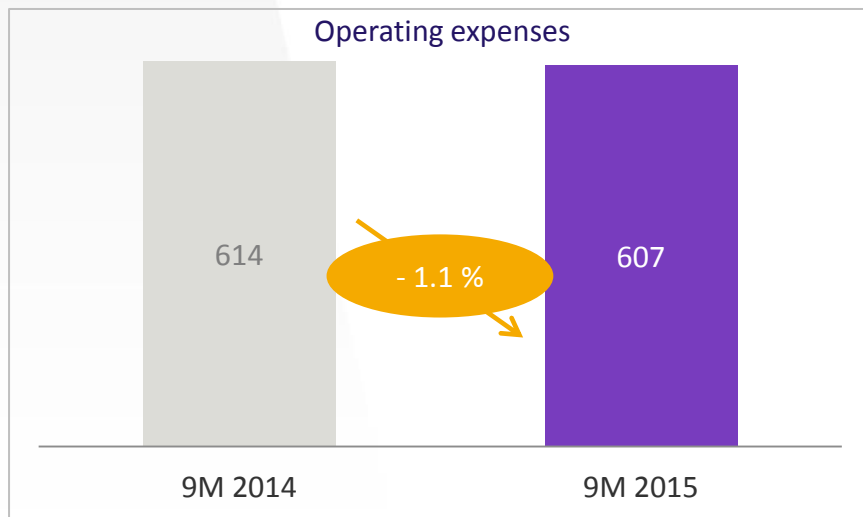
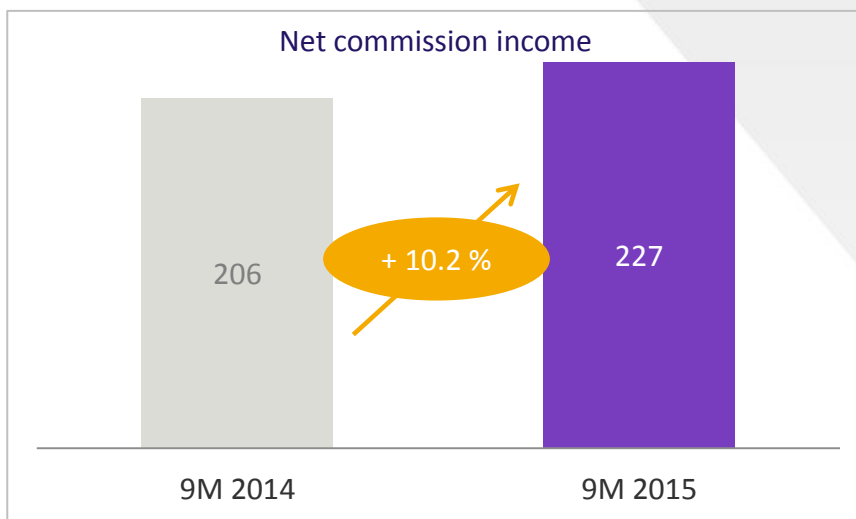
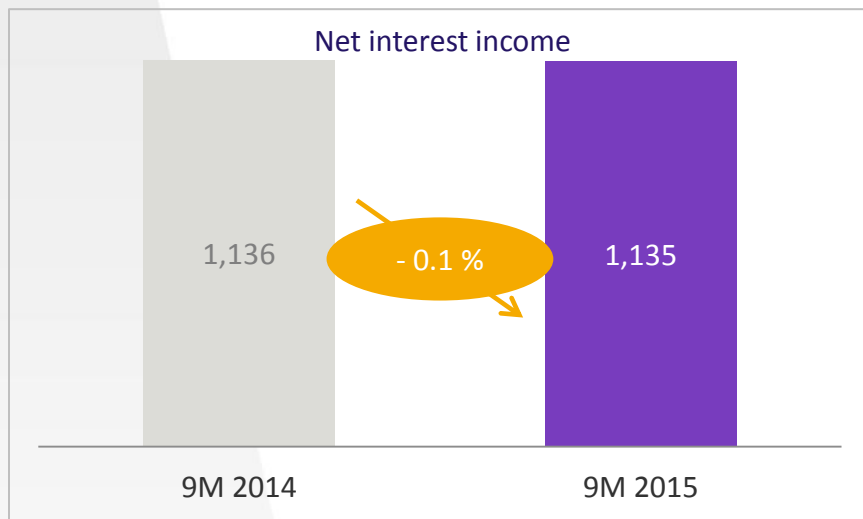
Key features from the business after the third quarter are as follows:

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

Results after the third quarter provides a post-tax RoE of 8.6 percent.

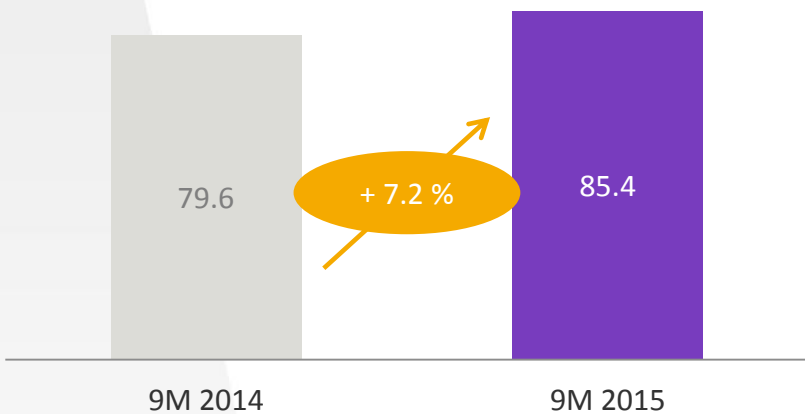
NOK millions	9M 2015	9M 2014	ex Nets
Net interest income	1,135	1,136	1,136
Net commission income	227	206	206
Net income from financial instruments	- 67	166	95
Other operating income	14	14	14
Total income	1,309	1,522	1,451
Total expenses	607	614	614
Profit before losses on loans	702	908	837
Losses on loans, guarantees	49	249	249
Profit before taxes	653	659	588
Tax expenses	178	158	158
Profit for the period	475	501	430

