

Press release

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Preliminary report and accounts for 2008

Weak result at Sparebanken Sør, but good financial strength

The Sparebanken Sør Group's 2008 pre-tax result amounted to NOK 22 million. This is much weaker than the year before and a result which is strongly affected by the global financial crisis, increased losses on loans and one-off factors. Securities were written down by a total of NOK 139 million. Losses on loans mainly to corporate customers increased to NOK 114 million on a net basis. A positive feature is that ordinary banking operations have been developing in a satisfactory manner. In addition, strong growth in house mortgage loans is a very positive feature, as is the fact that the Bank's market share has been increasing. The core capital coverage ratio ended up at 11.4 per cent.

The Group's preliminary pre-tax result amounted to NOK 22 million, which represented 0.07 per cent of average assets. The corresponding figures for 2007 were NOK 337 million and 1.21 per cent. As mentioned above, the result is strongly affected by write-downs on securities and losses on loans. In addition, NOK 47 million and NOK 16 million were charged to the Group profit and loss account in respect of losses at ABCenter and Start respectively. Adjusted for one-off effects and losses on loans, the result of the underlying operations were somewhat better than in 2007.

Net interest income totalled NOK 633 million, up by NOK 74 million on 2007. In relation to average assets, net interest income amounted to 1.99 per cent, virtually identical to the level a year earlier.

Other (non-interest) operating income totalled NOK 57 million, as against NOK 270 million in 2007. The shrinkage is to a large extent due to write-downs on securities amounting to NOK 139 million on a net basis. Commission income was lower than the year before due to a weaker result from the Bank's real estate brokerage business and to lower income from payments transmission services.

Operating costs were up from NOK 480 million to NOK 554 million, partly due to the Bank's expansion in Telemark, high costs in the real estate brokerage business, refurbishment of a larger commercial property in Kristiansand and general growth in costs.

NOK 114 million has been charged to the profit and loss account in respect of net losses on loans, whereas the corresponding figure from 2007 was 12 million. Collective write-downs totalled NOK 25 million and almost NOK 50 million of the abovementioned total amount relates to Start. Net commitments in default and bad and doubtful commitments were up by NOK 89 million, totalling NOK 253 million or 0.89 per cent of gross lending. There is a great deal of uncertainty relating to future developments and the Bank has therefore tightened up on terms and conditions for loans, primarily to the corporate sector.

During the last 12 months, assets grew by 11.7 per cent to NOK 33.7 billion. Loans grew by 9.8 per cent overall, retail banking- and corporate lending by 14.3 and 5.2 per cent respectively. During the course of last year, deposits from customers increased by 2.4 per cent, retail banking deposits improving by 11.2 per cent. The Bank's overall deposit ratio ended up at 56.7 per cent.

Total equity and related capital amounted to NOK 2.6 billion at the end of the year. The capital adequacy ratio was 12.9 per cent, of which the core capital ratio accounted for 11.4 percentage points. The calculation of the capital adequacy ratio is based on the standard approach in the Basel II rules and regulations.

The economic prospects for 2009 are uncertain and it is particularly difficult to anticipate the impact which the unsettled financial markets will have on the real economy. Companies' revenue generation is vital for the maintenance of jobs, which again is important for the development of the housing market. There is reason to believe that 2009 will also be a demanding year for the banking industry. However, against the background of its good financial strength and good access to funding, Sparebanken Sør views the future with optimism.

Arendal, 17 February 2009
Sparebanken Sør

This press release and the Bank's quarterly report and accounts will be posted on the Bank's home page, www.sor.no, and will also be available through the Oslo Stock Exchange, www.newsweb.no.