



Press release

From : Sparebanken Sør
Contact person: Morten Kraft, Chief Executive Officer
Phone number : +47 37 05 70 93
Date : 28.08.2007

FIRST HALF REPORT AND ACCOUNTS 2007

The Sparebanken Sør Group earned NOK 162 million for the first half of 2007. This was NOK 11 million up on the corresponding interim period last year. The improvement in the result is primarily ascribable to higher net interest income, increased other (non-interest) income and virtually no credit losses. High activity levels within industry and commerce, coupled with optimism among retail banking customers, have been producing a big demand for loans from the Bank.

The pre-tax result for the Group as a whole totalled NOK 162 million, equivalent to 1.21 per cent of average assets. The corresponding figures 12 months ago were NOK 151 million and 1.34 per cent respectively. The result produced an 11.6 per cent after-tax return on equity capital.

Net interest income amounted to NOK 262 million, up by NOK 20 million on the first half last year. As a percentage of average assets, however, the ratio shrank from 2.15 to 1.96 per cent. The loss of income brought about by a lower overall interest margin was more than compensated for through good lending growth.

Other (non-interest) operating income totalled NOK 120 million, as against NOK 114 million 12 months ago. The improvement is principally attributable to higher fee- and commission income. Operating costs have risen from NOK 196 million to NOK 220 million, partly due to higher IT-related costs and increased personnel costs. The Bank will focus sharply on overall cost developments in the future.

Less than NOK 1 million was charged to the profit and loss account in respect of net losses on loans, down from NOK 9 million a year ago. Net commitments in default and bad and doubtful commitments fell by NOK 21 million, totalling NOK 197 million at the end of the quarter currently under review, equivalent to 0.83 per cent of net lending. The Board of Directors is very comfortable with the level of credit risk in the Bank's loan portfolio and regards the overall credit loss risk on a short-term basis as modest.

During the last 12 months, assets expanded by 20.8 per cent to NOK 28.1 billion. During the period, loans grew by 17.0 per cent, the retail banking- and corporate banking sectors increasing by 12.1 and 25.0 per cent respectively. Deposits from customers were up by 9.8 per cent during the last 12 months.

At the end of the second quarter, equity and related capital totalled NOK 2.3 billion, producing a capital adequacy ratio of 11.4 per cent; the core capital amounted to 10.0 per cent. The weighted asset basis for calculating capital adequacy increased by 25.6 per cent to NOK 20.2 billion.

Sparebanken Sør has a strong position within its geographical area and the Board of Directors expects good and stable revenue generation also for the remainder of 2007. Furthermore, a low level of unemployment, coupled with good revenue generation for businesses, would suggest that the Bank's credit losses should continue to be low.

Arendal, 27 August 2007
Sparebanken Sør

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