

Second quarter report 2007

As at 30 June

Main features

The main features of the Bank's operations so far this year are as follows:

- Continued good operating result
- Increased net interest income
- Other (non-interest) operating income in line with last year's interim figures
- A very low overall cost ratio
- Very low credit losses
- Good lending - and deposit growth

Framework conditions

During the first half of the year, Norges Bank has raised its benchmark rate four times, each time by 0.25 percentage point; it was 4.50 per cent at the end of the second quarter. The benchmark rate was increased again in August 2007, by 0.25 percentage point. The annual growth in domestic gross debt, K2, amounted to 14.8 per cent at the end of May. In particular, credit growth within the industrial and commercial sector has been increasing, whereas growth in the case of private households appears to be levelling out at a level which is still high.

The upward trend at the Oslo Stock Exchange has continued during 2007, but was reversed by a 4.4 per cent fall in prices in February. At the end of the second quarter, however, the index had still risen by 15.4 per cent.

According to figures provided by NAV, unemployment has still been fallen, the registered level amounting to 1.8 per cent of the total labour force at the end of June. On a seasonally adjusted basis, the number of people without a job or participation in labour market measures totalled 55,790 persons.

Operating result

The Bank's pre-tax operating result for the first half of 2007 ended up at NOK 133.1 million, as opposed to NOK 139.9 million at the same time last year. The reduction in the result compared with the first half of 2006 is due to the fact that at that time the Bank benefitted from extraordinary gains – mainly from the sale of its own property – amounting to NOK 16 million. The result is equivalent to 1.24 per cent of average assets, as against 1.50 per cent 12 months ago.

Net interest income totalled to NOK 174.8 million, up by NOK 15.9 million on the corresponding interim period last year. In relation to average assets, this amounted to 1.63 per cent.

Other (non-interest) operating income totalled to NOK 50.6 million, down by NOK 14.4 million on the first half of 2006. However, during that interim period, the Bank received an extraordinary gain of NOK 16 million. The Bank's exposure in the stock market remains low.

Costs totalled NOK 91.7 million, up by NOK 3.9 million compared with the same interim period last year. In relation to average assets, however, costs were reduced from the low level of 0.94 per cent at the end of the first half of last year to 0.85 per cent this year.

Costs as a percentage of income have also remained at a very low level. The ratio at the end of the first half of 2007 was 40.7 per cent, down from 39.2 per cent a year earlier.

Total assets

At the end of the second quarter of 2007, total assets amounted to NOK 23,541 million. This involved an increase of NOK 4,121 million or 21.2 per cent during the last 12 months.

Deposits

At the end of the second quarter, deposits from customers totalled NOK 12,434 million, up by NOK 1,737 million or 16.2 per cent during the last 12 months. The corporate banking market accounted for the largest share of the overall increase in deposits. At the end of the first quarter of 2007, 60.6 per cent of the Bank's loans were funded by deposits received from customers. In addition to maintaining a stable deposit base, Sparebanken Pluss makes every effort to fund the growth in assets by long-term borrowings in the domestic and international money- and capital markets. The Bank's good results and excellent capital adequacy ratio have helped ensure that new capital is raised at very competitive terms and conditions.

Loans

Gross lending to customers was up by NOK 3,145 million or 18.0 per cent, standing at NOK 20,599 million at the end of the second quarter. Retail banking- and corporate loans increased by 17.4 and 19.2 per cent respectively, the two sectors accounting for 63.4 and 36.6 per cent respectively of the Bank's total loan portfolio. The level of gross loans in default remains very low. The credit risk contained in the Bank's lending portfolio is still regarded as low.

Losses on loans and guarantees

Assessment of loans, credit losses and write-downs relating to losses is made in accordance with the rules and regulations pertaining to the treatment in the accounts of loans and guarantees. Write-downs on groups of loans have been increased by NOK 0.7 million, totalling NOK 80.4 million as at 30.06.2007.

Individual write-downs on loans have been increased by NOK 0.4 million in relation to the level at the end of last year, amounting to NOK 14.3 million, excluding amortised amounts relating to loans. At the end of the second quarter, there was a net credit loss cost of NOK 0.6 million.

In the opinion of the Board of Directors, the level of write-downs is sufficient to cover the credit risk contained in the Bank's loan portfolio.

Equity capital and capital adequacy

New capital adequacy rules and regulations (Basel II) came into force from 01.01.2007; but against the background of the transitional rules in this connection, Sparebanken Pluss has chosen to apply the old capital adequacy rules and regulations also in 2007.

