



From : Sparebanken Sør

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Accounts for 3rd quarter 2011

Strong performance, good growth and positive income trend

At the end of the 3rd quarter 2011, the Sparebanken Sør Group's pretax profit was NOK 254 million, which is equivalent to 0.87 per cent of the average total assets.

Lending growth in the retail banking market remains good with a twelve-month growth of 9.5 per cent, which is higher than the growth in household debt in Norway at 7.2 per cent.

At the end of the 3rd quarter, net interest income is NOK 478 million, which is down NOK 25 million compared with the same period last year. The reduction is due to lower customer margins and higher borrowing costs as a consequence of the unrest in the financial markets.

Other operating revenues totalled NOK 184 million, which down NOK 148 million compared with the same period last year. Much of the reduction is due to financial instruments, as last year's figures included significant extraordinary revenues.

Net fee and commission income was down NOK 11 million, due to the estate agency business, whereas there has been a positive trend in the banking business, primarily due to higher insurance sales.

Group operating costs totalled NOK 344 million, which is up NOK 3 million compared with the previous year. Corrected for the one-off effect of reversal of pension costs associated with the early retirement (AFP) scheme in the 1st quarter last year, operating costs have been cut by NOK 22 million.

NOK 64 million has been recognized in the accounts as losses on loans, which are mainly due to various business sectors in the corporate market. No increased group write-downs have been made at the end of the 3rd quarter.

Net defaulted and doubtful loans totalled NOK 415 million, which is equivalent to 1.25 per cent of the loans. Compared with year-end, this is a reduction of NOK 6 million.

Due to good lending growth, total assets increased to NOK 40.3 billion compared with NOK 37.4 billion in the same period last year.

In the last twelve months, lending growth was 7.1 per cent, with a growth of 9.5 per cent in the retail banking market and 2.6 per cent in the corporate market. The percentage of loans to the retail banking market is now 67.7 per cent.

Deposit growth is 6.1 per cent, with a growth in the retail banking market of 6.9 per cent and 5.1 per cent in the corporate market. Deposit coverage ratio is 54.0 per cent in the Group and 70.6 per cent in the parent bank.

Total equity and related capital is NOK 3.4 billion, of which NOK 200 million was a Tier 1 hybrid issue, which the bank arranged in the 4th quarter 2010. In addition to this, there is a subordinated loan of NOK 300 million. The remainder was retained earnings, which have been allocated to the Savings Bank's Fund. At the end of the 3rd quarter, capital adequacy ratio was 14.3 per cent based on the standard approach outlined in the Basel II rules. Core capital adequacy ratio was 13.0 %. If the profit year-to-date is incorporated, core capital adequacy ratio is 13.7 per cent.

Sør Boligkreditt AS is the bank's wholly owned subsidiary and dedicated covered bond company and is used to provide the bank with favourable funding. At the end of the 3rd quarter, the company has a mortgage portfolio totalling NOK 7.9 billion.

Moody's has given the bank an A3 rating, while it has given wholly owned subsidiary Sør Boligkreditt AS an Aaa rating for covered bonds.

The Group has a strong position within its market areas and in the view of the board as a good basis for further development.

In the coming months, the Group will focus on cost-cutting measures, among other things, within cash management. The quality of lending growth will also be given top priority and there will be continued focus on the saving / investment segment. Work is currently in progress to adjust the price structure to higher financing costs.

The press release, quarterly report and presentation of the accounts will be published on the bank's website at www.sor.no, and will also be available through Oslo Børs at www.newsweb.no.