

Sparebanken Sør

1th quarter 2016



SPAREBANKEN SØR

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 of more than NOK 100 billions. |
| Employees | 445 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 create further growth and development in the region. |

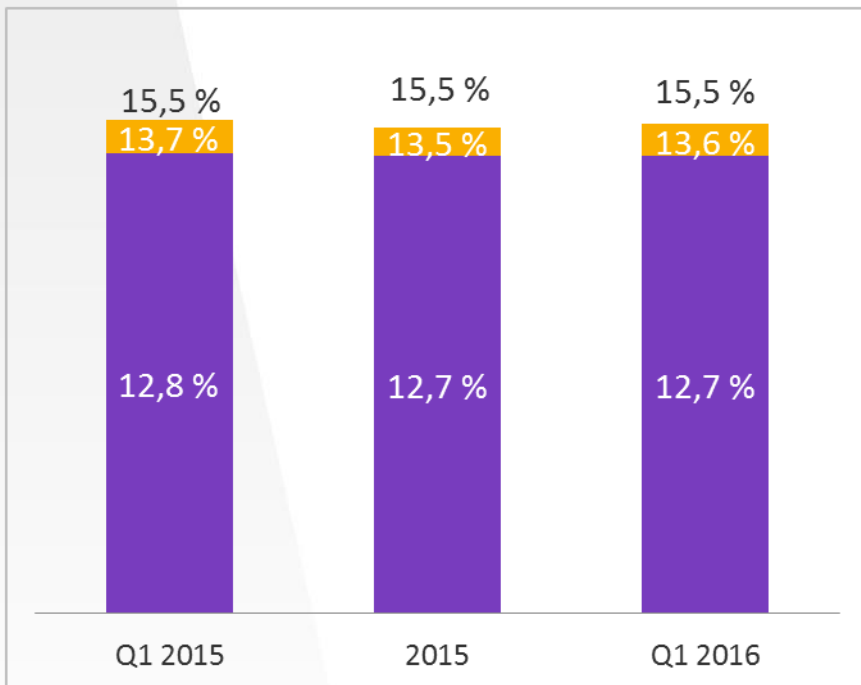
Key features 1th quarter 2016

- Satisfactory progress in net interest income and income from ordinary operations, adjusted for changes in the accounting principles
- Increased interest margins in the corporate market
- Stable commission income
- Net income from financial instruments reduced due to changes in the value of fixed rate loans
- Good cost control
- Low losses on loans
- Loan growth reduced to 3,9 percent(annualized) in Q1 2016, and deposit growth increased to 2,9 percent(annualized)
- Return on equity after tax of 7,5 percent(8,8 percent, adjusted for changes in the accounting principles)
- March 30, the board of directors approved issuance of NOK 600 million in equity share capital.

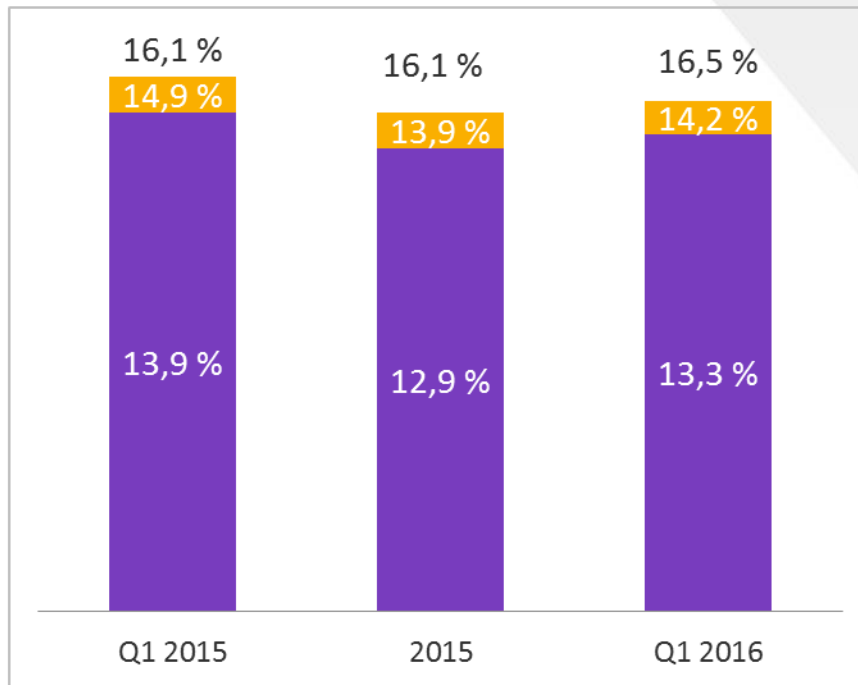
Issuance of equity share capital approved on March 30 has been completed and oversubscribed by 37 percent in April

Capital adequacy

Group



Parent bank



The Board of Trustees approved on March 30 the issue of equity certificates of NOK 600 millions.

Capital adequacy included 80 % share of profits and the issue of NOK 600 million, would have been 13,9 %.

Income statement Sparebanken Sør

1th quarter pre-tax profit of NOK 201 millions.

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

- Guarantee Fund fee changed by NOK 37 millions in 1th quarter 2016 as a result of changes in accounting principle
- Net income from financial instruments decreased due to impairments of fixed rate loans
- Total expenses unchanged

Results after the third quarter provides a post-tax RoE of 8.8 percent, adjusted for accounting changes

