



Press release

First quarter 2012 – strong lending and deposit growth

At the end of the first quarter, Sparebanken Sør Group's pre-tax profit was MNOK 39, compared with MNOK 78 the previous year. The main reason for this decline has been due to valuation of financial instruments, which gave a negative effect of MNOK 35, compared with a modest positive contribution in the same period last year.

We are seeing good growth both in the retail banking and corporate market higher than the national growth indicators so far this year, and are satisfied that the underlying profit trend has been good and at the anticipated level.

Net interest income totalled MNOK 156, which is down MNOK 3, compared with the same period last year, due to lower margins.

Other operating income totalled MNOK 15, compared with MNOK 46 in the same period last year. The fall is due to valuation of the bank's securities debt.

Net fee and commission income totalled MNOK 37, which is up slightly compared with last year.

Costs in the group totalled MNOK 121, which is equivalent to 1.13 per cent of the average total assets. As a percentage of the average total assets, this is a reduction in costs of 0.09 percentage points, compared with the same period last year.

Losses on loans totalled MNOK 11, which is equivalent to 0.13 per cent of gross loans. In the first quarter of 2011, the equivalent figures were MNOK 12 and 0.15 per cent of gross loans. The losses can mainly be attributed to the corporate market.

Net bad and doubtful loans, which totalled MNOK 394, were down MNOK 43 from year-end. The reduction can mainly be attributed to corporate commitments.

At the end of the first quarter, total assets stood at BNOK 42.4, compared with BNOK 37.7 in the same period last year, which is equivalent to a growth of 12.6 per cent.

In the last twelve months, lending growth was at 9.6 per cent, with 11.2 per cent in the retail banking market and 6.3 per cent in the corporate market. The percentage of loans to the retail banking market is now 68.3 per cent.

Deposit growth is at 14.6 per cent, with 8.6 per cent in the retail banking market and a total of 23.8 per cent in the corporate market. The deposit campaign aimed at the corporate market at the end of last year is a key factor in the positive deposit trend.

The deposit-to-loan ratio is 55.1 per cent in the group and 74.3 per cent in the parent bank.

The bank has a very satisfactory liquidity situation, with a liquidity indicator of 110.6 at the end of the quarter. The liquid reserves are sound and the maturity structure of the loans is well-adjusted to the operations.

Total equity and related capital is BNOK 3.2, of which BNOK 3 is accumulated equity and MNOK 200 is hybrid capital. A subordinated loan of MNOK 300 was redeemed in the first quarter. At the end of the first quarter, capital adequacy was 13.7 per cent based on the standard approach in the Basel II rules, and pure core capital adequacy is at 12.8 per cent.

Even if financial instruments have had a negative impact on the result, the underlying operations are at the anticipated level. Measures have been taken to improve margins. Sparebanken Sør Group has experienced good growth and has a sound financial situation. Establishment of a branch in Skien will further strengthen the bank's position in the county of Telemark.

At its meeting on 27 March this year, the Supervisory Board resolved to convert 600 million of the bank's primary capital into equity capital. Equity certificates will be issued to Sparebankstiftelsen Sparebanken Sør, which is established in connection with the conversion.

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

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