Profit and loss items

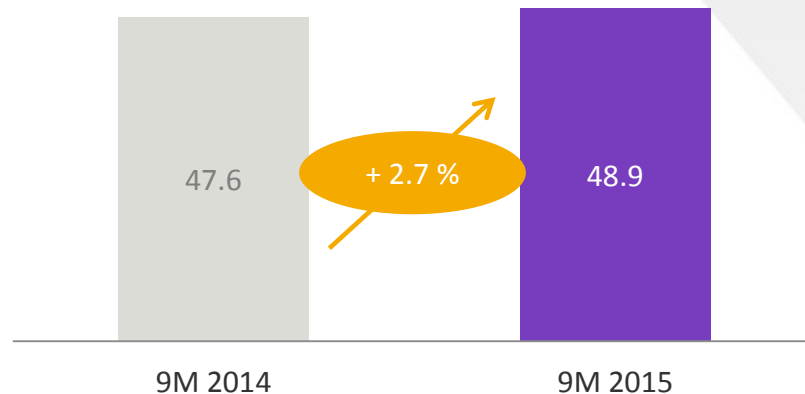


Balance sheet items

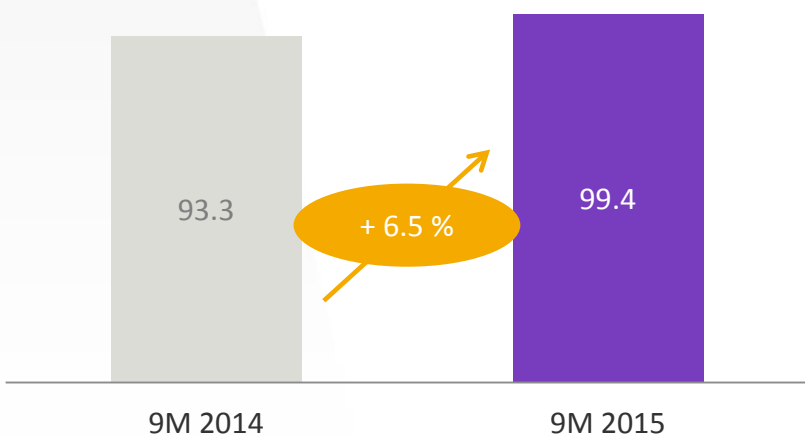
Net loans



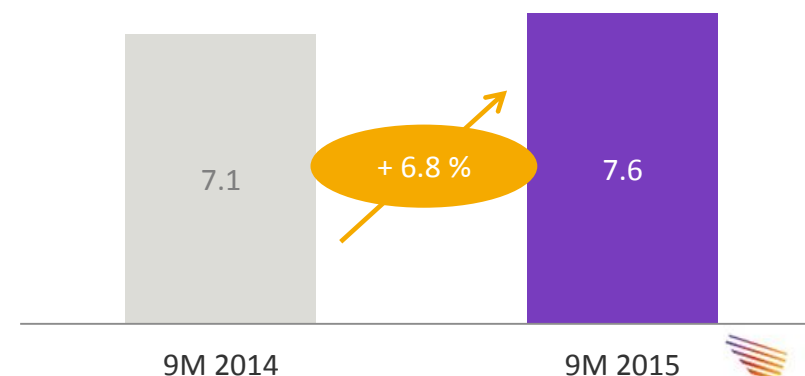
Deposits



Total assets

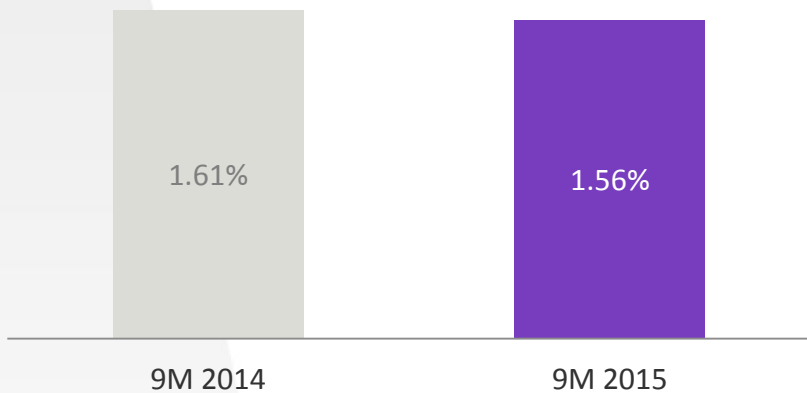


Equity

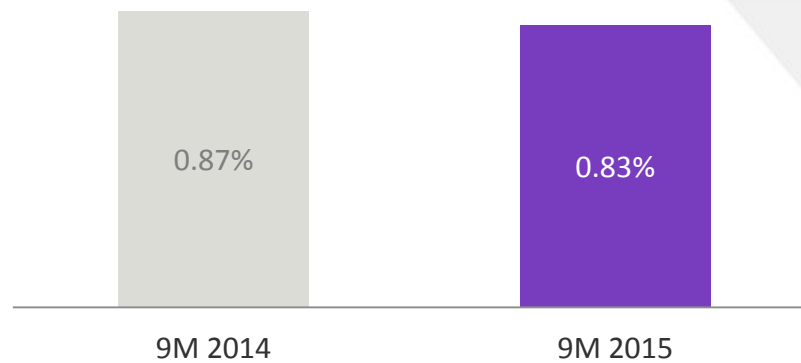


Key figures

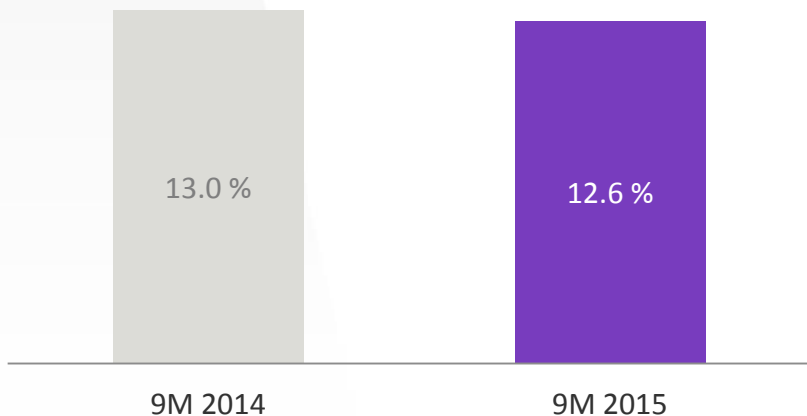
Net interest income as a percentage of average total assets



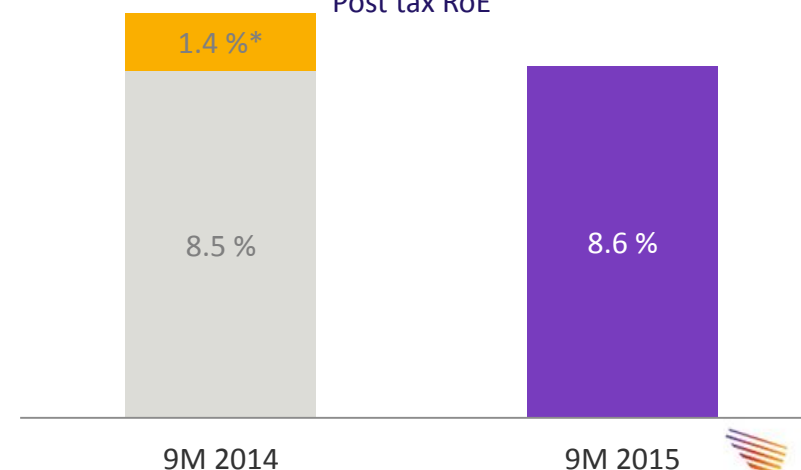
Total expenses as a percentage of average total assets



Core Equity Tier 1 capital ratio (CET1, incl. part of result)

