

Press release

From : Sparebanken Sør

Date : 15 August 2012

First half-year 2012 – good growth, improved net interest and increased income from sale of insurance and real estate sales

At the end of the 2nd quarter, the Sparebanken Sør Group's pre-tax profit was MNOK 146 compared with MNOK 143 in the same period last year. For the 2nd quarter alone, profit was MNOK 107 compared with MNOK 65 at the same time last year. There has been good growth in deposits and lending, improved net interest and positive contributions from sale of insurance and real estate sales during the quarter.

In the first half-year, net interest income totalled MNOK 323, which is up MNOK 7 compared with the same period last year. For the 2nd quarter alone, net interest income was MNOK 167 compared with MNOK 157 during the same period last year. Funding costs are higher than last year, but good volume growth in loans and deposits has compensated for this.

Other operating income was MNOK 92 compared with MNOK 102 in the same period last year. The reduction is due to valuation of the bank's securities debt.

There was a good increase in net fee and commission income of MNOK 9 compared with last year, due to increased income from sale of insurance and real estate sales.

Costs in the group totalled MNOK 246, which is equivalent to 1.15 per cent of the average total assets. This is a nominal increase of MNOK 17 compared with last year, but a reduction of 0.05 percentage points when measured as a percentage of the total assets.

Losses on loans have been charged to the accounts with net MNOK 23, which is equivalent to 0.13 per cent of the gross loans. In the same period last year, the equivalent figures were MNOK 46 and 0.28 per cent of 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 428, which is down MNOK 9 from the turn of the year.

At the end of the 2nd quarter, total assets stood at BNOK 42.8 compared with BNOK 39.4 in the same period last year, which is a growth of 8.6 per cent.

In the last twelve months, lending growth was 0.5 per cent, with 11.2 per cent in the retail banking market and 9.1 per cent in the corporate market. The percentage of loans to the retail banking market is now 68.0 per cent.

Deposit growth is 16.3 per cent, with 11.9 per cent in the retail banking market and 23.1 per cent in the corporate market.

Deposit-to-loan ratio has improved and is now 56.8 per cent in the group and 77.5 per cent in the parent bank.

The bank has a very satisfactory liquidity situation with a liquidity indicator of 110.1 at the end of the quarter. The 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, and Sparebanken Sør has good access to new funding.

Total equity and related capital is BNOK 3.3, of which BNOK 3.1 is accumulated equity and MNOK 200 is hybrid capital. At the end of the 2nd quarter, capital adequacy was 13.3 per cent based on the standard approach in the Basel II rules and pure core capital adequacy ratio is at 12.4 per cent.

The board of directors is satisfied with profit performance and the trend in general at the end of the first half-year. All important targets have been reached and implementation of the strategic plan is well underway and is following the established plans. In the 2nd quarter, the board of directors also resolves to initiate the necessary preparations to apply to the Financial Supervisory Authority of Norway for IRB approval.

The press release and quarterly report will be posted on the bank's website at www.sor.no and will be available from Oslo Stock Exchange at www.newsweb.no.

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