

# Press release

## Interim accounts 2012

**Sparebanken Sør has experienced a good business year with positive trends in the underlying operations. There has been good growth in both the retail banking market and the corporate market. The profits from the underlying operations have never been better.**

- Continued sound lending and deposit growth
- Strengthened net interest and improved loan margins
- Losses on loans continues in right direction
- Positive trend in underlying operations
- Valuation of financial liabilities has had negative impact

The Group's pre-tax profit, with adjustment for valuation of in the bank's securities debts was MNOK 381, compared with MNOK 254 in 2011. As a percentage of the average total assets, this corresponds to 0.88 % in 2012 compared to 0.65 % in 2011.

Return on equity after tax represents 6.0%. Adjusted for the effect on profits of the valuation of debt, the return on equity after tax is 9.0%.

Net interest income was MNOK 705, which is up MNOK 74 or 11.7% compared to last year. As a percentage of the average total assets it corresponds to 1.63% compared to 1.61% last year.

There was an increase in fee and commission income of MNOK 22 to MNOK 175, which corresponds to a growth of 14.4%. The significant part of the increase is income from payment systems and insurance sales.

Income from financial instruments at fair value in the profit and loss account represents MNOK -86 million, compared to MNOK 61 million last year. Of this, MNOK -125 is valuation of debt securities. It is important to note that these are temporary effects, and viewed over the lifetime of the instrument, the market value change is zero. The accounts-related effects will therefore be reversed over time. On the asset side and other financial instruments, there has been an income of MNOK 39.

Costs in the Group totalled MNOK 513, which is equivalent to 1.19% of the average total assets. This is an increase of MNOK 30 compared with last year, but a reduction of 0.04 percentage points when measured as a percentage of the total assets. Costs measured against income, excluding income from financial instruments, indicate a positive development.

Losses on loans have been charged to the accounts with net MNOK 56, which is equivalent to 0.15% of gross loans. In the same period last year, the equivalent figures were MNOK 71 and 0.21% of the gross loans. The reduction in losses is a result of dedicated work on the credit quality of the portfolio.

Net bad and doubtful loans were MNOK 413, which represents 1.11% of loans. Compared to the end of last year, this represents a reduction of MNOK 24 or 0.18 p.p. measured in percentage of loans.

Deposit growth is 10.4% in the last 12-month period. There has been a growth of 9.1% in the retail banking market and 12.0% in the corporate market.

The deposit-to-loan ratio is 56.5% in the Group and 74.1% in the parent bank.

Loan growth in the last 12-month period is 9.6%, distributed as 11.6% in the retail banking market and 5.5% in the corporate market. The proportion of loans in the retail banking market is now 69.4%

Total assets at year-end were BNOK 44.5, compared to BNOK 41.9 last year. This equates to a growth of 6.2%.

The bank has a very satisfactory liquidity situation with a liquidity indicator of 110.1 at year-end. Liquid reserves are sound and the maturity structure of the loans is well-adjusted to the operations. New long-term borrowing is achieved through issuance of covered bonds and senior debt.

Core capital adequacy based on the standard approach in the Basel II rules represents 14.2% and pure core capital ratio 13.4%. The total equity and related capital is BNOK 3.3. Of this perpetual hybrid tier 1 capital represents MNOK 200. In the fourth quarter, MNOK 600 of the Sparebanken's fund was converted to equity certificates. The equity certificates are owned by the Savings Bank Foundation Sparebanken Sør. In the 1st quarter the bank redeemed its subordinated loan of MNOK 300.

### **Subsidiaries and Associated Companies**

The most important subsidiaries are Sør Boligkreditt AS and ABCenter Holding AS, which is the parent company in the ABCenter estate agency business.

At year-end, Sør Boligkreditt AS had a portfolio of mortgage loans totalling BNOK 8.9. The company had a pre-tax profit of MNOK 89.9 and return on equity of 15.8% after tax.

ABCenter had a profit of MNOK 0.5 at year-end, which is up MNOK 1.3 on last year. The improvement in profit is due to higher income from sale of real estate and reduced costs.

Our investments in the partly owned companies Norne, Brage and Frende are showing positive growth. Commission income is rising due to increased sales, more customers and larger market shares.

### **Summary and future outlook**

Throughout the year, regular bank operations have shown good profits and an extremely positive development. There is reason to believe that this trend will continue. The group's financial position is very reassuring and is a good starting point for adjusting to the increased demands that will be placed on the company in the coming years.

There will be challenges ahead, associated with the need to reduce costs, whilst at the same time we will need to increase capacity in strategic areas, such as risk control and the development of the digital platform.

We have positive expectations in regard to market development, both in the retail banking market and the corporate market in the immediate future. At the same time, we are also prepared for turbulence in the financial markets and setbacks in the economy that can negatively affect profits in the coming years.

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

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