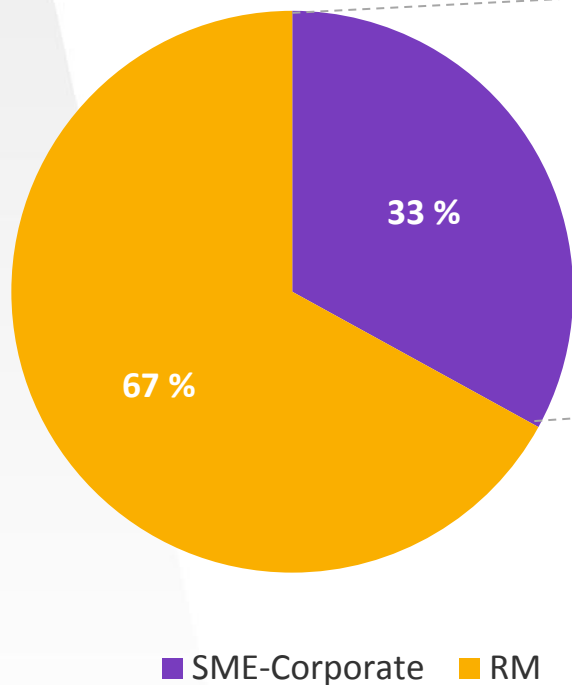


Post tax RoE

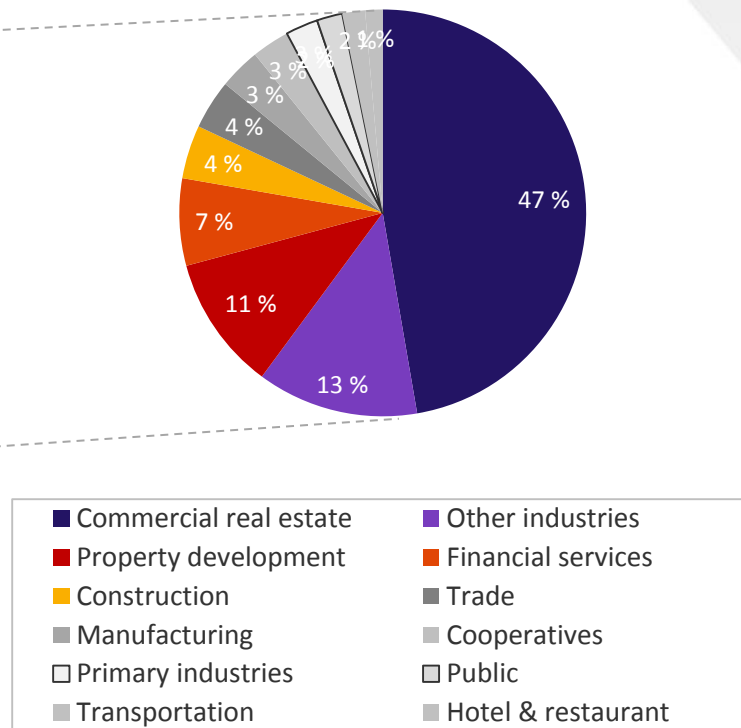


Loans

Distribution RM/SME-Corporate



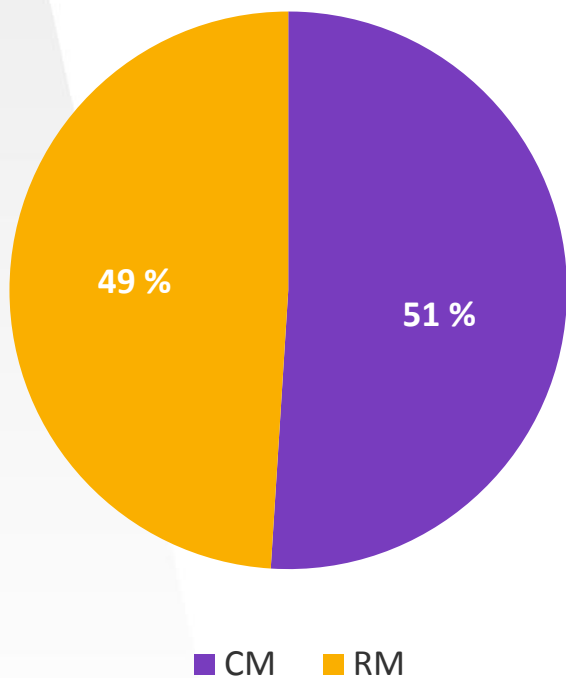
Distribution SME-Corporate Market



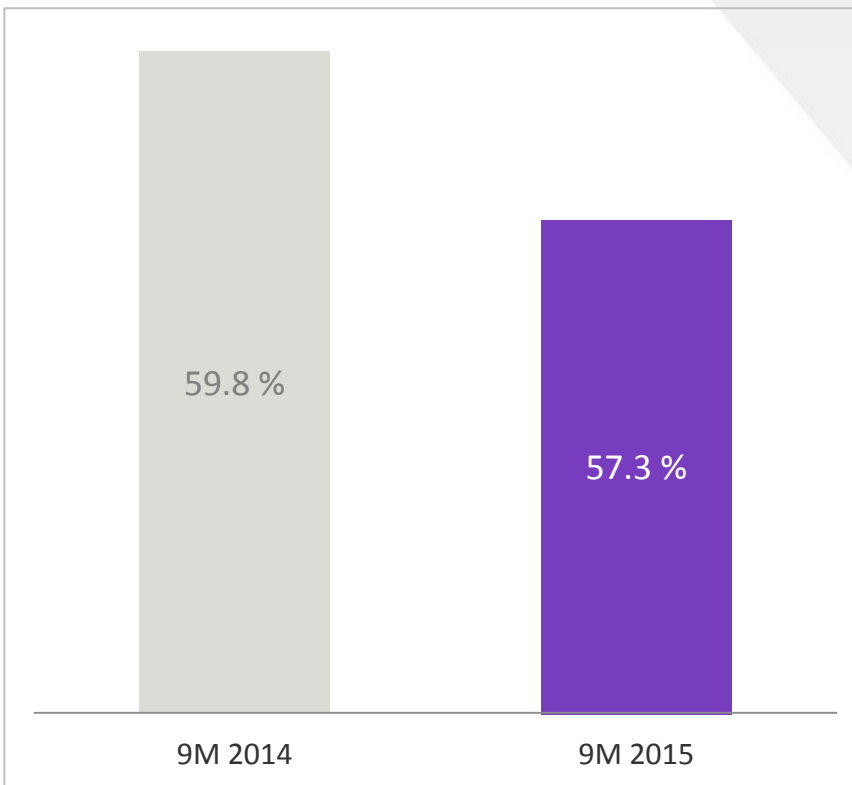