During the first quarter, Sparebanken Pluss raised a subordinated loan of NOK 400 million. At the end of the second quarter of 2007, Sparebanken Pluss's equity capital totalled NOK 1,717 million. This produced a capital adequacy ratio of 15.1 per cent. Despite the high level of equity capital and low domestic interest rates, the Bank succeeded in maintaining a relatively high return on its equity capital. At the end of the second quarter of 2007, the ratio was 11.4 per cent, compared with 13.9 per cent 12 months earlier.

Primary Capital Certificates (PCCs)

So far this year, 103,079 PCCs have been traded; there were 705 transactions in all. As at 30.06.2007, the Bank had 1,772 PCC-holders. A list of the 20 largest PCC-holders at the end of the quarter currently under review is shown in one of the attached notes to the accounts. So far this year, earnings per PCC amount to NOK 7.92, as against NOK 9.55 at the same time last year.

Future prospects

The Board of Directors expects Sparebanken Pluss's operating result to be satisfactory in 2007 too.

Kristiansand, 22 August 2007

Arvid Grundekjøn
Chairman

Norunn Tveiten Benestad
Deputy Chairman

Thore Westermoen

Kristin Wallevik

Peder Syrdalen

Unni Kruse

PROFIT AND LOSS ACCOUNT

(NOK 1.000)

PER CENT OF AVERAGE ASSETS

30.6.07	30.6.06	31.12.06		30.6.07	30.6.06	31.12.06
531.593	356.319	776.489	Interest receivable and similar income	4,95	3,81	4,02
356.838	197.427	446.946	Interest payable and similar costs	3,32	2,11	2,31
174.755	158.892	329.543	Net interest- and credit commission income	1,63	1,70	1,71
1.497	4.664	4.664	Dividends and other income from securities with var. yield	0,01	0,05	0,02
48.970	46.229	95.769	Commissions and income from banking services	0,45	0,49	0,50
6.524	6.818	13.433	Commissions payable and costs of banking services	0,06	0,07	0,07
2.613	16.686	20.220	Net gains from foreign exchange and securities	0,02	0,18	0,10
4.002	4.164	10.010	Other operating income	0,04	0,04	0,05
50.558	64.925	117.230	Sum other operating income	0,47	0,69	0,61
76.710	72.918	147.999	Wages, salaries and general administration costs	0,71	0,78	0,77
4.781	4.993	9.649	Depreciation etc. of fixed - and intangible assets	0,04	0,05	0,05
10.166	9.808	17.829	Other operating costs	0,09	0,10	0,09
91.657	87.719	175.478	Sum operating costs	0,85	0,94	0,91
133.655	136.098	271.296	Result from ordinary operations before losses on loans	1,25	1,46	1,40
556	-3.861	-7.360	Losses on loans, guarantees etc.	0,01	-0,04	-0,04
133.099	139.959	278.656	Operating result	1,24	1,50	1,44
38.905	37.730	77.341	Taxes	0,36	0,40	0,40
94.194	102.229	201.315	Result after taxes	0,88	1,10	1,04

BALANCE SHEET

(NOK 1.000)

ASSETS	As at 30.06.07	As at 30.06.06	As at 31.12.06
Cash-in-hand and claims on central banks	901.446	411.812	785.574
Net loans to and claims on credit institutions	370.323	583.615	463.573
Gross loans	20.598.822	17.453.634	18.901.009
- Individual write-downs on loans	15.015	16.827	13.813
- Write-downs of groups of loans	80.441	81.631	79.761
Net loans to and claims on customers	20.503.366	17.355.176	18.807.435
Repossessed assets	308	348	308
Certificates, bonds and other interest-bearing securities	1.415.254	794.541	1.166.395
Shares	39.998	35.572	35.119
Fixed assets	127.817	118.350	126.356
Other assets	21.978	24.230	13.541
Prepaid costs and accrued income, not yet received	160.698	96.549	143.333
TOTAL ASSETS	23.541.188	19.420.194	21.541.635
LIABILITIES AND EQUITY CAPITAL	As at 30.06.07	As at 30.06.06	As at 31.12.06
Liabilities to credit institutions	1.467.685	221.678	734.400
Deposits from and liabilities to customers	12.433.801	10.696.468	11.409.077
Liabilities incurred through issuance of securities	6.794.312	6.322.195	7.110.557
Other liabilities	135.535	129.138	182.061
Incurred costs and prepaid income	268.728	168.019	158.244
Provisions against liabilities and costs	26.999	26.511	26.999
Subordinated loans	696.962	297.175	297.325
TOTAL LIABILITIES	21.824.022	17.861.183	19.918.663
Primary Capital Certificates	125.000	125.000	125.000
Premium Fund	34.324	34.324	34.324
The Savings Bank's Fund	1.452.386	1.286.584	1.452.386
Dividend Equalisation Fund	11.262	10.874	11.262
Retained earnings	94.194	102.229	0
TOTAL EQUITY CAPITAL	1.717.166	1.559.011	1.622.972
TOTAL LIABILITIES AND EQUITY CAPITAL	23.541.188	19.420.194	21.541.635
Total off-balance sheet items	1.640.209	1.211.205	1.595.567

