



Press release

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PRELIMINARY ACCOUNTS 2009

Good profit performance in 4Q

The Sparebanken Sør Group's 2009 pretax profit amounted to MNOK 206, which is 58 per cent of the average total assets and up MNOK 188, compared with the previous year.

The positive profit performance the bank experienced in 3Q has continued in 4Q. In 4Q, profit before deduction of losses was MNOK 138, which is much higher than the average for the previous quarters. There has been a good, steady trend in underlying operations in particular. Losses are higher in 4Q than in the previous quarter, but they are not higher than was expected.

At year-end, the bank's core capital adequacy ratio was 14.1 per cent, which gives the bank a sound foundation for future growth.

At year-end, net interest income was MNOK 624, which is down MNOK 5 from the previous year. The negative trend mainly emerged in 1Q 2009, due to deferred high financing costs in relation to terms and conditions on customers' deposits and loans.

Other operating income totalled MNOK 220, compared with MNOK 57 at the same time last year. This increase is mainly due to net value changes in the bank's financial instruments.

Net charges and commission income were down MNOK 4, due to less income from payment transfer services and investment products, and also from the Bank's real estate brokerage business.

Operating costs were down by MNOK 25 to MNOK 529, which corresponds to 1.48 per cent of the average total assets. The most important individual cause of the cost reduction is lower costs in the Bank's real estate brokerage business.

MNOK 109 has been charged to the profit and loss account in respect of losses on loans. Losses are down MNOK 5 compared with the previous year and the majority of these are associated with a few commitments in the corporate market. Increased collective write-downs constituted MNOK 23 of the total losses. Total collective write-downs are now MNOK 114.

Net defaulted and bad loans were MNOK 256, compared with MNOK 253 at year-end 2008, which is equivalent to 0.87 per cent of loan, compared with 0.89 per cent in 2008.

In the last 12 months, total assets increased by 5.1 per cent to BNOK 35.4. During the period, overall lending growth was 3.3 per cent, with a growth of 9.4 per cent in retail banking and -6.3 per cent in corporate loans. Loans to the retail banking market are now 64.8 per cent of the total loans. Deposits from the corporate market have increased by 4.0 per cent and by 6.9 per cent in the retail banking market. The bank's deposit coverage ratio is 58.1 per cent, which is 1.4 per cent higher than the previous year.

Total equity and related capital is BNOK 3.1, of which BNOK 0.3 is subordinated loan capital and BNOK 0.4 is a subordinated bonds loan. The remainder is accrued earnings, which has been assigned to the Savings Banks' Fund. At year-end 2009, capital adequacy ratio was 15.7 per cent, based on the standard approach outlined in the Basel II rules. Core capital ratio was 14.1 per cent.

There is still uncertainty with regard to the future trend, but the outlook for the coming year seems to be more positive than at the same time in 2009.

The financial crisis had a strong impact on the first half of 2009, but there has been a steady recovery in the second half of the year. Therefore, we expect 2010 to be a better year than 2009. However, new economic setbacks and turbulence in the financial markets will have a negative impact on profit.

However, with its sound capital base, good underlying operations and competitive terms and conditions, the bank is well equipped to face the challenges in 2010.

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