A well-diversified portfolio which reflects the business activity in the region

Deposits

Distribution RM/SME-Corporate



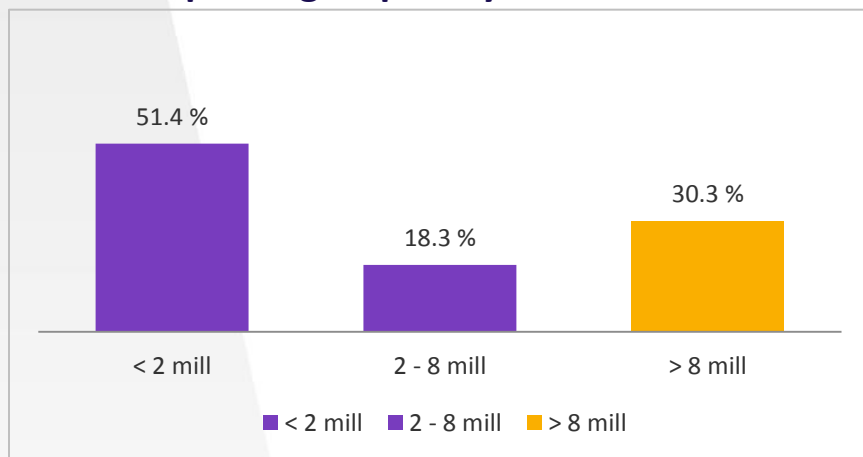
Ratio of deposits to net loans



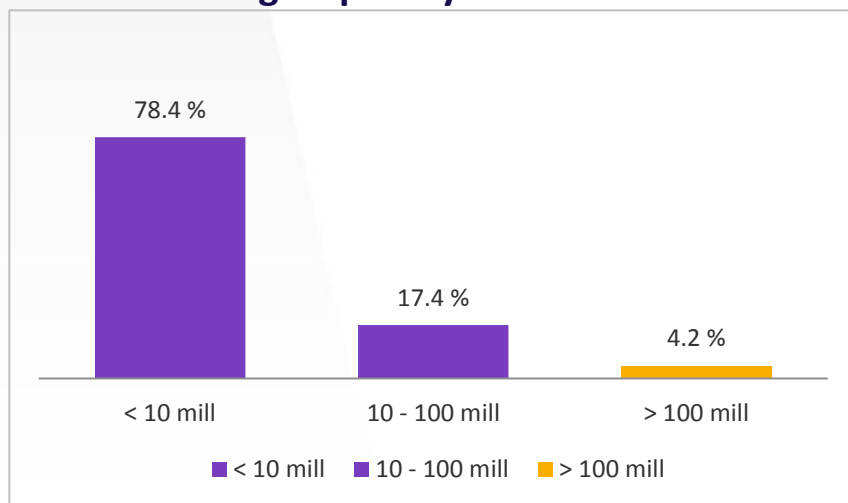
Still maintaining a high deposit to net loans ratio