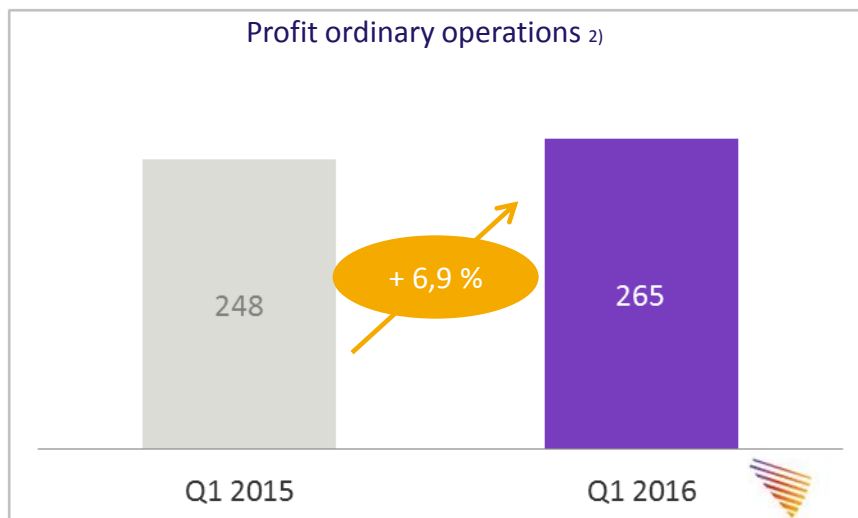
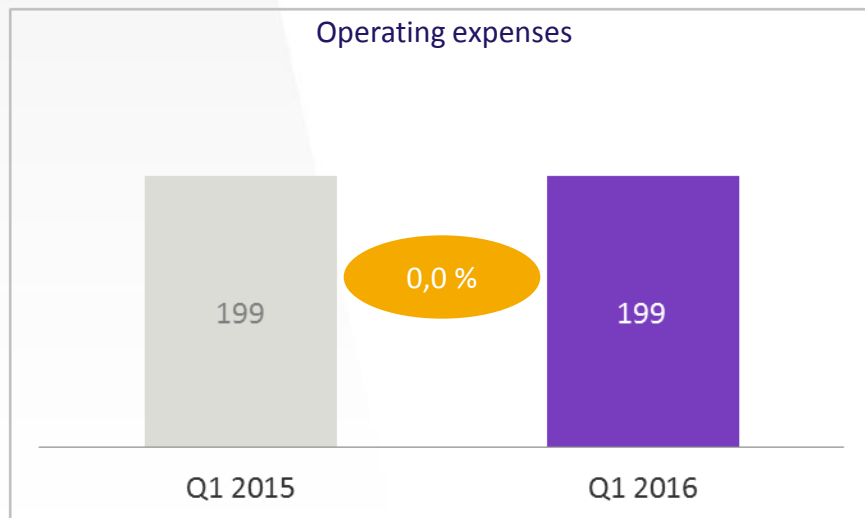
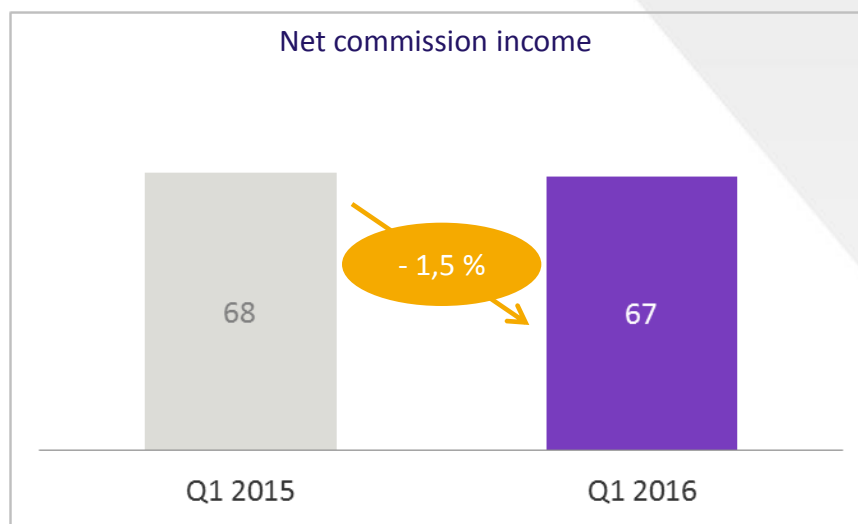
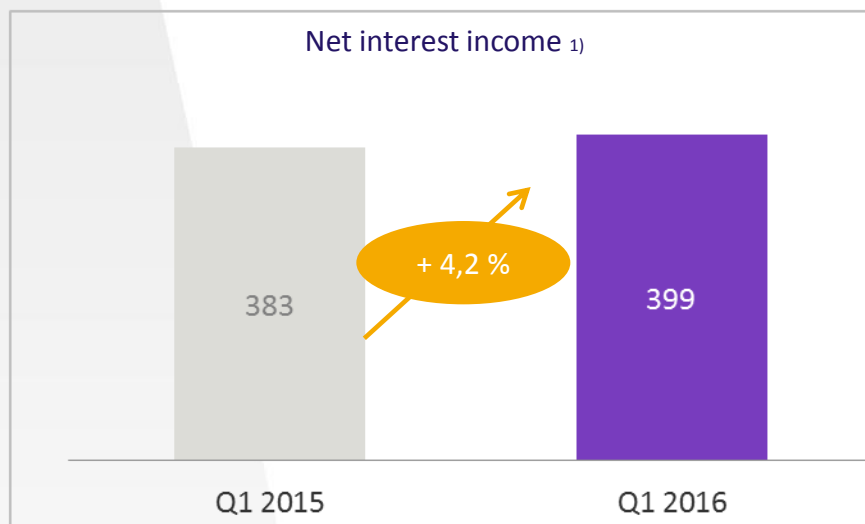
| NOK millions | Q1 2016 | Q1 2015 | Endring |
|---------------------------------------|---------|---------|---------|
| Net interest income | 362 | 367 | -5 |
| Net commission income | 67 | 68 | -1 |
| Net income from financial instruments | - 21 | 29 | -50 |
| Other operating income | 5 | 3 | 2 |
| Total income | 413 | 467 | -54 |
| Total expenses | 199 | 199 | 0 |
| Profit before losses on loans | 214 | 268 | -54 |
| Losses on loans, guarantees | 13 | 14 | 1 |
| Profit before taxes | 201 | 254 | -53 |
| Tax expenses | 51 | 69 | 18 |
| Profit for the period | 150 | 185 | -35 |

Development in net interest income

| NOK millions | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
|--|---------|---------|---------|---------|---------|
| Net interest income | 362 | 386 | 387 | 381 | 367 |
| Guarantee Fund fee | 37 | 9 | 9 | 9 | 9 |
| Interest hybridcapital | | 7 | 7 | 7 | 7 |
| Net interest income, adjusted for accounting changes in Q1 | 399 | 402 | 403 | 397 | 383 |
| | | | | | |
| In % of average assets | 1,56 % | 1,59 % | 1,61 % | 1,63 % | 1,63 % |

