

FIRST QUARTER REPORT 2001

SPAREBANKEN SØR

RESULT

The pre-tax result at the end of the first quarter totalled NOK 67.8 million. This was NOK 35.4 million up on the corresponding interim period last year. The improved result is primarily ascribable to a NOK 34.3 million gain derived from the sale of some of the Bank's long-term shareholdings. This amount has been booked as income in the profit and loss account under the item, 'Gains from securities held on a long-term basis'. After adjusting for this gain, the pre-tax result ended up at NOK 33.59 million, as against NOK 32.4 million at the same time last year.

NET INTEREST INCOME AND AVERAGE INTEREST MARGIN

In cash terms, net interest income improved by NOK 5.1 million - compared with the same time last year - totalling NOK 91.7 million and the end of the first quarter. In relation to average assets, however, the overall interest margin continued to narrow. The shrinkage during the last 12 months amounted to 0.16 percentage point, the margin having decreased from 2.87 to 2.71 per cent. Lending- and deposit volumes were still up on last year; this helps boost net interest income in cash terms. Competition within the domestic banking industry nevertheless puts downward pressure on margins; the shrinkage in the overall interest margin measured in relation to average assets is attributable to this situation.

OTHER INCOME (NON-INTEREST)

Net other operating income ended up at NOK 14.7 million, as opposed to NOK 8.6million at the same time last year. In relation to average assets this was equivalent to an improvement from 0.29 to 0.43 per cent. Revenues generated by banking services were slightly up on the same time a year ago, due to higher transaction volumes within the area of electronic services. In view of the lack-

lustre performance of the Oslo Stock Exchange during the first quarter this year, the Bank's securities sector finished up with an overall loss. Despite this, however, there was in fact some improvement in the latter area in comparison with the same interim period last year.

OPERATING COSTS

Costs totalled NOK 67.0 million, slightly up from NOK 65.3 million for the first quarter last year. Measured against average assets, however, the cost ratio improved from 2.16 to 1.98 per cent, a very useful reduction in relative terms. The Board of Directors is pleased that last year's modest growth in overall costs would appear to be continuing this year.

CREDIT LOSSES

So far this year, net recoveries in respect of loans previously written off as losses amounted to NOK 1.2 million.

The Board of Directors nevertheless decided to boost non-specific loss provisions – earmarked to take care of any future losses – by NOK 7.0 million. After this transfer, in accordance with Norwegian accounting rules, the profit and loss account therefore shows an overall figure for net losses of NOK 5.8 million.

BALANCE SHEET

At the end of the quarter currently under review, aggregate assets stood at NOK 13.6 billion, up from NOK 12.1 billion at the same time last year. During the last 12-month period, lending expanded by 13.2 per cent. Retail- and corporate banking posted roughly the same rates of lending growth.

Deposits grew by 13.9 per cent. Growth within the corporate banking sector was larger. Deposits amounted to 74.7 per cent of loans, compared with 74.3 per cent 12 months ago. The Bank's remaining funding requirements are largely covered by the issuance of bond loans.

CAPITAL ADEQUACY RATIO

At the end of the first quarter, the Bank's capital adequacy ratio amounted to 11.2 per cent. The Bank's equity and related capital consists of core capital only. The result so far this year has not been included for capital adequacy computation purposes.

PROSPECTS FOR THE REMAINDER OF THE YEAR

As previously mentioned, the competitive situation within the Norwegian banking industry continues to put downward pressure on overall margins. Against this background, increased efforts are required all the time in order to maintain revenue generation levels. Future results will be largely dependent upon how successful these efforts are.

At present, Sparebanken Sør is in the process of organising joint premises with Gjensidige Nor in several locations. In addition, the Bank is planning to establish its own investment centre in Kristiansand during the course of the autumn. The Board of Directors is very optimistic about these initiatives.

Profit and Loss Account (Amounts in NOK million)

PARENT BANK				GROUP	
31.03.2001	31.03.2000	31.12.2000		31.03.2001	31.12.2000
278,2	209,2	947,6	Interest- and similar income	277,8	944,4
186,6	122,6	577,2	Interest- and similar costs	186,6	574,3
91,6	86,6	370,4	Net interest- and credit commission income	91,2	370,1
2,1	3,2	11,8	Dividends and other income from securities with variable yield	5,4	16,1
19,4	18,8	83,4	Commission- and other income from banking services	31,8	118,4
4,5	6,3	23,2	Commission- and other costs relating to banking services	4,5	23,2
-5,9	-10,0	4,5	Net value change and gains/losses on foreign exchange and securities	-5,9	4,5
3,6	2,9	12,7	Other operating income	3,6	12,1
14,7	8,6	89,2	Net other operating income	30,4	127,9
52,4	52,6	224,2	Wages, salaries and general administration costs	66,1	259,9
4,5	5,2	20,0	Depreciation etc. of fixed- and intangible assets	6,5	24,6
10,1	7,5	39,3	Other operating costs	10,1	38,1
67,0	65,3	283,5	Total operating costs	82,7	322,6
39,3	29,9	176,1	Result before losses	38,9	175,4
5,8	-2,5	35,7	Losses on loans, guarantees etc.	5,8	35,7
34,3		83,4	Gains from securities held on a long-term basis	34,3	83,4

67,8	32,4	223,8	Result before taxation cost	67,4	223,1
19,3	8,7	60,5	Tax payable on ordinary result	19,3	59,9
48,5	23,7	163,3	Result for the accounting year	48,1	163,2
			Minority interests	-0,4	-0,2
			Result after minority interests	48,5	163,4

Balance Sheet (Amounts in NOK million)