Breakdown of deposits and loans

Deposits grouped by individual size



Loans grouped by individual size

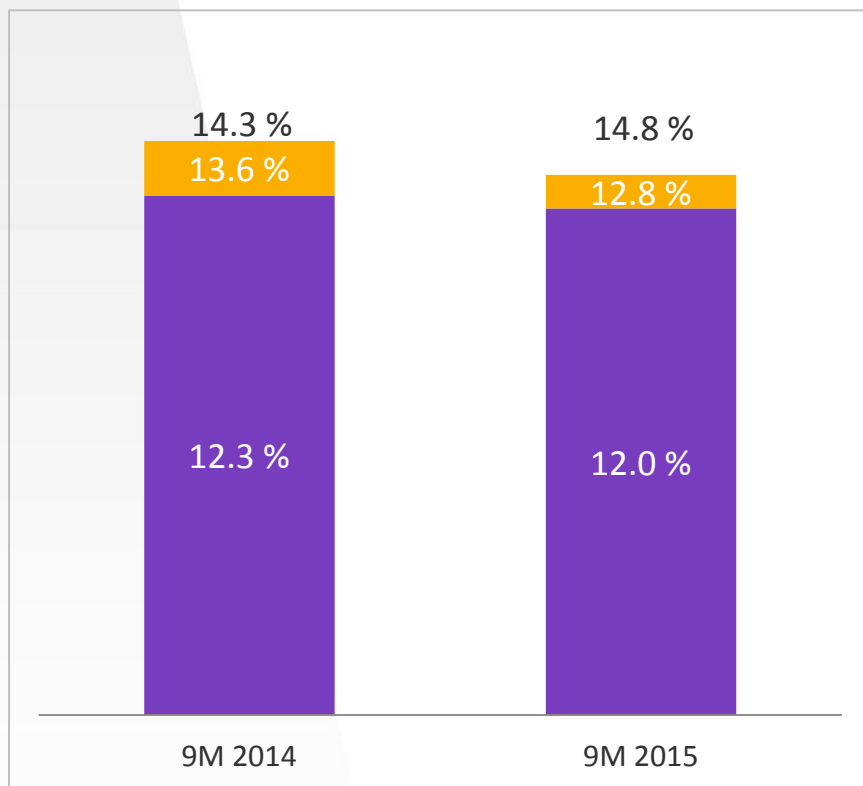


- Deposits with size below 2 MNOK constitutes 51.4 % of total deposits
- Deposits with size between 2 and 8 MNOK constitutes 18.3 %
- Deposits with size above 8 MNOK constitutes 30.3 % of total deposits

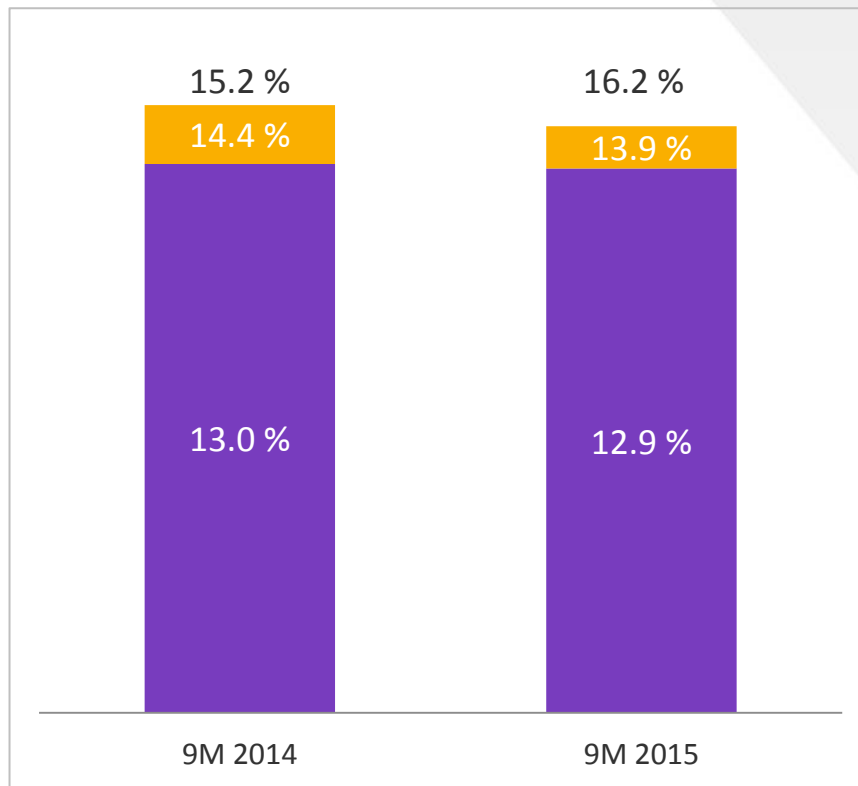
- Loans with size below 10 MNOK constitutes 78.4 % of total loans
- Loans with size between 10 and 100 MNOK constitutes 17.4 %
- Loans with size above 100 MNOK constitutes 4.2 % of total loans