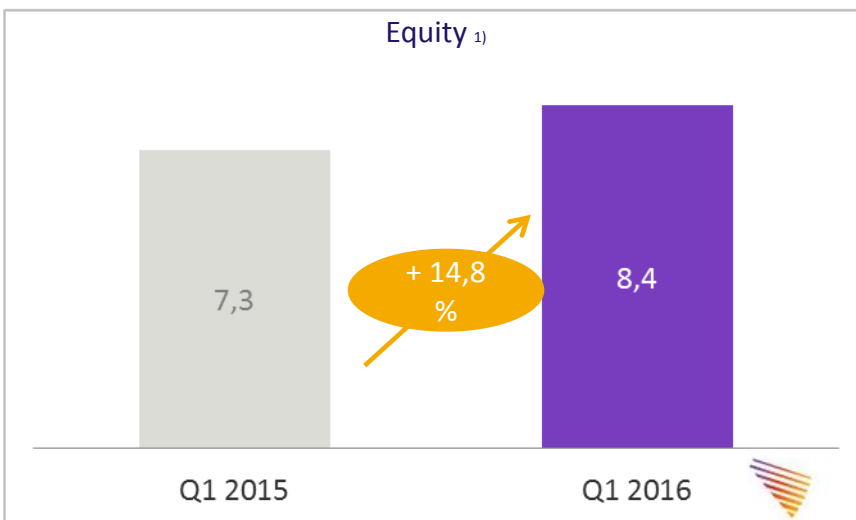
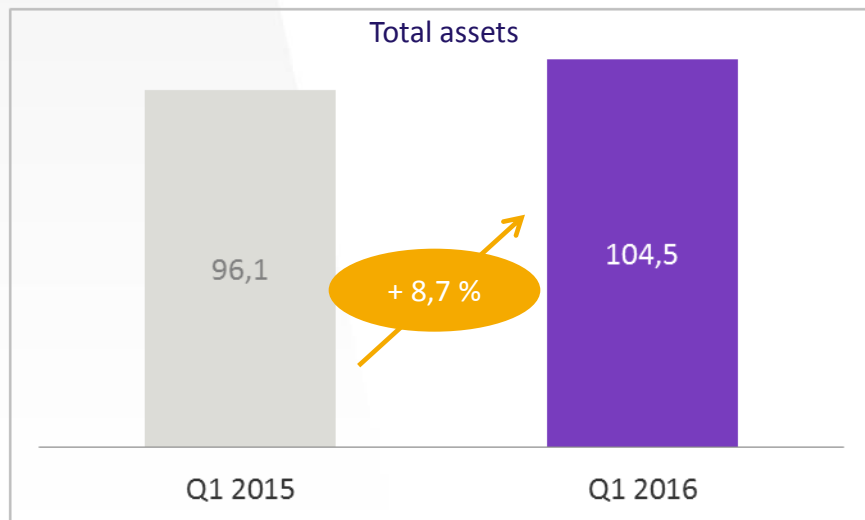
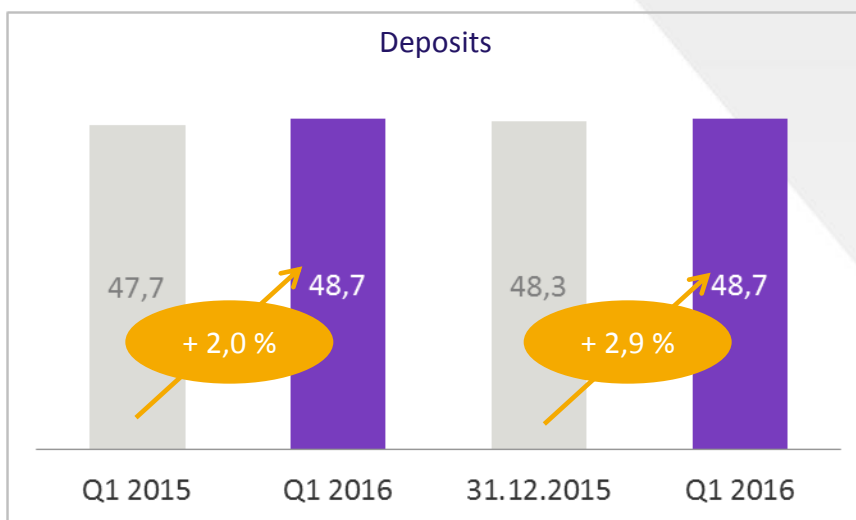
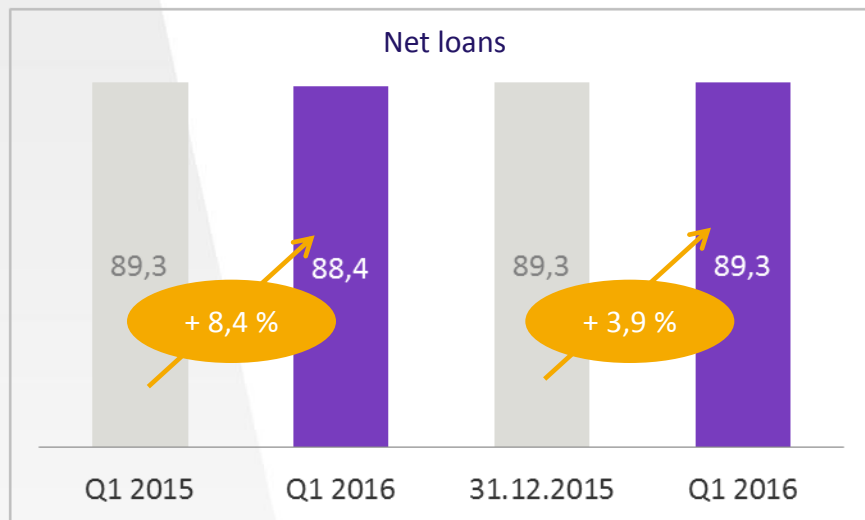
Net interest income affected by changes in the accounting changes of contributions to the Guarantee Fund fee and the reclassification of hybrid capital from debt to equity.

Profit and loss items



7 1) Net interest income, excl. Guarantee Fund fees of NOK 37 mill. in 2016 and NOK 9 mill. in 2015 and NOK 7 mill. in interest hybrid capital.
2) Profit before tax, excl. net income from financial instruments, losses and changes in accounting principle.

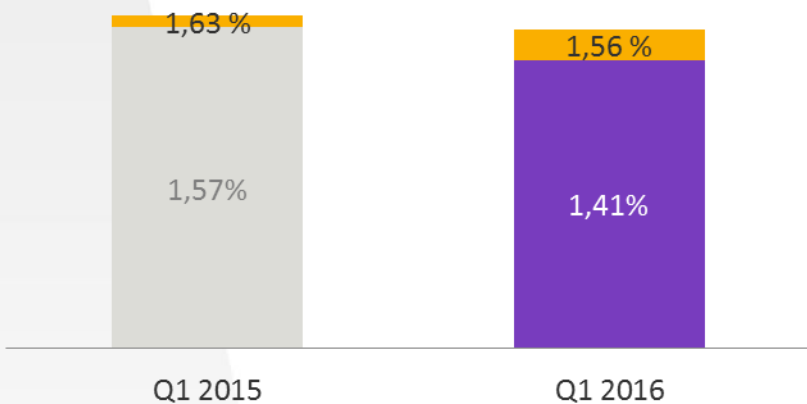
Balance sheet items



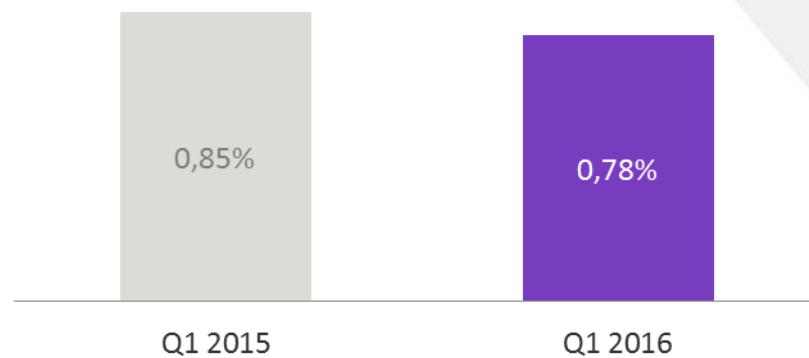
8 1) Equity increased by 510 million. Million in Q1 2016 due to the reclassification of hybrid capital from debt to equity