QUARTERLY PROFIT AND LOSS FIGURES

(NOK 1.000)

	2nd quarter 2007	1st quarter 2007	4th quarter 2006	3rd quarter 2006	2nd quarter 2006
Interest receivable and similar income	285.038	246.555	219.391	200.779	186.043
Interest payable and similar costs	195.734	161.104	134.301	115.218	105.067
Net interest- and credit commission income	89.304	85.451	85.090	85.561	80.976
Dividends and other income from securities with var. yield	853	644	0	0	878
Commissions and income from banking services	25.655	23.315	26.420	23.120	24.799
Commissions payable and costs of banking services	3.350	3.174	3.349	3.266	3.215
Net gains from foreign exchange and securities	852	1.761	1.472	2.062	14.853
Other operating income	1.872	2.130	1.937	3.909	2.047
Sum other operating income	25.882	24.676	26.480	25.825	39.362
Wages, salaries and general administration costs	39.621	37.089	38.938	36.143	37.152
Depreciation etc. of fixed - and intangible assets	2.466	2.315	2.324	2.332	2.362
Other operating costs	4.592	5.574	4.509	3.512	4.704
Sum operating costs	46.679	44.978	45.771	41.987	44.218
Result from ordinary operations before losses on loans	68.507	65.149	65.799	69.399	76.120
Losses on loans, guarantees etc.	-1.229	1.785	-1.917	-1.582	-3.992
Operating result	69.736	63.364	67.716	70.981	80.112
Taxes	20.450	18.455	18.761	20.850	20.075
Result after taxes	49.286	44.910	48.955	50.131	60.037

QUARTERLY PROFIT AND LOSS FIGURES IN PER CENT OF AVERAGE ASSETS

	2nd quarter 2007	1st quarter 2007	4th quarter 2006	3rd quarter 2006	2nd quarter 2006
Net interest- and credit commission income	1,63	1,64	1,68	1,75	1,70
Sum other operating income	0,47	0,47	0,54	0,53	0,82
Sum operating costs	0,86	0,86	0,90	0,86	0,92
Result from ordinary operations before losses on loans	1,24	1,25	1,32	1,42	1,60
Losses on loans, guarantees etc.	-0,02	0,03	-0,03	-0,03	-0,08
Operating result	1,26	1,22	1,35	1,45	1,68

KEY FIGURES AS AT

	30.6.07	31.3.07	31.12.06	30.9.06	30.6.06
Growth in gross loans (% p.a.)	18,0	16,4	17,3	16,9	15,7
- Retail banking	17,4	17,4	18,4	17,4	18,1
- Corporate banking	19,2	14,6	15,1	16,1	11,3
Growth in deposits (% p.a.)	16,2	19,6	18,3	16,7	14,3
Growth in total assets (% p.a.)	21,2	17,9	19,3	16,7	15,9
Average assets (NOK mill.)	21.653	21.138	19.326	19.037	18.850
Loan loss ratio (%)	0,00	0,01	-0,04	-0,03	-0,02
Overall deposit coverage (%) ¹	60,6	63,1	60,7	60,4	61,6
After-tax return on equity capital (%) ²	11,4	11,1	13,1	13,3	13,9
Total other operating costs in relation to net income(%) ³	40,7	40,8	39,3	38,7	39,2
Earnings per PCC (NOK) ⁴	7,9	3,8	18,8	14,2	9,6
Earnings per PCC (NOK) per quarter	4,1	3,8	4,6	4,6	5,7
Primary Capital Certificates (PCCs) price (NOK)	240	231	250	235	225
Number of branches	16	16	16	15	15
Number of man years	171	171	167	167	163

Definitions: ¹ Deposits from and liabilities to customers, divided by loans to and claims on customers. ² After-tax result, divided by average equity capital.

³ Total other operating costs, divided by net interest- and credit commission income plus total other (non-interest) operating income. ⁴ PCC-holders' share of operating result after tax, divided by average number of outstanding certificates.

NOTES TO THE ACCOUNTS

The accounts have been completed in accordance with the Banking, Insurance and Securities Commission's rules and regulations. In view of the fact that the Bank does not have any subsidiaries it does not have to report according to the new IFRS rules and regulations from 2005. All figures included in the attached Notes to the Accounts are in NOK thousand.