Capital adequacy

Group



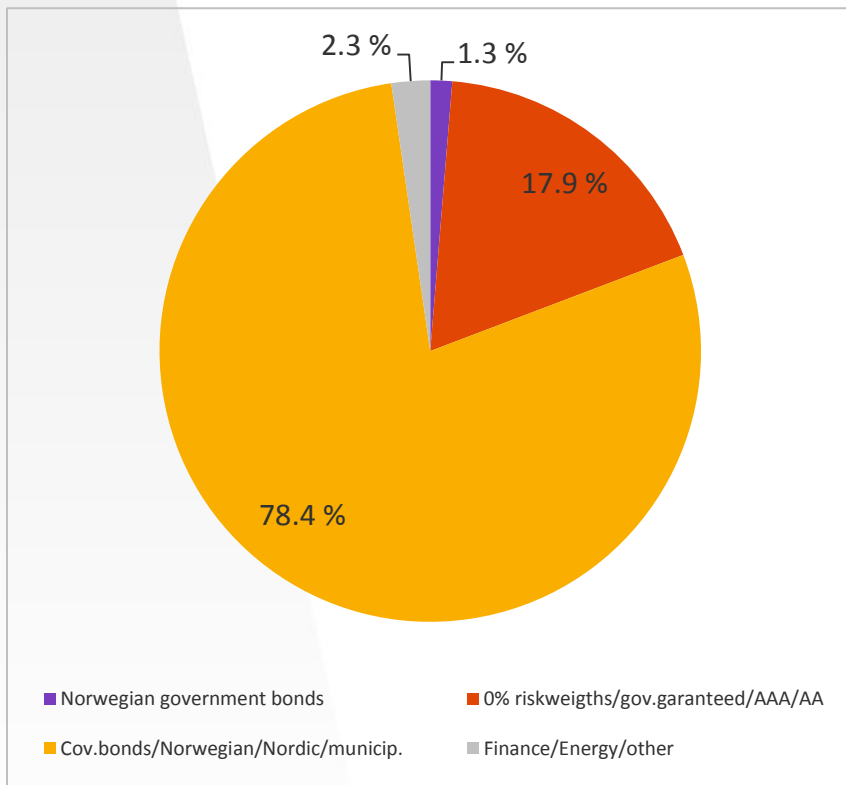
Parent bank



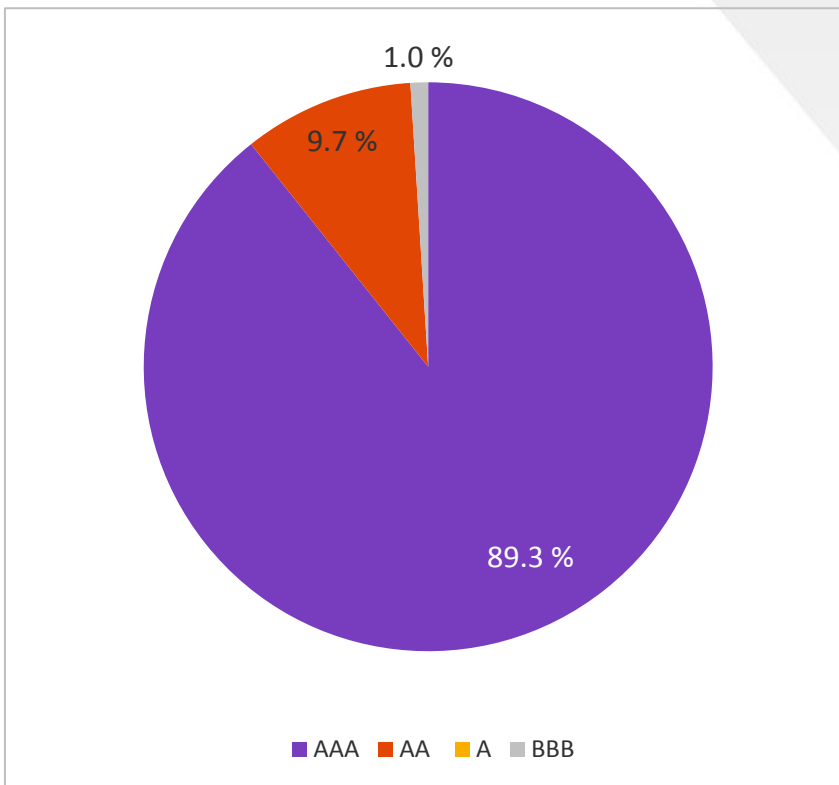
- Core Equity Tier 1 capital of 12.6 percent and total capital ratio of 15.5 percent, including share of 3rd quarter result for Group.

