

FIRST QUARTER REPORT 2003

SPAREBANKEN SØR

RESULT

The pre-tax result at the end of the first quarter totalled NOK 26.0 million. This was NOK 18.0 million down on the corresponding interim period last year. In relation to average assets, the pre-tax result amounted to 0.63 per cent, as against 1.17 per cent at the same time last year. Generally falling prices in the securities markets and larger loan losses had an adverse impact on overall results during this quarter too.

NET INTEREST INCOME AND AVERAGE INTEREST MARGIN

Net interest income totalled NOK 105.8 million at the end of the first quarter. The increase compared with last year is modest, amounting to NOK 2.1 million. In relation to average assets, net interest income amounted to 2.58 per cent, as against 2.78 per cent a year ago. Interest rates have been falling during the last three months. This has put overall margins under downward pressure, making it even more demanding to maintain the Bank's average interest margin in an already generally difficult competitive situation.

OTHER (NON-INTEREST) INCOME

Net other operating income ended up at NOK 12.6 million, as opposed to NOK 19.9 million at the same time last year. In relation to average assets, this involved a shrinkage from 0.53 to 0.31 per cent. This is principally attributable to generally falling prices in the stock markets. Revenues generated from banking services showed stable development and were slightly up on the same time a year ago.

OPERATING COSTS

Costs totalled NOK 79.7 million, up from NOK 72.4 million at the end of the first quarter last year. This is mainly due to the general increase in prices and wages, coupled with higher IT costs. Measured against average assets, however, the cost ratio finished up at 1.95 per cent, unchanged from last year. Costs have been developing in accordance with the Bank's budget plans.

CREDIT LOSSES

Net credit losses after the first 3 months of the year amounted to NOK 12.7 million, of which non-specific loss provisions accounted for NOK 3.0 million. At present, certain parts of local commerce and industry are struggling, a situation which is reflected in the Bank's accounts. Credit losses are nevertheless at a moderate level. A significant part of the losses is related to a couple of larger individual commitments. 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 16.6 billion, up from NOK 15.0 billion at the same time last year. During the last 12-month

period, loans expanded by 9.5 per cent. Lending growth has been substantially higher in the retail banking- than in the corporate banking market. Deposits were up by 8.2 per cent. Deposits have recently been growing more strongly within the corporate banking- than in the retail banking market. The Bank's overall credit risk profile has not changed significantly during the period. Overall deposit coverage is reassuringly high, deposits representing 70.7 per cent of loans, compared with 71.4 per cent at the same time last year. 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 result so far this year has not been included for capital adequacy computation purposes. The Bank's equity and related capital – consisting of core capital only – totalled NOK 1.3 billion at the end of the quarter.

PROSPECTS FOR THE REMAINDER OF THE YEAR

The first quarter result is lower than last year and below budget. In order to counteract this trend, the Bank will focus strongly on margins and moderate lending growth as the year progresses.

The Bank's loan portfolio, especially the corporate sector, will be monitored very closely. This will help keep credit losses at a reasonable level. In addition, the Bank's branch network is currently being reviewed and analysed with a view to possibly introducing some rationalisation measures. This study has been initiated because customers today use the Bank's branches to an increasingly lesser extent for their day-to-day banking transactions.

Arendal, 23 April 2003

The Board of Directors of Sparebanken Sør

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Chairman

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Deputy Chairman

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Arnt Haddeland

Kristi Marie Tveit

Hans A.Iversen
Managing Director

Profit and Loss Account

PARENT BANK			Amounts in NOK	GROUP			Amounts in NOK million
31.03.2003	31.03.2002	31.12.2002		31.03.2003	31.03.2002	31.12.2002	
310.6	285.5	1 216.6	Interest receivable and similar income	310.2	285.2	1 211.0	
204.8	181.8	775.2	Interest payable and similar costs	204.8	181.8	771.1	
105.8	103.7	441.4	Net interest- and credit commission income	105.4	103.4	439.9	
-3.2	0.4	-2.3	Dividends and other income from securities with variable yield	1.1	3.3	7.1	
20.6	20.2	92.8	Commissions and income from banking services	29.5	31.4	139.9	
4.0	5.3	25.7	Commissions payable and costs relating to banking services	4.0	5.3	25.7	
-3.5	2.5	-34.3	Net value change and gains/losses on f/x and securities	-3.5	2.5	-34.3	
2.7	2.1	14.2	Other operating income	2.7	2.1	14.2	
12.6	19.9	44.7	Net other operating income	25.8	34.0	101.2	
62.6	57.7	240.6	Wages, salaries and general administration costs	73.8	69.7	287.5	
4.3	4.3	16.2	Depreciation of fixed- and intangible assets	6.4	6.4	25.3	
12.8	10.4	45.9	Other operating costs	12.8	10.4	45.9	
79.7	72.4	302.7	Total operating costs	93.0	86.5	358.7	
38.7	51.2	183.4	Result before losses	38.2	50.9	182.4	
12.7	7.2	78.3	Losses on loans, guarantees etc.	12.7	7.2	78.3	
26.0	44.0	105.1	Result before taxation charge	25.5	43.7	104.1	
8.7	13.0	34.1	Tax payable on ordinary result	8.7	13.0	33.3	
17.3	31.0	71.0	Result for the accounting year	16.8	30.7	70.8	
			Minority interests	-0.5	-0.3	-0.2	
			Result after minority interests	17.3	31.0	71.0	