Key figures

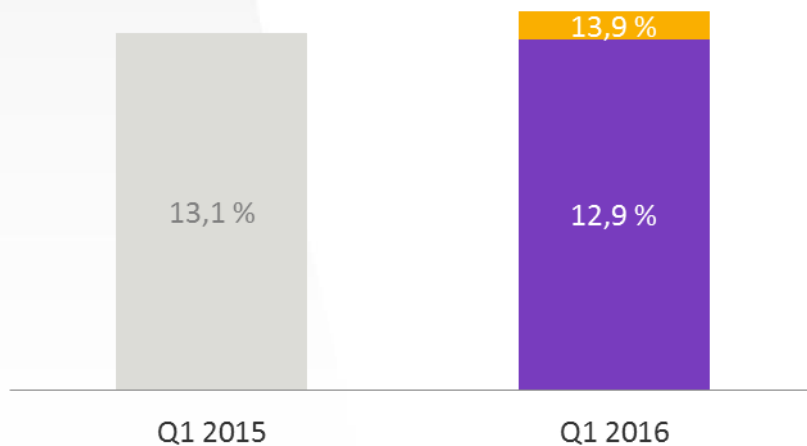
Net interest income as a percentage of average total assets ¹⁾



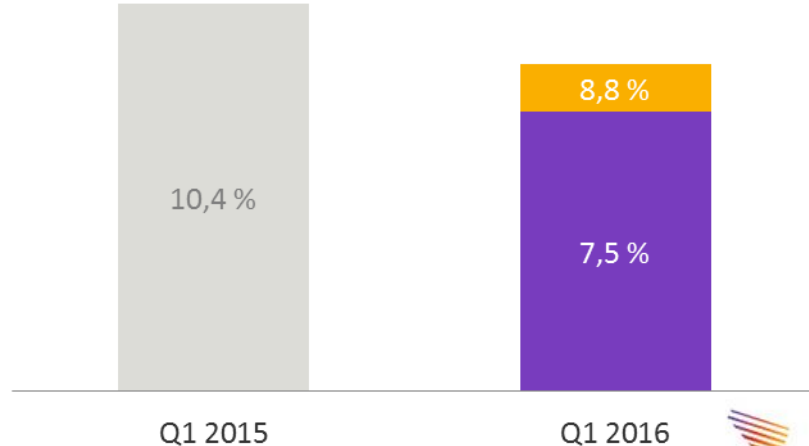
Total expenses as a percentage of average total assets



Core Equity Tier 1 capital ratio ²⁾



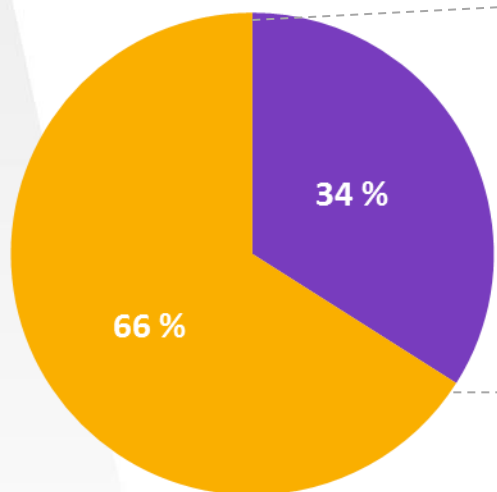
Post tax RoE ³⁾



- 9 1) Net interest income excl. hedge fund fees and interest hybrid capital
2) Including 80% of profit after tax. Equity issue completed in Q2 increase Tier 1 approximately 1 percentage point.
3) RoE would have been 8.8 percent adjusted for accounting changes in Q1

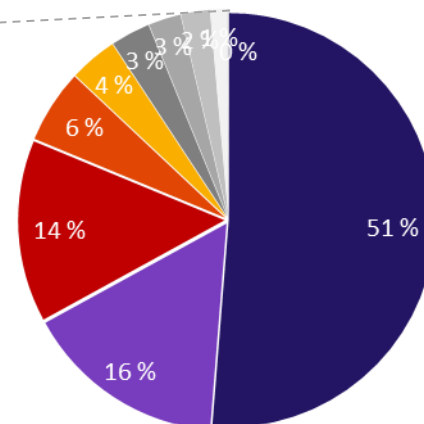
Loan portfolio distribution

Distribution RM/SME-Corporate



■ SME-Corporate ■ RM

Distribution SME-Corporate market

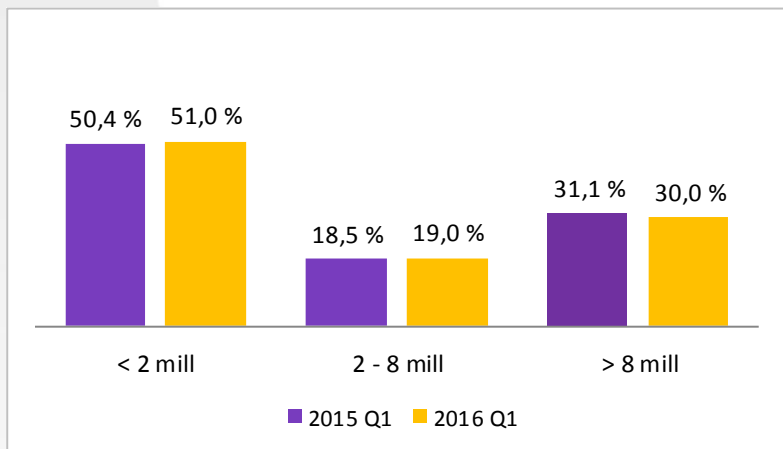


- Property management
- Social services / Other industries
- Retail trade
- Primary industry
- Hotel and restaurant
- Building and construction
- Financial/commercial services
- Manufacturing industry
- Transport and communication
- Public administration

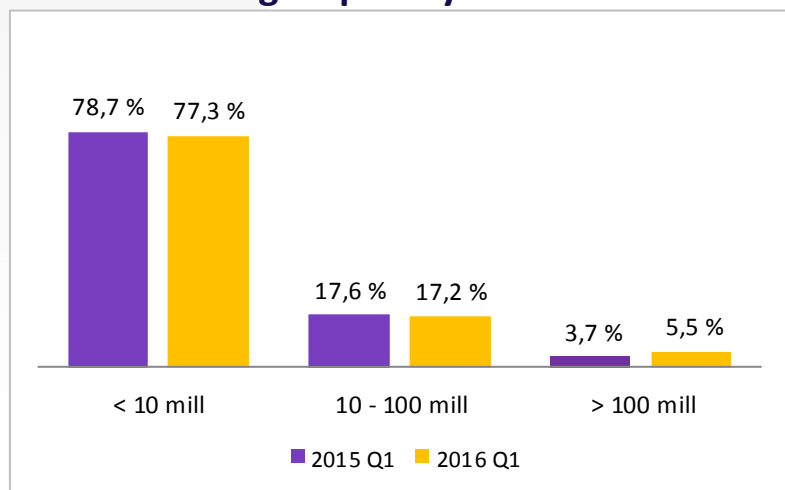
A well-diversified portfolio which reflects the business activity in the region, with one important exception. The bank has only marginal direct exposure to the oil- and oil service sector.

