



# Press release

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## Preliminary accounts 2010

### Good result, good liquidity and a sound capital base

**In 2010, the Sparebanken Sør Group's pre-tax profit amounted to MNOK 474, which is equivalent to 1.31 per cent of the average total assets and up MNOK 266, compared with 2009.**

**The most important reasons for such a strong profit performance are significantly higher income from financial instruments, higher net interest income and reversal of pension costs associated with the contractual pension scheme (AFP).**

**At year-end, the bank's return on equity was 15.0 per cent and core capital adequacy ratio was 14.0 per cent, which gives the bank a sound foundation for future growth.**

At year-end, net interest income was MNOK 669, which is up MNOK 46 compared with 2009. The rise in net interest income must be seen in the light of the 2009 figures being impacted by the financial crisis. Through the whole of 2010, net interest income has been under pressure from lower customer margins and higher borrowing costs.

Other operating income totalled MNOK 391, compared with MNOK 176 in 2009. The most important reasons for the rise are the profit resulting from the merger between Nordito and PBS Holding and also the net change in value of interest instruments due to higher credit margins than at year-end 2009.

Net charges and commission income were up MNOK 5, mainly due to charges and commission income in the banking business.

Operating costs were down MNOK 18 from 2009 and totalled MNOK 464, which is equivalent to 1.27 per cent of the average total assets. Corrected for reversal of pension costs associated with the AFP pension scheme and write-down of goodwill, etc. in ABCenter, the cost level is almost the same as in 2009.

Losses on loans are at an anticipated level and MNOK 122 has been charged to the profit and loss account. The majority of these losses are associated with commitments in the corporate

market. Increased collective write-downs constituted MNOK 10 of the total losses. Total collective write-downs are now MNOK 124.

Net defaulted and bad loans were MNOK 421 and the underlying risk in the portfolio has not changed significantly from 2009.

In the last 12 months, total assets increased by 6.8 per cent to BNOK 37.7 compared with BNOK 35.3 in 2009.

During the period, overall lending growth was 6.1 per cent, with a growth of 10 per cent in the retail banking market and -0.8 per cent in the corporate market. We are pleased with the trend in the retail banking market. The latest figures from SSB show a general growth in loans to households of 6.5 per cent in the same period. Loans to the retail banking market are now 66.9 per cent of the total loans.

Deposit growth reached 2.1 per cent, with deposits from the corporate market increasing by 3.9 per cent and by 0.8 per cent in the retail banking market. At year-end, the bank's deposit coverage ratio was 55.9 per cent in the group and 68.5 per cent in the parent bank.

Total equity and related capital is BNOK 3.3, of which BNOK 2.8 is subordinated loan capital, BNOK 0.2 is Perpetual Hybrid Tier 1 Capital and BNOK 0.3 is subordinated loan capital. At year-end 2010, capital adequacy ratio was 15.5 per cent based on the standard approach outlined in the Basel II rules. Core capital ratio was 14.0 per cent.

New capital adequacy requirements, higher funding costs and the competitive situation make it increasingly more difficult to deliver results within the defined targets. A new strategy plan for the bank is therefore in the pipeline. This strategy will set out the main objectives for the bank's activities in the years ahead.

The board of directors is satisfied with the profit at year-end and together with the bank's good financial strength and market position this will provide a good platform for future positive growth.

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