



## Press release

**From** : Sparebanken Sør  
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### Third quarter report and accounts 2007

**The Sparebanken Sør Group earned NOK 263 million for the first 9 months of 2007. This was NOK 26 million up on the corresponding interim period last year. The improvement in the result is primarily ascribable to higher net interest income, coupled with increased revenue generation from shares and other financial instruments. The general economic situation within the Bank's region remains good and there is a good level of demand for loans both from retail banking customers and corporate clients.**

The Bank's pre-tax result totalled NOK 263 million, equivalent to 1.28 per cent of average assets. The corresponding figures 12 months ago were NOK 237 million and 1.38 per cent respectively. The result produced a 12.4 per cent after-tax return on equity capital, as against 12.3 per cent at the same time last year.

Net interest income amounted to NOK 408 million, up by NOK 38 million on the first 9 months last year. As a percentage of average assets, however, the ratio shrank from 2.16 to 1.98 per cent.

Other (non-interest) operating income totalled NOK 199 million, as opposed to NOK 167 million 12 months ago. The improvement is principally attributable to higher commission income and increased revenue generation from shares and other financial instruments. Operating costs amounted to NOK 341 million, compared to NOK 297 million at the end of the third quarter last year. The increase is primarily ascribable to higher personnel- and IT costs. Overall costs in relation to average assets, however, have improved from 1.73 to 1.66 per cent in the last 12 months. NOK 3 million was charged to the profit and loss account in respect of net losses on loans, the same modest level as last year.

During the last 12 months, assets expanded by 20.5 per cent to NOK 29.4 billion. During the period, loans grew by 17.8 per cent, the retail banking- and corporate banking sectors increasing by 12.6 and 26.0 per cent respectively. Net commitments in default and bad and doubtful commitments totalled NOK 191 million, largely unchanged from 12 months ago. This is equivalent to 0.77 per cent of gross loans, whereas the corresponding ratio a year ago was 0.92 per cent. During the same period, deposits from customers increased by 16.7 per cent.

At the end of the third quarter, equity and related capital totalled NOK 2.5 billion, producing a capital adequacy ratio of 10.8 per cent; the core capital amounted to 9.4 per cent. The calculation has been made according to the old capital adequacy rules and regulations in compliance with the transitional rules provided. When the new rules and regulations are applied, with effect from the first quarter of 2008, the Bank's capital adequacy ratio will increase.

The Bank recently opened a new branch at Bø in Telemark and will establish itself in the Grenland area next year. The Bank is not exposed to the house mortgage market in USA, but the turbulence in the credit markets will bring about somewhat higher funding costs for the Bank during the fourth quarter. However, the Board of Directors expects good results also for the remainder of 2007.

Arendal, 24 October 2007  
Sparebanken Sør

If you should require more information, please contact Morten Kraft, Chief Executive Officer, whose telephone number is 37 05 70 93.

This press release and the Bank's quarterly report and accounts will also be available through Oslo Stock Exchange, [www.newsweb.no](http://www.newsweb.no).