Breakdown of deposits and loans

Deposits grouped by individual size



Loans grouped by individual size

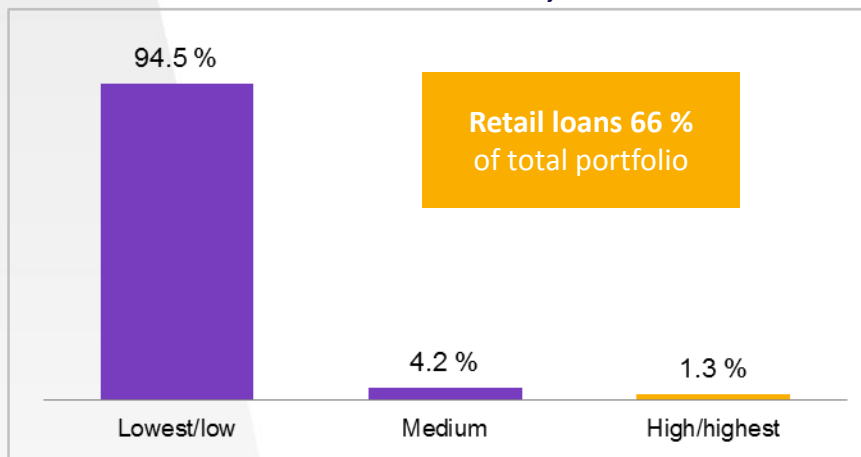


- Deposits with size below 2 NOK mill. constitutes 51.0 % of total deposits
- Deposits with size between 2 and 8 NOK mill. constitutes 19 %
- Deposits with size above 8 NOK mill. constitutes 30.0 % of total deposits

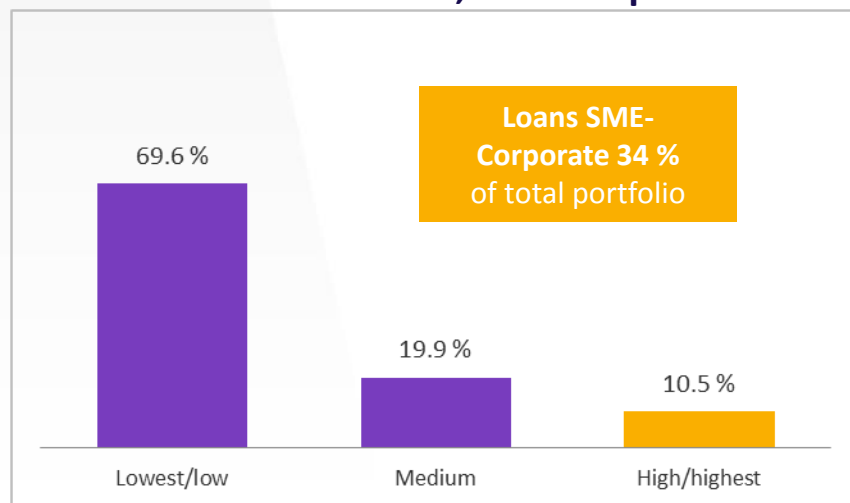
- Loans with size below 10 NOK mill. constitutes 77.3 % of total loans
- Loans with size between 10 and 100 NOK mill. constitutes 17.2 %
- Loans with size above 100 NOK mill. constitutes 5.5 % of total loans

Risk profile

Distribution of risk, retail



Distribution of risk, SME-Corporate



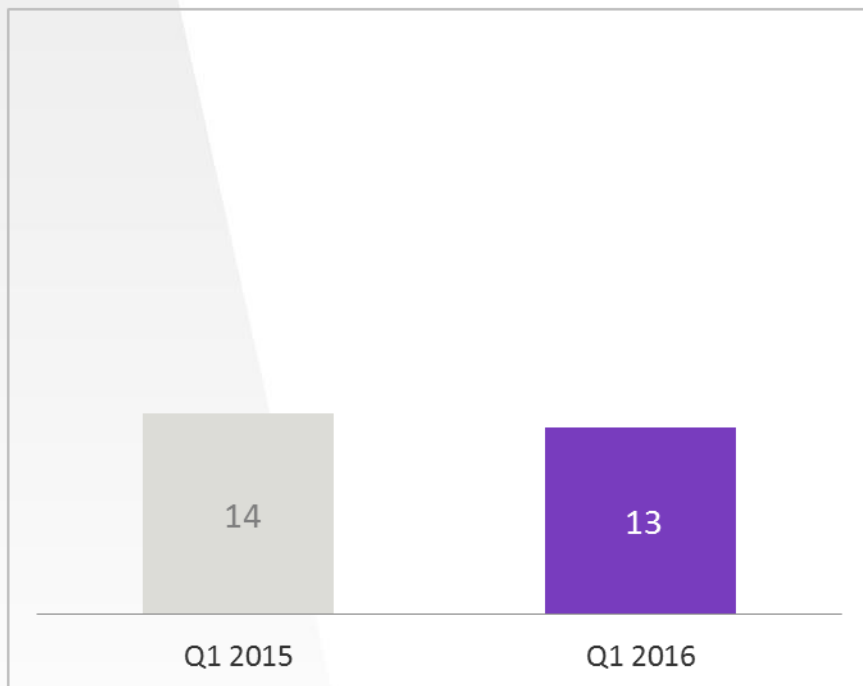
| Risk class | Low limit | High limit | |
|------------|-----------|------------|-------|
| Low | A | 0,00 | 0,10 |
| | B | 0,10 | 0,25 |
| | C | 0,25 | 0,50 |
| Medium | D | 0,50 | 0,75 |
| | E | 0,75 | 1,25 |
| | F | 1,25 | 2,00 |
| High | G | 2,00 | 3,00 |
| | H | 3,00 | 5,00 |
| | I | 5,00 | 8,00 |
| | J | 8,00 | 99,99 |
| | K | 100 | |