Certificates and bonds

Liquidity portfolio

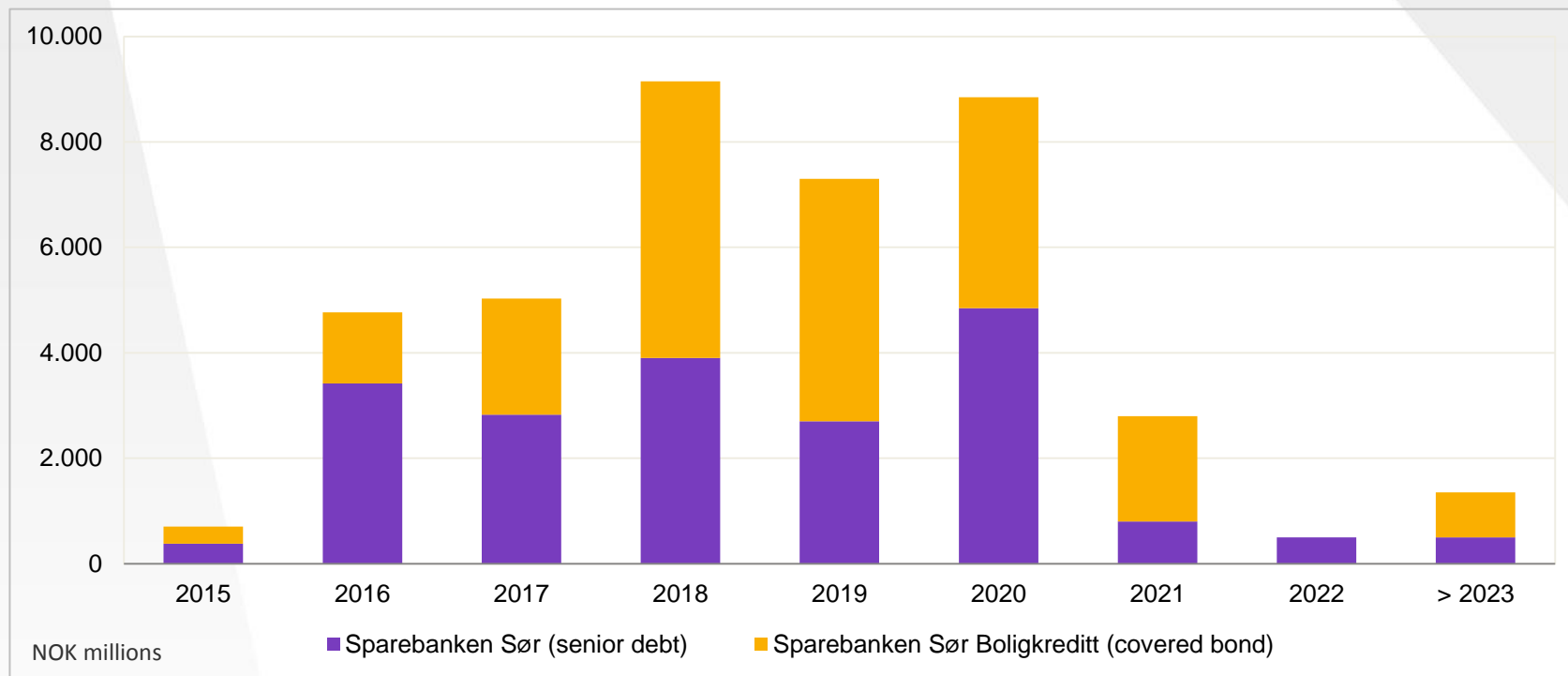


Rating



- Total liquidity portfolio of NOK 11.3 billion
- 100 percent investment grade

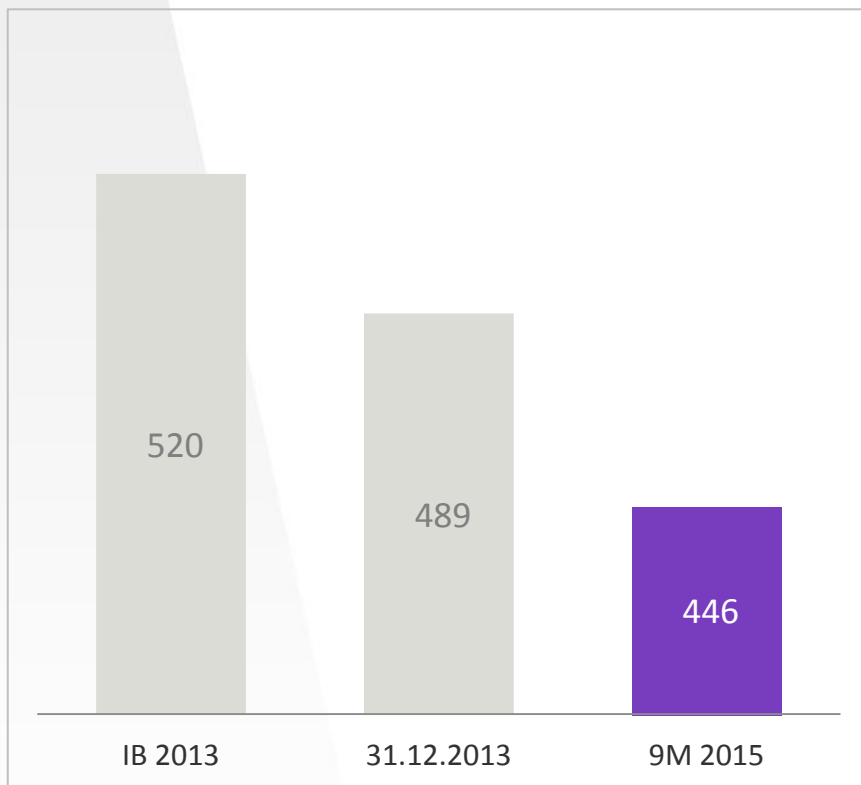
Funding



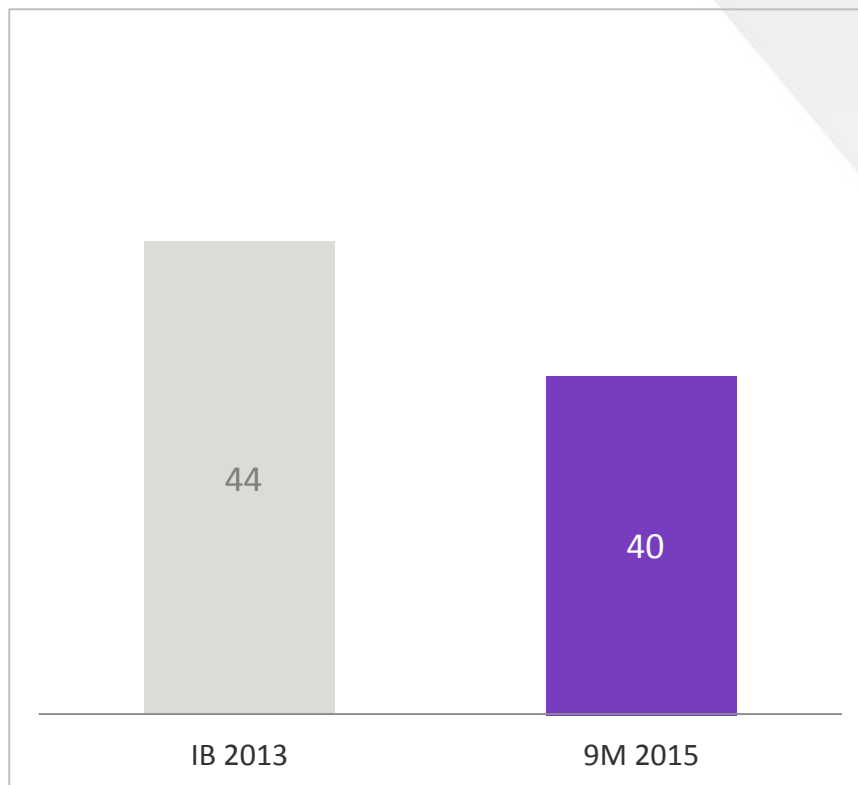
- Total funding of NOK 40.5 billion, with NOK 20.6 billion issued as covered bonds.
- Satisfactory access to new funding at reasonable market prices.
- Well diversified maturity structure, which reduces liquidity risk.
- Funding with maturities > 12 months constitutes 86.5 percent.
- Liquidity indicator above regulatory requirements.

