

FIRST QUARTER REPORT 2002

SPAREBANKEN SØR

RESULT

The pre-tax result at the end of the first quarter totalled NOK 44.0 million. This was NOK 23.8 million down on the corresponding interim period last year. In relation to average assets, the pre-tax result amounted to 1.17 per cent, as against 1.99 per cent at the same time last year. The reduced result is ascribable to the fact that last year's first quarter accounts incorporated as income a NOK 34.3 million gain from the sale of shares held on a long-term basis. After adjusting for this factor, the pre-tax result for the interim period currently under review is NOK 10.5 million better than a year ago.

NET INTEREST INCOME AND AVERAGE INTEREST MARGIN

Net interest income improved by NOK 12.1 million, totalling NOK 103.7 million at the end of the first quarter. In relation to average assets, this amounted to 2.78 per cent, a little better than a year ago. Despite strong competition, the Bank has succeeded in maintaining overall margins at the same levels as 12 months ago. Growth in deposit- and lending volumes and the maintenance of the Bank's margins are the most important reasons for the improvement in net interest income.

OTHER (NON-INTEREST) INCOME

Net other operating income ended up at NOK 19.9 million, as opposed to NOK 14.7 million at the same time last year. In relation to average assets this involved an improvement from 0.43 to 0.53 per cent. Revenues generated from banking services again showed stable development and were slightly up on the same time a year ago. Apart from that, the progress under this heading is principally attributable to better first quarter results from the securities sector than last year.

OPERATING COSTS

Costs totalled NOK 72.4 million, up from NOK 67.0 million at the end of the first quarter last year. Measured against average assets, however, the cost ratio improved from 1.97 to 1.95 per cent. The overall increase in costs during the last 12 months is modest and within the limits previously agreed.

CREDIT LOSSES

Net specific credit losses after the first 3 months of the year amounted to NOK 0.2 million. In addition, NOK 7.0 million has been added to non-specific loss provisions, earmarked to take care of any future losses. After this transfer, the profit and loss account therefore shows an overall figure for net losses of NOK 7.2 million. The Bank's loan portfolio is assessed at regular intervals in order to identify any credit losses as early as possible.

BALANCE SHEET

At the end of the quarter currently under review, aggregate assets stood at NOK 15.0 billion, up from NOK 13.6 billion at the same time last year. During the last 12-month period, lending expanded by 11.7 per cent. Deposits grew by 9.9 per cent. Borrowings by retail banking- and corporate banking customers increased at about the same rate. The Bank's overall credit risk profile has not changed significantly during the first quarter this year. Deposits amounted to 72.8 per cent of loans, compared with 74.0 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 11.4 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

The Board of Directors expects the Bank's stable results to continue. However, customers have been changing the way in which they access the Bank's services. New and cheaper distribution channels are being used more and more instead of the traditional ways of selling the Bank's products.

The average interest margin is still subject to downward pressure due to fierce competition. In order to maintain the main targets incorporated in the Bank's strategic plan with regard to capital adequacy and profitability the Board of Directors therefore continues to focus on the level of overall costs throughout the Bank.

Arendal, 17 April 2002

Profit and Loss Account

PARENT BANK Amounts in NOK mill.

GROUP

31.03.2002	31.03.2001	31.12.2001		31.03.2002	31.03.2001	31.12.2001
285.5	278.2	1 163.8	Interest- and similar income	285.2	277.8	1 159.1
181.8	186.6	756.1	Interest- and similar costs	181.8	186.6	752.4
103.7	91.6	407.7	Net interest- and credit commission income	103.4	91.2	406.7
0.4	2.1	6.2	Dividends and other income with variable yield	3.3	5.4	14.4
20.2	19.4	87.1	Commissions and income from banking services	31.4	31.8	143.8
5.3	4.5	23.9	Commissions and other costs relating to banking services	5.3	4.5	23.9
2.5	-5.9	-5.8	Net value change and gains/losses from foreign exch. and securities	2.5	-5.9	-5.8
2.1	3.6	13.7	Other operating income	2.1	3.6	13.7
19.9	14.7	77.3	Net other operating income	34.0	30.4	142.2
57.7	52.4	232.0	Wages, salaries and general administration costs	69.7	66.1	286.7
4.3	4.5	18.8	Depreciation of fixed- and intangible assets	6.4	6.5	28.8
10.4	10.1	46.4	Other operating costs	10.4	10.1	46.3
72.4	67.0	297.2	Total operating costs	86.5	82.7	361.8
51.2	39.3	187.8	Result before losses	50.9	38.9	187.1
7.2	5.8	59.4	Losses on loans, guarantees etc.	7.2	5.8	59.4
0.0	34.3	35.0	Gains on securities held on a long-term basis	0.0	34.3	35.0
44.0	67.8	163.4	Result before taxation charge	43.7	67.4	162.7
13.0	19.3	47.1	Tax payable on ordinary result	13.0	19.3	46.3
31.0	48.5	116.3	Result for the accounting year	30.7	48.1	116.4
			Minority interests	-0.3	-0.4	0.1
			Result after minority interests	31.0	48.5	116.3

Balance Sheet

PARENT BANK Amounts in NOK mill.

