



Press release

From : Sparebanken Sør
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Strong 1st quarter results in 2010

The Sparebanken Sør Group's pre-tax profit amounted to an impressive MNOK 162, which is equivalent to 1.84 per cent of the average total assets and is the bank's best quarterly result ever.

The positive profit performance the bank experienced in 2009 has continued in the new year and there has been a good, steady trend in underlying operations in particular.

Core capital adequacy ratio was 13.9 per cent, which gives the bank a sound foundation for future growth.

Net interest income has shown a good and steady trend and is MNOK 169, which is equivalent to 1.92 per cent of the average total assets at the end of the quarter and is up MNOK 51, compared with the previous year. The main reason for such a significant difference is that the financial crisis had a negative impact on the same period last year. There have been minor changes in margins both in the retailing banking and corporate market, and current funding costs have been as expected.

Other operating revenues totalled MNOK 106, compared with MNOK 2 at the same time last year. The increase is mainly due to net value changes in financial instruments.

Net fees and commission income was up MNOK 6, mainly due to commission from the bank's real estate brokerage business.

Group operating costs were reduced by MNOK 27 to MNOK 91, which is equivalent to 1.03 per cent of the average total assets. The most important single reason for the cost reduction is reversal of previously recognized pension costs resulting from changes in the early retirement (AFP) scheme. Despite this, the Group managed to cut costs.

MNOK 22 has been recognized in the accounts as losses on loans and is equivalent to 0.28 per cent of the loans. MNOK 5 of the losses is due to an increase in Group write-downs and total Group write-downs are now MNOK 119. The remaining losses concern a few corporate commitments.

Net defaulted and doubtful loans totalled MNOK 216, compared with MNOK 253 at year-end, which is equivalent to 0.73 per cent of the loans, compared with 0.87 per cent at the end of 2009.

At the end of the quarter, total assets amounted to BNOK 35.5, compared with MNOK 33.9 the previous year, which gives an annual growth of 4.5 per cent. In the last twelve months, overall lending growth was 3.5 per cent, with a growth of 8.0 per cent in the retail banking market and -3.4 per cent in the corporate market. Loans to the retail banking market are now 65.1 per cent of the total loans. BNOK 5.9 of the Group's total loans now lie in the bank's mortgage company Sør Boligkreditt AS.

In the last twelve months, deposit growth was 1.2 per cent, with 0.4 per cent growth in deposits in the retail banking market and 2.3 per cent in the corporate market. Deposit coverage ratio was 54.1 per cent in the Group and 67.2 per cent in the parent bank.

The Group has a good cash flow and has significant unused liquid reserves available in Sør Boligkreditt AS.

Total equity and related capital is BNOK 3.3, of which MNOK 2.6 is the bank's equity, MNOK 0.4 is subordinated bonds loan and MNOK 0.3 is subordinated loan capital.

At the end of the first quarter 2010, capital adequacy ratio was 15.5 per cent, based on the standard approach outlined in the Basel II rules. Core capital adequacy ratio was 13.9 per cent.

The first quarter result was very satisfactory and we expect a positive trend in the time ahead, though perhaps not at the same impressive level.

A moderate increase in activity in the corporate market is expected in the coming months.

On 21 April 2010, CEO Morten Kraft informed the Board of Directors of the bank that he had decided to step down. At the Board of Directors' request, Morten Kraft will stay at the helm a little while longer before signing off for good. The Board of Directors has started the work of finding his successor.

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