



Press release

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Strong performance continues in 2nd quarter 2010

At the end of the 2nd quarter 2010, the Sparebanken Sør Group's pretax profit was MNOK 369, which is equivalent to 2.05 per cent of the average total assets. The positive profit trend the bank experienced in the 1st quarter of 2010 continued in the 2nd quarter and there has also been a good, steady trend in underlying operations.

Core capital adequacy ratio was 13.8 per cent, which gives the bank a sound foundation for further growth.

Net interest income continues to follow a good, steady trend and is MNOK 337, which is equivalent to 1.88 per cent of the average total assets at the end of the quarter. This is an increase of MNOK 71 compared with last year, though it must be remembered that the financial crisis had a strong negative impact on the same period last year.

Other operating revenues totalled MNOK 289, compared with MNOK 53 at the same time last year. The sharp increase is due to an accounting profit of MNOK 112 resulting from the merger between Nordito (formerly BBS) and Danish PBS Holding. In addition, net value changes in financial instruments had a positive effect, with MNOK 63 recorded as income, compared with MNOK 46 last year.

Net fees and commission income was up MNOK 8 and the increase was divided equally between income from the bank's real estate brokerage business and fees and commission income in the banking business.

Group operating costs have been reduced by MNOK 24 to MNOK 215, which is equivalent to 1.20 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.

MNOK 42 has been recognized in the accounts as losses on loans and is equivalent to 0.23 per cent of the average total assets. MNOK 10 of the losses is due to an increase in Group write-downs. The total Group write-downs are now MNOK 124. The remaining losses concern a few corporate commitments.

Net defaulted and doubtful loans totalled MNOK 391, compared with MNOK 256 at year-end, which is equivalent to 1.29 per cent of the loans, compared with 0.88 per cent at the end of 2009.

At the end of the quarter, total assets amounted to BNOK 38.3, compared with BNOK 35.4 the previous year, which gives an annual growth of 8.2 per cent.

In the last twelve months, overall lending growth was 4.3 per cent, with a growth of 8.7 per cent in the retail banking market and -2.9 per cent in the corporate market. Compared with year-end, lending growth was a 5.2 per cent in the retail banking market and 1.0 per cent in the corporate market. The percentage of loans to the retail banking market is now 65.8 per cent. BNOK 5.9 of the Group's total loans now lies in the bank's mortgage company Sør Boligkreditt AS.

In the last twelve months, deposits have fallen by 3.7 per cent, with a decline of 8.8 per cent in the corporate market and zero growth in the retail banking market. Deposit coverage ratio was 55.9 per cent in the Group and 68.9 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 3.4, of which BNOK 2.7 is the bank's equity, BNOK 0.4 is subordinated bonds loan and BNOK 0.3 is subordinated loan capital. At the end of the 2nd quarter 2010, capital adequacy ratio was 15.4 per cent, based on the standard approach outlined in the Basel II rules. Core capital adequacy ratio was 13.8 per cent.

The Board of Directors is satisfied with the results for the first half-year and expects the positive trend to continue in the months to come.

The bank's former CEO, Martin Kraft, stepped down in May 2010. Gunnar P. Thomassen, who has previously been Head of the retail banking market, has been appointed as Acting CEO. The Board of Directors has recently appointed Geir Bergskaug as new CEO. Bergskaug is currently CEO in Gjensidige and will take up his new appointment on 1 November 2010.

The 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