Table risk class

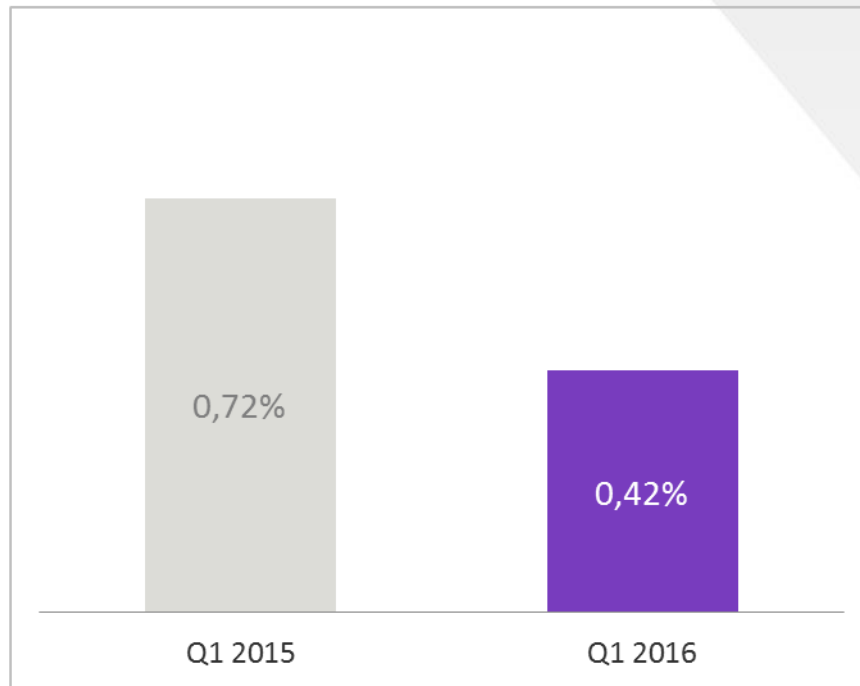


Development losses on loans and defaulted loans

Development loan losses



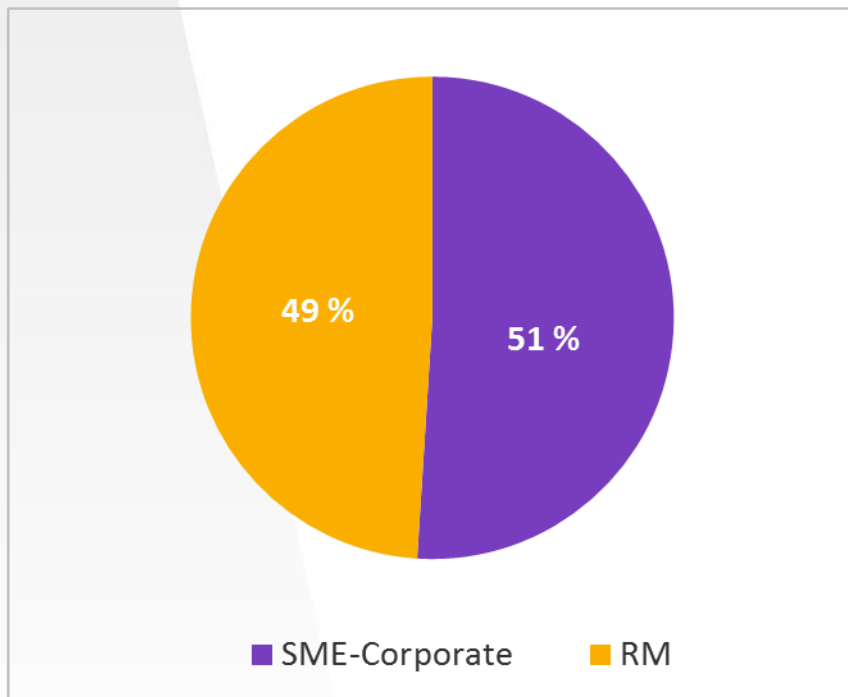
Gross defaults > 90 days in % of gross loans



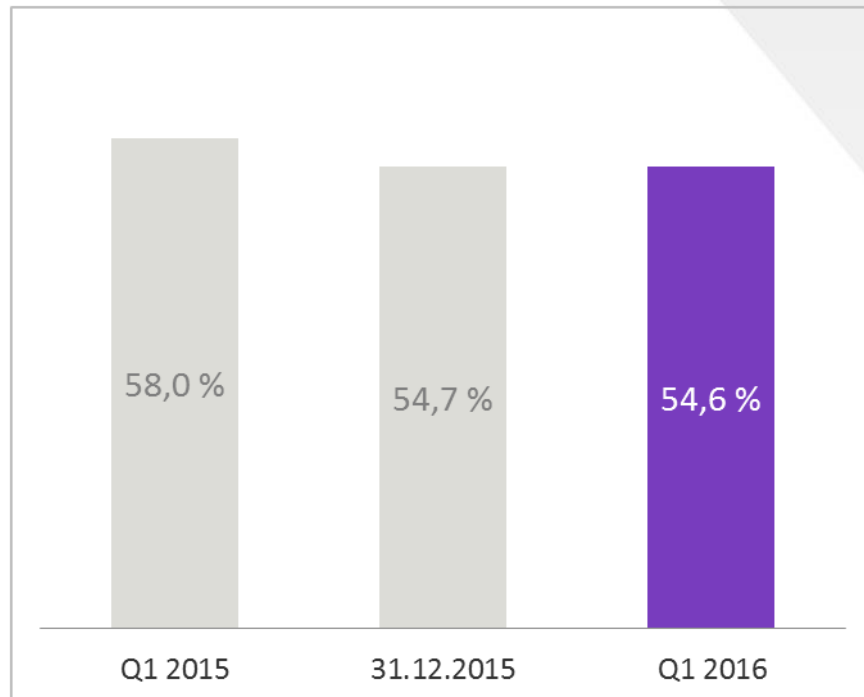
Low losses on loans and positive development in defaulted loans.

