

# Press Release

**From** : Sparebanken Sør

**Contact Person:** CEO Geir Bergskaug or Director Group Support Rolf H. Søraker

**Tel.** : Geir Bergskaug 901 27 206  
Rolf H. Søraker 918 23 371

**Date** : 11th August 2011

## 2nd quarter accounts 2011

### Stable earnings, good liquidity and a sound capital base

**At the end of the 2nd quarter 2011, Sparebanken Sør Group's pre-tax profit was MNOK 143, which is equivalent to 0.75 per cent of the average total assets.**

**In the retail banking market, lending growth remains good with a twelve month growth of 8.7 per cent, which is ahead of the growth in household gross domestic debt (K2) of 7 per cent (as at 31<sup>st</sup> May 2011).**

At the end of the 2nd quarter, net interest income was MNOK 316, which is down MNOK 21 compared with the same time last year, due to lower margins.

Other operating revenues totalled MNOK 102, which is down MNOK 184, compared with the same time last year, where the figures were mainly impacted by one-off effects. The most important reason for the reduction is that revenues from financial instruments have fallen by MNOK 182 compared with last year. This is because the changes in credit margins in the first-half of this year have been smaller than last year, and because last year's figures included an accounting profit of MNOK 112 following the sale of Nordito shares.

Group operating costs totalled MNOK 229, which is up MNOK 17 compared with last year. Adjusted for the one-off effect of reversal of pension costs relating the early retirement (AFP) scheme, costs are down by MNOK 8.

MNOK 46 has been recognized in the accounts as losses on loans. The losses can mainly be referred to various business sectors in the corporate market. No increased Group write-downs have been made at the end of the 2<sup>nd</sup> quarter.

Net defaulted and doubtful loans totalled MNOK 410, which is down MNOK 11 compared with year-end, mainly due to corporate commitments.

Due to good lending growth, total assets have grown to BNOK 39.4, compared with BNOK 36.8 at the same time last year.

In the last twelve months, overall lending growth was 5.9 per cent, with a growth of 8.7 per cent in the retail banking market and 0.6 per cent in the corporate market. The percentage of loans to the retail banking market is now 68 per cent.

Overall deposit growth is 3.2 per cent, with a growth of 4.9 per cent in the retail banking market and 0.6 per cent in the corporate market. Deposit coverage ratio was 54.0 per cent in the group and 66.3 in the parent bank.

Total equity and related capital is BNOK 3.3, of which BNOK 2.8 is retained profits, which have been transferred to the Savings Bank's fund, BNOK 0.2 is Perpetual Hybrid Tier 1 Capital and BNOK 0.3 is subordinated loan capital. At the end of the 2<sup>nd</sup> quarter, capital adequacy ratio was 15.0 per cent, based on the standard approach outlined in the Basel II rules. Core capital adequacy ratio was 13.6 per cent. If we include the profit year-to-date, core capital adequacy ratio is 14.1 per cent.

The board of directors considers Sparebanken Sør Group's earnings to be good and expects a positive underlying trend for the region's industrial and commercial and population development with continued low unemployment.

Sparebanken Sør Group is well positioned within its geographical market areas through a strong office network, sound brand and broad customer base. A wide range of products to our customers provides a strong basis of income.

The adopted strategy plan is under implementation and will form the basis for enhanced future development.

The press release, quarterly report and presentation of the accounts will be published on the bank's website [www.sor.no](http://www.sor.no), and will also be available through Oslo Børs [www.newsweb.no](http://www.newsweb.no).