Losses on loans in the period	As at 30.06.07	As at 30.06.06	As at 31.12.06
Write-downs of loans	555	-3.860	-7.361
Losses on guarantees	0	0	0
Write-down on loans and losses on guarantees	555	-3.860	-7.361
Losses on loans			
Changes in specific write-downs of loans in the period	445	-1.528	-4.562
+ Changes in write-down on groups of loans in the period	680	-3.830	-5.700
+ Amortised loans	265		
+ Confirmed losses in the period for which specific write-downs have previously been made	0	1.551	3.050
+ Confirmed losses in the period for which no specific write-downs have previously been made	227	602	1.596
- Recoveries from previous confirmed losses	1.062	655	1.745
= Write-down on loans in the period	555	-3.860	-7.361
Changes in specific write-downs			
Specific write-downs of loans as at 1.1	13.813	20.337	20.337
- Confirmed losses on loans in the period for which specific write-downs have previously been made	0	1.551	3.050
+ Increased specific write-downs in the period	1.759	1.103	1.132
+ New specific write-downs in the period	569	1.100	2.875
- Recoveries from specific write-downs in the period.	1.883	4.162	7.481
+ Amortised loans	757		
= Specific write-downs.	15.015	16.827	13.813
Changes in write-downs on groups of loans			
Write-downs of groups of loans as at 1.1	79.761	85.461	85.461
+ Changes in write-downs of groups of loans in in the period	680	-3.830	-5.700
= Write-downs of groups of loans	80.441	81.631	79.761
Defaulted loans/credits			
Gross defaulted loans/credits>90 days	20.846	18.992	14.569
- Specific write-downs	3.149	2.339	2.849
= Net defaulted loans/credits	17.697	16.653	11.720
Gross defaulted loans as a percentage of gross loans	0,10 %	0,11 %	0,08 %
Other bad and doubtful loans/credits			
Other bad and doubtful loans/credits, against which write-downs have been made	36.512	46.066	39.484
- Specific write-downs	11.109	14.489	10.964
= Net other bad and doubtful loans/credits	25.403	31.577	28.520
Gross defaulted loans and bad and doubtful commitments			
Gross defaulted loans and bad and doubtful commitments	57.358	65.058	54.053
- Specific write-downs	14.258	16.828	13.813
Net defaulted loans and bad and doubtful commitments	43.100	48.230	40.240

Equity capital movements	AS at 30.06.07	AS at 30.06.06	AS at 31.12.06
Primary Capital Certificates	125.000	125.000	125.000
Premium Fund	34.324	34.324	34.324
The Savings Bank's Fund	1.452.386	1.286.584	1.452.386
Dividend Equalisation Fund	11.262	10.874	11.262
Equity Capital	1.622.972	1.456.782	1.622.972
Retained earnings	94.194	102.229	0
Total Equity Capital	1.717.166	1.559.011	1.622.972

Capital adequacy

Net equity and related capital*	2.311.648	1.740.524	1.911.410
Risk-weighted asset total	15.348.416	12.547.770	13.769.711
Capital adequacy as a percentage*	15,06	13,87	13,88
Capital adequacy ratio, including 50 per cent of the result in the period	15,49	14,43	

* Result so far this year not included in computation

The 20 largest PCC holders as at 30.06.2007

NAME	Number of PCCs held	% part of total PCC capital	NAME	Number of PCCs held	% part of total PCC capital
1. Terra Utbytte VPF	81.750	6,54	11. Flekkefjord Sparebank	15.800	1,26
2. Sparebankstiftelsen DnB NOR	61.400	4,91	12. Hol Sparebank	15.000	1,20
3. Sparebank I SR-Bank Finan	36.714	2,94	13. Strømme Leif	13.400	1,07
4. Glastad Farsund AS	33.700	2,70	14. Bratland Bjørn	12.800	1,02
5. Varodd AS	32.800	2,62	15. Allumgården	12.350	0,99
6. Sparebanken Sør	31.600	2,53	16. MP Pensjon	12.000	0,96
7. Brøvig Holding AS	27.000	2,16	17. Akselsen Carsten	10.200	0,82
8. Spareskillingsbanken	26.600	2,13	18. Pareto AS	10.150	0,81
9. Gumpens Auto AS	20.750	1,66	19. Lillesands Sparebank	10.000	0,80
10. Birkenes Sparebank	20.000	1,60	20. Hjelm AS	10.000	0,80
Total - 10 largest PCC holders	372.314	29,79	Total - 20 largest PCC holders	494.014	39,52

As at 30.06.2007, Sparebanken Pluss owned none of the Bank's Primary Capital Certificates (PCCs). The Bank's PCC capital totalled NOK 125 million, made up 1,250,000 PCCs, each of a nominal value of NOK 100.