



PRESS RELEASE

From : Sparebanken Sør
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FIRST QUARTER REPORT AND ACCOUNTS 2008

The Sparebanken Sør Group earned NOK 94 million for the first 3 months of 2008. This was NOK 16 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 net revenue generation from financial instruments. The Bank is currently going through an exciting period of expansion, including the establishment of a new branch in Porsgrunn before this summer, and the opening later of new branches in Lillesand and Skien. In addition, the Bank's branch in Kristiansand will be moving into centrally located, new premises in Markensgate in May this year.

The Group's pre-tax result totalled NOK 94 million, equivalent to 1.24 per cent of average assets. The corresponding figures 12 months ago were NOK 78 million and 1.18 per cent respectively. The result produced a 10.9 per cent after-tax return on equity capital, which is in line with the targeted figure contained in the Bank's strategic plan.

Net interest income amounted to NOK 149 million, up by NOK 22 million on the first 3 months last year. As a percentage of average assets, the ratio improved from 1.92 to 1.97 per cent, as a result of increased risk pricing of loans.

Other (non-interest) operating income totalled NOK 70 million, as opposed to NOK 63 million 12 months ago. The improvement is attributable to higher net income from financial instruments – partly due to the fact that the Bank applies market values when assessing financial instruments both on the asset- and liabilities sides of the balance sheet. Commission income was somewhat reduced compared to the first quarter last year due to a weaker result from the Bank's real estate brokerage company, ABCenter. Operating costs were up from NOK 111 million to NOK 121 million, both as a result of the establishment of new branches in Telemark and the general increase in personnel costs. In addition, there are costs relating to the Bank's branch in Kristiansand, which will be moving into new premises in May this year.

NOK 4.5 million was charged to the profit and loss account in respect of losses on loans, whereas the corresponding figure 12 months ago was NOK 1 million. Net commitments in default and bad and doubtful commitments were up by NOK 34 million, totalling NOK 222 million, equivalent to 0.85 per cent of gross lending, at the end of the quarter. The Board of Directors considers the credit risk in the Bank's lending portfolio to be satisfactory. As a result of prospects of a slowdown in the economy, the Bank has tightened up its terms and conditions somewhat for new loans.

During the last 12 months, aggregate assets expanded by 11.9 per cent to NOK 30.0 billion. Lending growth during the period was 14.8 per cent, the retail banking- and corporate banking sectors increasing by 14.6 and 15.0 per cent respectively. During the same period, deposits from customers increased by 6.7 per cent.

At the end of the first quarter, equity and related capital totalled NOK 2.6 billion, producing a capital adequacy ratio of 13.4 per cent; the core capital amounted to 11.8 per cent. The calculation of the capital adequacy ratio is based on the standard approach contained in the Basel II rules and regulations, but the Bank has a definite aim of being able to apply more advanced methods for the management and computation of credit risk as soon as possible.

Sparebanken Sør's aim is to strengthen its presence in Telemark and in the Sørlandet region. This is increasing overall costs for the Bank in the short term, but is also providing a good basis for future growth and revenue generation. The Board of Directors expects that 2008 will be a reasonably good year, even though there are challenges ahead relating to the unsettled times in the financial markets, bringing about gradually higher funding costs.

Arendal, 23 April 2008
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 be posted on the Bank's home page, www.sor.no, and will also be available through the Oslo Stock Exchange, www.newsweb.no.