Deposits

Distribution RM/SME-Corporate



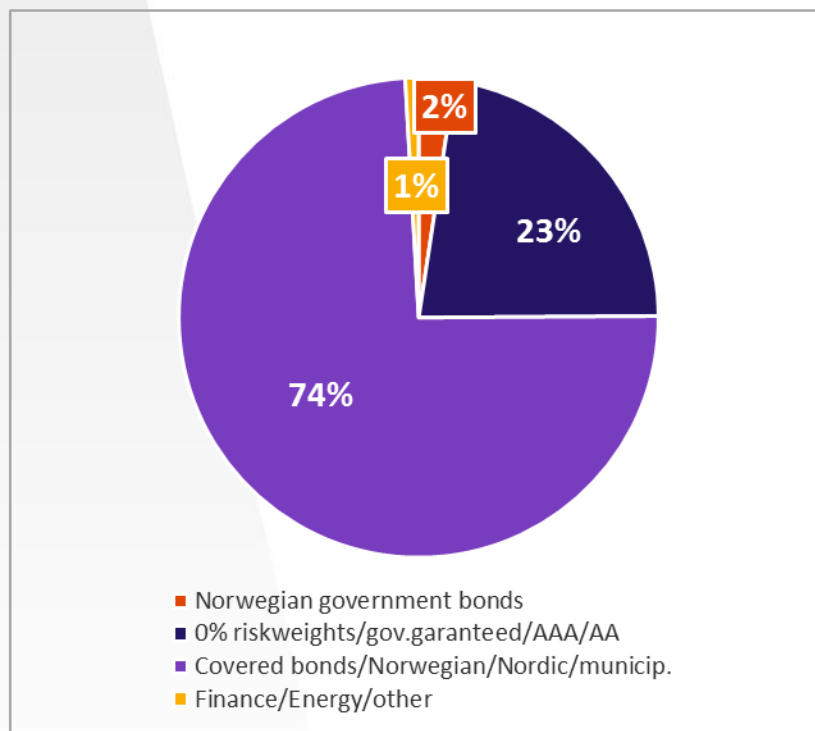
Ratio of deposits to net loans



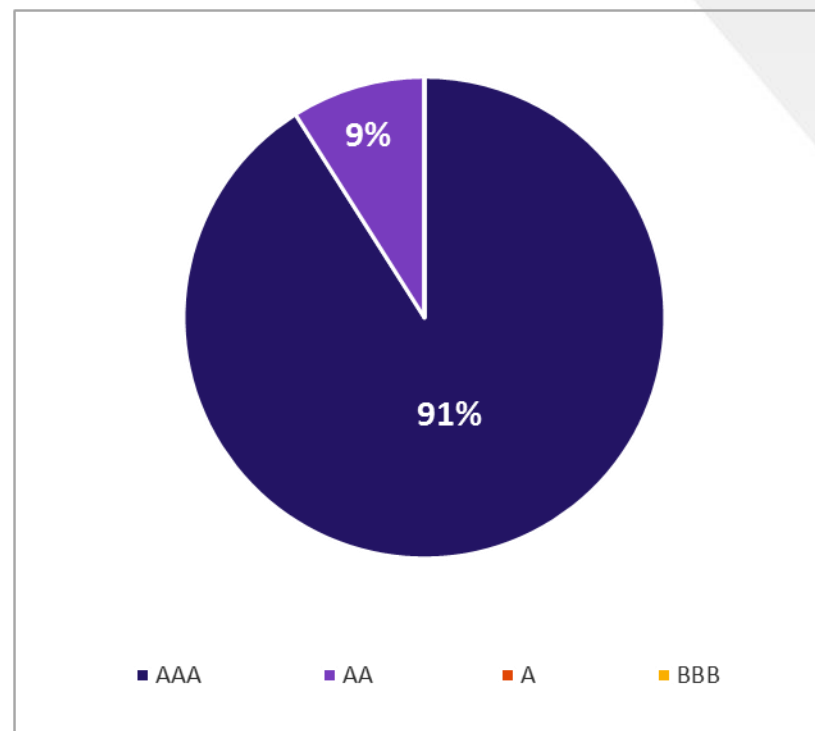
Reduced deposit to net loan ratio in 2015 due to price measures to increase net interest income.

Certificates and bonds

Liquidity portfolio

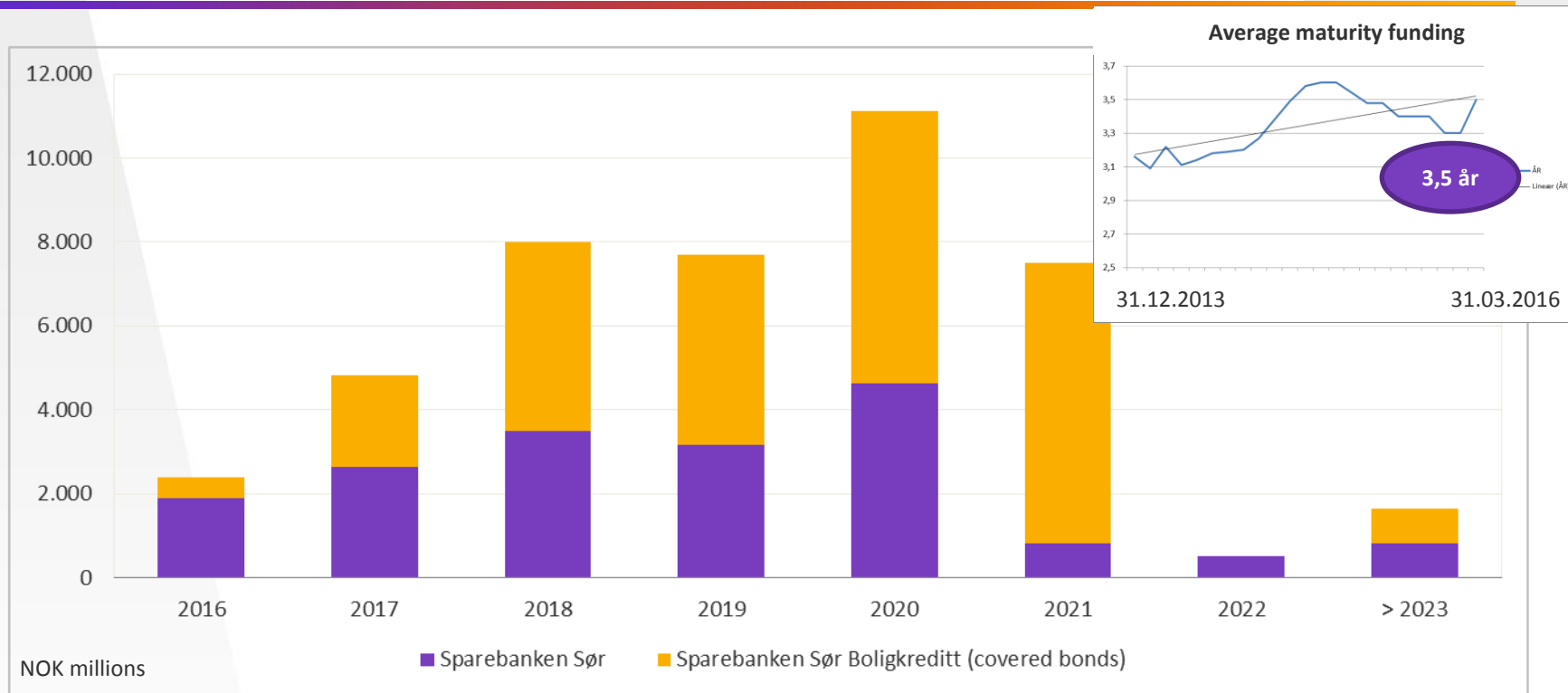


Rating



- Total liquidity portfolio of NOK 11,7 billion
- 100 per cent investment grade and 100 per cent liquid instruments
- Liquidity indicator 107 per cent and LCR 137 per cent.