GROUP

31.03.2002	31.03.2001	31.12.2001		31.03.2002	31.03.2001	31.12.2001
ASSETS						
67.0	63.1	114.0	Cash-in-hand and claims on central banks	67.0	63.1	114.0
59.9	61.6	86.1	Loans to and claims on credit institutions	59.9	61.6	86.1
13 124.0	11 753.1	12 667.9	Loans to and claims on customers	13 092.8	11 709.4	12 636.7
0.6	0.6	0.6	Repossessed assets	0.6	0.6	0.6
1 206.1	1 258.9	1 072.2	Certificates, bonds and other interest-bearing securities	1 206.1	1 258.9	1 072.2
201.5	172.3	183.0	Shares	201.6	172.5	183.1
8.1	8.0	8.1	Equity stakes in associated companies	8.1	8.0	8.1
20.3	27.4	22.8	Equity stakes in Group companies			
8.5	5.5	8.5	Intangible assets	33.6	36.6	36.4
118.0	129.4	117.2	Fixed assets	144.6	155.2	143.8
14.7	8.2	12.4	Other assets	29.9	21.0	27.7
130.7	123.4	108.8	Prepayments and accrued income	130.7	123.4	108.7
14 959.4	13 611.5	14 401.6	TOTAL ASSETS	14 974.9	13 610.3	14 417.4
LIABILITIES AND EQUITY CAPITAL						
535.7	509.5	554.1	Liabilities to credit institutions	535.7	509.5	554.1
9 553.1	8 693.4	9 188.5	Deposits from and liabilities to customers	9 548.4	8 678.5	9 183.8
3 228.2	2 850.0	3 155.2	Borrowings through the issuance of securities	3 228.2	2 850.0	3 155.2
108.7	134.8	127.1	Other liabilities	126.1	145.2	144.5
196.7	188.4	70.1	Incurred costs and prepaid income	196.8	188.4	70.2
41.9	36.6	42.5	Provisions for liabilities and costs	41.9	36.6	42.5
13 664.3	12 412.7	13 137.5	Total liabilities	13 677.1	12 408.2	13 150.3
			Minority interests	1.0	1.6	1.3
1 264.1	1 150.3	1 264.1	Accrued equity capital	1 265.8	1 152.0	1 265.8
31.0	48.5		Retained earnings	31.0	48.5	
14 959.4	13 611.5	14 401.6	TOTAL LIABILITIES AND EQUITY CAPITAL	14 974.9	13 610.3	14 417.4

ITEMS OF AN OFF BALANCE SHEET CATEGORY

Contingent liabilities						
551.6	480.3	532.2	Guarantees	551.6	480.3	532.2
941.2	861.3	969.3	Book value of assets pledged as collateral security for borrowings	941.2	861.3	969.3
12.4	7.2	5.0	Other contingent liabilities	12.4	7.2	5.0
Liabilities						
1 915.1	1 932.4	1 575.8	Interest rate swaps	1915.1	1 932.4	1 575.8
0.0	500.0	0.0	FRAs	0.0	500.0	0.0
641.2	663.0	707.2	Forward exchange contracts	641.2	663.0	707.2

QUARTERLY RESULTS (Parent Bank)

Amounts in NOK million	1st q. 2002	4th q. 2001	3rd q. 2001	2nd q. 2001	1st q. 2001
Net interest- and credit commission income	103.7	110.8	105.8	99.5	91.6
Other operating income	19.9	32.2	7.7	22.7	14.7
Operating income	72.4	89.1	69.6	71.5	67.0
Result before credit losses	51.2	53.9	43.9	50.7	39.3
Losses on loans	7.2	20.8	22.8	10.0	5.8
Gains from secs. held on a long-term basis		0.7			34.3
Result before tax	44.0	33.8	21.1	40.7	67.8
Tax payable on ordinary result	13.0	12.5	5.0	10.3	19.3
Result after tax	31.0	21.3	16.1	30.4	48.5

MAIN FIGURES AS A PERCENTAGE OF AVERAGE ASSETS (Parent Bank)

	31.03.02	31.03.01	2001
Net interest- and credit commission income	2.78	2.69	2.92
Other operating income	0.53	0.43	0.55
Operating costs	1.95	1.97	2.13
Result before losses	1.36	1.15	1.34
Losses on loans	0.19	0.17	0.43
Gains from secs. held on a long-term basis	0.00	1.01	0.25
Result before tax	1.17	1.99	1.16
Tax payable on ordinary result	0.35	0.57	0.34
Result after tax	0.82	1.42	0.82

Losses on loans and guarantees	31.03.02	31.03.01	31.12.01
Period's change in specific loss provisions	-1.8	-5.8	16.8
Period's change in non-specific loss provisions	7.0	7.0	25.0
Period's confirmed losses, against which specific provs. were made in previous years	2.5	6.0	16.8
Period's confirmed losses, against which no specific provs. were made in previous years	0.3	0.2	3.7
Period's recoveries relating to previous confirmed losses	0.8	1.6	2.9
Period's credit loss cost	7.2	5.8	59.4

Commitments in default - bad and doubtful commitments

Commitments in default	286.9	313.2	281.3
Loss provisions	-74.7	-52.8	-75.6
Net commitments in default	212.2	260.4	205.7
Other bad and doubtful commitments	38.6	45.1	42.4
Loss provisions	-13.3	-14.3	-14.0
Net bad and doubtful commitments	25.3	30.8	28.4

Commitments in default are defined as the sum of all commitments even if only one loan has been in default for 90 days or longer

Equity and related capital - capital adequacy ratio

Core capital

The Savings Bank's Fund	1 264.1	1 149.5	1 264.1
Intangible assets and overfunded pension liabilities	-24.4	-22.8	-24.4
Capital participations in other financial institutions	-31.5	-35.4	-27.3
Net equity and related capital	1 208.2	1 091.3	1 212.4

Weighted asset base for capital adequacy calculation purposes	10 631.9	9 781.9	10 115.4
Capital adequacy ratio	11.36 %	11.16 %	12.00 %

1)

1) The result so far this year has not been included in the capital adequacy computation