PARENT BANK				GROUP	
31.03.2001	31.03.2000	31.12.2000		31.03.2001	31.12.2000
ASSETS					
63,1	74,2	154,8	Cash-in-hand and claims on central banks	63,1	154,8
61,6	184,5	233,7	Loans to and claims on credit institutions	61,6	233,7
11.753,1	10.392,1	11.372,0	Loans to and claims on customers	11.709,4	11.328,3
0,6	1,5	1,5	Repossessed assets	0,6	1,5
1.258,9	970,1	990,7	Certificates, bonds and other interest-bearing securities	1.258,9	990,7
172,3	176,9	194,6	Shares	172,5	194,8
8,0	2,7	8,0	Equity stakes in associated companies	8,0	8,0
27,4	8,3	30,8	Equity stakes in Group companies		
5,5	2,7	5,3	Intangible assets	36,6	37,3
129,4	141,0	128,1	Fixed assets	155,2	153,9
8,2	3,9	5,2	Other assets	21,0	20,9
123,4	94,8	130,8	Prepayments and accrued income	123,4	130,8
13.611,5	12.052,7	13.255,5	TOTAL ASSETS	13.610,3	13.254,7

LIABILITIES AND EQUITY CAPITAL					
414,9	131,7	286,2	Liabilities to credit institutions	414,9	286,2
8.788,0	7.717,7	9.147,4	Deposits from and liabilities to customers	8.773,1	9.132,5
2.850,0	2.950,0	2.410,0	Borrowings through the issuance of securities	2.850,0	2.410,0
134,8	81,5	158,7	Other liabilities	145,2	169,2
188,4	125,4	65,5	Incurred costs and prepaid income	188,4	65,5
36,6	34,2	37,4	Provisions against liabilities and costs	36,6	37,3
12.412,7	11.040,5	12.105,2	Total liabilities	12.408,2	12.100,7
			Minority interests	1,6	2,0
1.150,3	988,5	1.150,3	Accrued and retained earnings/equity capital	1.152,0	1.152,0
48,5	23,7		Undistributed profits	48,5	
13.611,5	12.052,7	13.255,5	TOTAL LIABILITIES AND EQUITY CAPITAL	13.610,3	13.254,7

Items of an off-balance sheet category (Amounts in NOK million)

31.03.2001	31.03.2000	31.12.2000		31.03.2001	31.12.2000
Contingent liabilities					
480,3	322,0	452,3	Guarantees	480,3	452,3
861,3	856,1	807,9	Book value of collateralised assets pledged as security for debt	861,3	807,9
7,2	3,6	4,4	Other contingent liabilities	7,2	4,4
Liabilities					
1932,4	1148,7	1948,0	Interest rate swaps	1932,4	1948,0
500,0		1000,0	FRAs	500,0	1000,0
663,0	941,1	644,2	Forward exchange contracts	663,0	644,2

Recent quarterly results (Parent Bank)

Amounts in NOK million	1 quarter	4 quarter	3 quarter	2 quarter	1 quarter
	2001	2000	2000	2000	2000
Net interest- and credit comm. income	91,6	100,9	93,0	89,9	86,6
Other operating income	14,7	11,3	32,8	36,5	8,6
Operating costs	67,0	83,9	65,3	68,9	65,3
Result before credit losses	39,3	28,3	60,5	57,5	29,9
Losses on loans	5,8	25,6	7,6	5,0	-2,5
Gains on secs. held on a long-term basis	34,3			83,4	
Result before tax	67,8	2,7	52,9	135,9	32,4
Tax payable on ordinary result	19,3	0,6	15,6	35,6	8,7
Result after tax	48,5	2,1	37,3	100,3	23,7

Main figures as a percentage of average assets (Parent Bank)

	1 quarter	1 quarter	
	2001	2000	2000
Net interest- and credit comm. income	2,71	2,87	2,94
Other operating income	0,43	0,29	0,71
Operating costs	1,98	2,16	2,25
Result before credit losses	1,16	1,00	1,40
Losses on loans	0,17	-0,08	0,28
Gains on secs. held on a long-term basis	1,01		0,66
Result before tax	2,00	1,08	1,78
Tax payable on ordinary result	0,57	0,29	0,48
Result after tax	1,43	0,79	1,30

Losses on loans and guarantees	31.03.01	31.03.00	31.12.00
Period's change in specific loss provisions	-	-	
	5,8	1,8	2,2
Period's change in non-specific loss provisions	7,0	0,0	20,0
Period's confirmed losses against which specific loss provisioning has prev. been made	6,0	0,3	12,6
Period's confirmed losses against which spec. loss provisioning has not prev. been made	0,2	0,0	2,9
Period's recoveries in respect of previous, confirmed losses	1,6	1,0	2,0
Period's credit loss cost	5,8	-2,5	35,7

Commitments in default - bad and doubtful commitments

Commitments in default	313,2	228,3	323,8
Loss provisions	-52,8	-53,9	-58,9
Commitments in default - net	260,4	174,4	264,9
Other bad and doubtful commitments	45,1	46,5	54,3
Loss provisions	-14,3	-15,0	-14,0
Bad and doubtful commitments - net	30,8	31,5	40,3

Commitments in default are defined as a customer's total commitments even if only one of his/her/its loans has been in default for 90 days or more.

Equity and related capital - capital adequacy ratio

Core capital			
The Savings Bank's Fund	1.149,5	984,8	1.149,5
Intangible assets and over-funded pension liabilities	-22,8	-14,1	-22,6
Equity and related capital participations in other financial institutions	-35,4	-54,1	-40,9
Net equity and related capital	1.091,3	916,6	1.086,0
Weighted asset calculation basis			
	9.781,9	8.412,5	9.324,7
Capital adequacy ratio	11,16 %	10,90 %	11,65 %
	1)		
1) The result so far this year has not been included for capital adequacy ratio computation.			