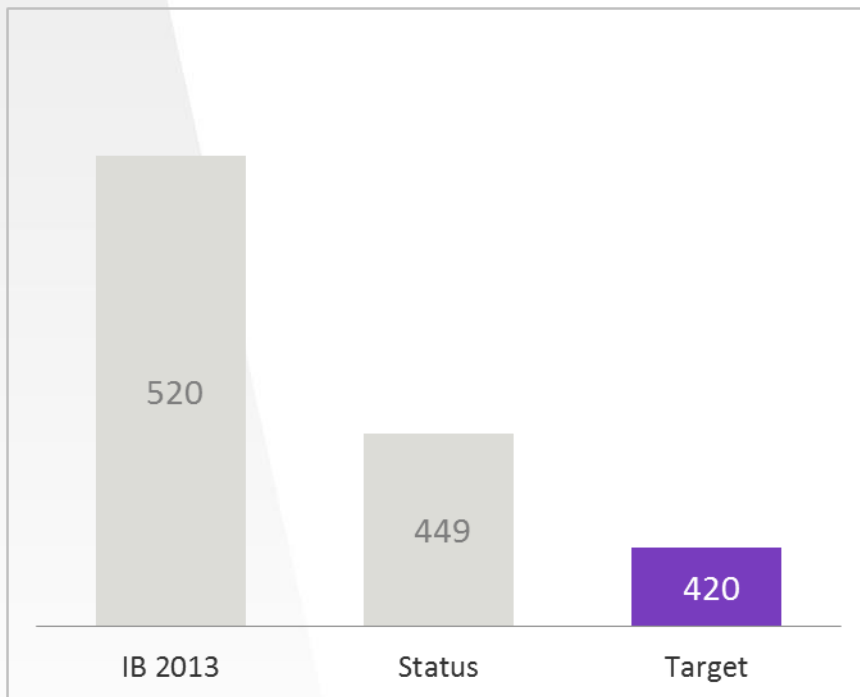
Funding



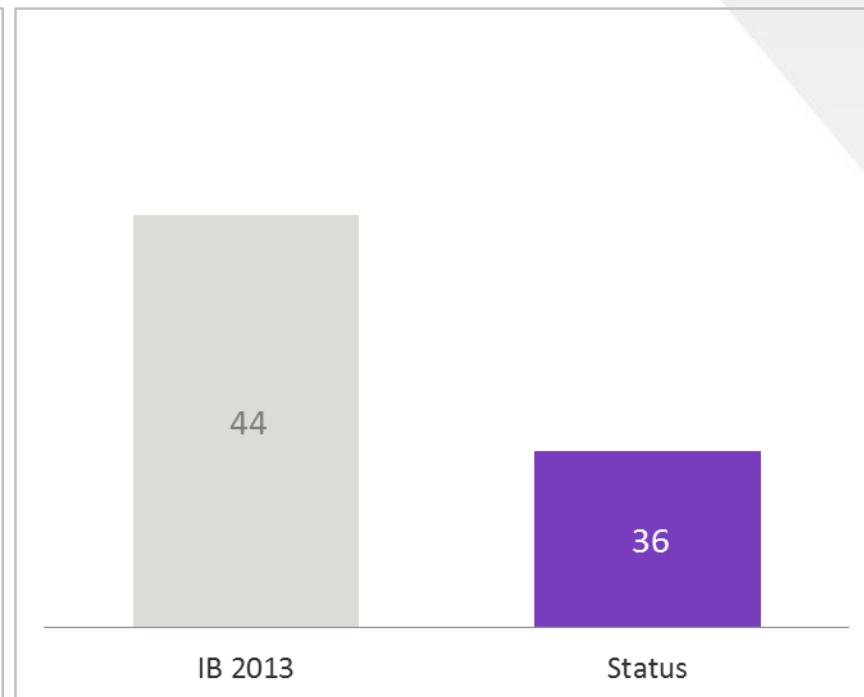
- Total funding of NOK 44,4 billion, with NOK 25,9 billion issued as covered bonds.
- International uncertainty effects liquidity and price volatility in the Norwegian bond market.
- Well diversified maturity structure, which reduces liquidity risk.
- Funding with maturities > 12 months constitutes 87 percent.

Synergies from the merger

Number of FTEs in the bank



Number of branches



Significant potential already realized, and further ambitions part of ongoing operations.

Equity certificate owners

20 largest EC owners as of March 31th 2016

| | Name | Number of EC | Share of EC | | Name | Number of EC | Share of EC |
|----|-------------------------------------|------------------|---------------|----|---------------------------|------------------|----------------|
| 1 | Sparebankstiftelsen Spb. Sør | 2.432.024 | 51,00 % | 11 | Bergen Kom. Pensjonskasse | 46.880 | 0,98 % |
| 2 | HOLTA INVEST AS | 134.410 | 2,82 % | 12 | Gumpen Bileiendom AS | 46.730 | 0,98 % |
| 3 | Arendal Kommunale Pensjonskasse | 130.000 | 2,73 % | 13 | Allumgården | 45.179 | 0,95 % |
| 4 | Verdipapirfondet EIKA | 126.223 | 2,65 % | 14 | Sparebanken Vest Aksjer | 45.179 | 0,94 % |
| 5 | Pareto AS | 124.150 | 2,60 % | 15 | MP Pensjon PK | 39.863 | 0,84 % |
| 6 | GLASTAD INVEST AS | 100.000 | 2,10 % | 16 | Brøvig Holding AS | 34.800 | 0,73 % |
| 7 | SEB London Branch AIF Irish clients | 80.650 | 1,69 % | 17 | Varodd AS | 32.800 | 0,69 % |
| 8 | Sparebankstiftelsen DnB | 62.300 | 1,31 % | 18 | Norgesinvestor Proto AS | 31.794 | 0,67 % |
| 9 | Gustav Pedersen AS | 53.760 | 1,13 % | 19 | Sparebanken Sør | 31.600 | 0,66 % |
| 10 | Wenaasgruppen AS | 53.760 | 1,13 % | 20 | Wenaas Kapital AS | 26.880 | 0,56 % |
| | 10 largest owners | 3.297.277 | 69,14% | | 20 largest owners | 3.678.803 | 77,15 % |

- As of March 31th 2016, 4,768,674 equity certificates are issued. The equity certificate ratio is 13.0 %.
- Profit per equity certificate (Group) constitutes NOK 4,10.
- The Board of trustee decided on 30 March 2016 the issue of 10,895,270 new equity certificates, transaction is completed in April 2016

Summary 1th quarter 2016

| | |
|-------------------------|---|
| Result | Improved profit from ordinary operations, trough good growth, stable net interest income, combined with low costs and losses. |
| Financial income | Negative change in value of fixed rate loans and basis swaps in 1 th quarter. |
| Capital adequacy | The bank's financial strength is considered to be satisfactory in light of current regulatory requirements. At the end of Q1 2016 the core tier 1 ratio was 12.9 per cent and the (total) capital ratio was 15.5 per cent. |
| Growth | Lending growth of NOK 0,9 billion in 1 th quarter, corresponding to 3.9 percent, which is significantly lower than the growth in 4 th quarter 2015. Deposit growth in 1 th of NOK 0.4 billion, equivalent to 2.9 per cent. |
| Summary | Sound operations contributes to a pre-tax result of NOK 205 millions at 1th quarter 2016 |

Future prospects

| | |
|------------------------------|---|
| Macro | The growth in the Norwegian economy is moderate. Unemployment levels are increasing and the development in the oil industry will effect the growth rate going forward. |
| The region | Sparebanken Sør has only marginal 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 will strengthen its core tier 1 equity ratio through improved results from ordinary operations, reduced growth in risk weighted assets and equity certificate issue of NOK 600 millions. |
| Funding and liquidity | The Bank is well positioned for long-term funding from the Norwegian and international markets. |
| 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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