Synergies from the merger

Number of FTEs in the bank



Number of branches



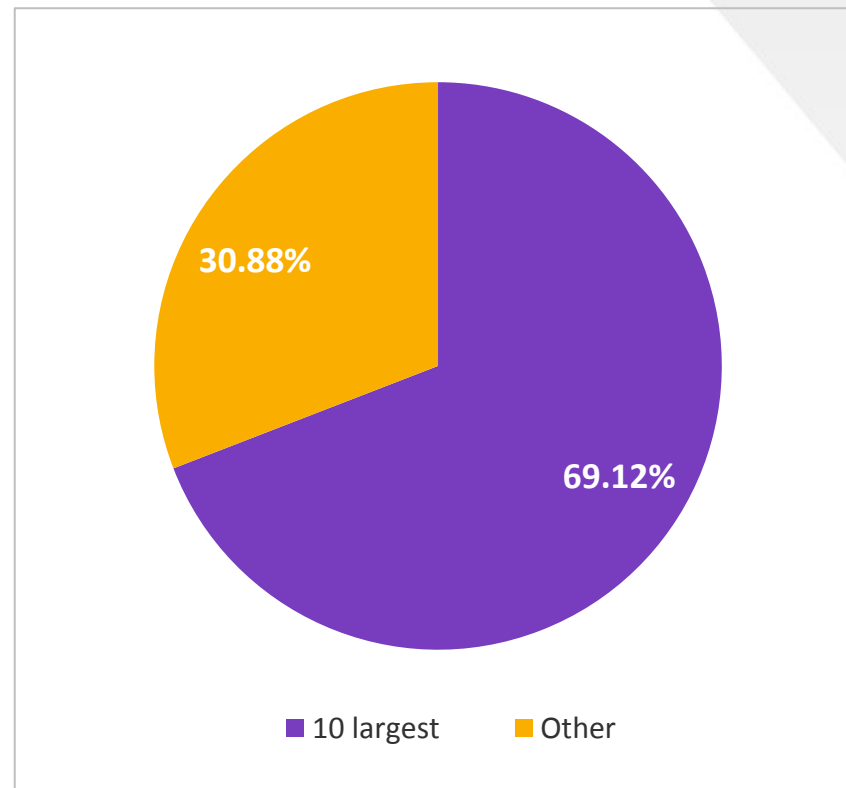
- Staff downsizing is being carried out faster than planned for, which reduces the cost base
- The branch structure is under consideration due to change in customer behavior and increased use of digital channels

Equity certificate owners

10 largest EC owners as of September 30th 2015

	Name	Number of EC	Share of EC
1	Sparebankstiftelsen Spb. Sør	2,432,024	51.00 %
2	HOLTA INVEST AS	134,410	2.82 %
3	Arendal Kommunale Pensjonskasse	130,000	2.73 %
4	Pareto AS	124,150	2.60 %
5	Verdipapirfondet EIKA	121,836	2.55 %
6	GLASTAD INVEST AS	100,000	2.10 %
7	SEB London Branch AIF Irish clients	80,650	1.69 %
8	Sparebankstiftelsen DnB	62,300	1.31 %
9	MP Pensjon PK	56,900	1.19 %
10	Gustav Pedersen AS	53,760	1.13 %
	10 largest owners	3,296,030	69.12 %

10 largest EC owners as a percentage of total



- A successful divestment was made from Sparebankstiftelsen Sparebanken Sør in June from 73 to 51 per cent of the issued equity certificates, changing the stake and composition of the 10 largest owners.
- As of September 30th 2015, 4,768,674 equity certificates are issued. The equity certificate ratio is 13.4%.
- Profit per equity certificate (Group) constitutes NOK 13.40.

Summary 3rd quarter 2015

Result	Improved earnings from good growth, stable net interest income, increased commission income and reduced costs and losses on loans.
Financial income	Due to turbulence in the financial markets, the spreads have increased through the third quarter, which has 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 the current regulatory requirements. Further total capital ratio adjustments will be made on an ongoing basis.
Growth	The bank experience competitive conditions and the influx of new low risk loans is still good. Lending growth is also expected to continue in the fourth quarter of 2015.
Summary	Sound operations contributes to a pre-tax result of NOK 653 millions after the first nine months of 2015.

Future prospects

Macro	The growth in the Norwegian economy is moderate. Unemployment levels are increasing and the development in the oil industry could effect the growth rate going forward.
The region	Sparebanken Sør has a very low direct exposure to the oil and oil service sector, but as the largest bank in the region it will be affected by the general economic development in the region.
Capital requirements	The bank have a target at any given time to be well-capitalized. The core tier 1 equity ratio shall be above the regulatory minimum requirements and be at the level with comparable banks.
Funding and liquidity	Sparebanken Sør experience satisfactory access to new funding at reasonable market prices. The liquidity buffers are adequate and the maturity structure for borrowings is well-adjusted to the needs of the business.
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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