Balance Sheet

PARENT BANK			Amounts in NOK million	GROUP			Amounts in NOK million
31.03.2003	31.03.2002	31.12.2002	ASSETS	31.03.2003	31.03.2002	31.12.2002	
204.6	67.0	271.9	Cash-in-hand and claims on central banks	204.6	67.0	271.9	
67.4	59.9	67.9	Loans to and claims on credit institutions	67.4	59.9	67.9	
14 353.2	13 124.0	13 909.1	Loans to and claims on customers	14 317.7	13 092.8	13 873.8	
7.1	0.6	7.1	Repossessed assets	7.1	0.6	7.1	
1 527.1	1 206.1	1 558.7	Certificates, bonds and other interest-bearing securities	1 527.1	1 206.1	1 558.7	
132.0	201.5	143.9	Shares	132.1	201.6	144.0	
11.2	8.1	11.2	Equity stakes in associated companies	11.2	8.1	11.2	
6.9	20.3	11.3	Equity stakes in Group companies				
14.0	8.5	14.0	Intangible assets	30.5	33.6	35.4	
116.9	118.0	114.2	Fixed assets	141.2	144.6	138.4	
14.0	14.7	23.2	Other assets	29.0	29.9	38.2	
120.8	130.7	125.4	Prepayments and accrued income	120.8	130.7	125.4	
16 575.2	14 959.4	16 257.9	TOTAL ASSETS	16 588.7	14 974.9	16 272.0	
			LIABILITIES AND EQUITY CAPITAL				
481.3	535.7	420.0	Liabilities to credit institutions	481.3	535.7	420.0	
10 339.3	9 553.1	10 363.4	Deposits from and liabilities to customers	10 337.9	9 548.4	10 362.1	
4 049.5	3 228.2	3 902.5	Borrowings through the issuance of securities	4 049.5	3 228.2	3 902.5	
112.5	108.7	100.4	Other liabilities	125.7	126.1	113.6	
204.0	196.7	99.7	Incurred costs and prepaid income	204.0	196.8	99.7	
38.2	41.9	38.8	Provisions for liabilities and costs	38.2	41.9	38.8	
15 224.8	13 664.3	14 924.8	Total liabilities	15 236.6	13 677.1	14 936.7	
			Minority interests	-0.1	1.0	0.4	
1 333.1	1 264.1	1 333.1	Equity capital	1 334.9	1 265.8	1 334.9	
17.3	31.0		Retained earnings	17.3	31.0		
16 575.2	14 959.4	16 257.9	TOTAL LIABILITIES AND EQUITY CAPITAL	16 588.7	14 974.9	16 272.0	

QUARTERLY RESULTS (Parent Bank)

Amounts in NOK million	1st q. 2003	4th q. 2002	3rd q. 2002	2nd q. 2002	1st q. 2002
Net interest- and credit commission income	105.8	116.4	114	107.3	103.7
Other operating income	12.6	22.1	-2.4	5.1	19.9
Operating costs	79.7	86.7	69.4	74.2	72.4
Result before losses	38.7	51.8	42.2	38.2	51.2
Losses on loans	12.7	44.7	11.4	15.0	7.2
Result before tax	26.0	7.1	30.8	23.2	44.0
Tax payable on ordinary result	8.7	5.6	9.5	6.0	13.0
Result after tax	17.3	1.5	21.3	17.2	31.0

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

	31.03.03	31.03.02	2000
Net interest- and credit commission income	2.58	2.78	2.87
Other operating income	0.31	0.53	0.29
Operating costs	1.95	1.95	1.97
Result before losses	0.94	1.36	1.19
Losses on loans	0.31	0.19	0.51
Result before tax	0.63	1.17	0.68
Tax payable on ordinary result	0.21	0.35	0.22
Result after tax	0.42	0.82	0.46

Losses on loans and guarantees	31.03.03	31.03.02	31.12.02
Change in specific loss provisions during the period	7.9	-1.8	17.6
Change in non-specific loss provisions during the period	3.0	7.0	18.0
Period's conf. losses against which spec. loss provs. were made earlier	2.0	2.5	29.1
Period's conf. losses against which no spec. prov. was made earlier	0.2	0.3	16.0
Period's recoveries relating to earlier confirmed losses	0.4	0.8	2.4
Credit loss cost during the period	12.7	7.2	78.3

Commitments in default - bad and doubtful commitments	31.03.03	31.03.02	31.12.02
Commitments in default	401.7	286.9	358.2
Loss provisions	-88.3	-74.7	-84.2
Net commitments in default	313.4	212.2	274.0
Other bad and doubtful commitments	90.2	38.6	74.1
Loss provisions	-27.3	-13.3	-23.2
Net bad and doubtful commitments	62.9	25.3	50.9

Commitments in default are defined as a customer's total commitments if at least one loan has been in default for 90 days or longer.

Equity and related capital - capital adequacy ratio	31.03.03	31.03.02	31.12.02
Core capital			
Savings Bank's Fund	1 333.1	1 264.1	1 333.1
Intangible assets and over-funded pension liabilities	-38.7	-24.4	-38.7
Equity participations in other financial institutions	-1.8	-31.5	-1.8
Net equity and related capital	1 292.6	1 208.2	1 292.6
Weighted asset calculation basis	11 515.4	10 631.9	11 124.4
Capital adequacy ratio	11.2 %	11.4 %	11.6 %

1)

1) The result so far this year has not been factored into the calculations.

KEY FIGURES 1999 - 2003

Profit and Loss Account	31.03.2003	2002	2001	2000	1999
Interest receivable and cr. comm. income	310.6	1 216.6	1163.8	947.6	852.9
Interest costs	204.8	775.2	756.1	577.2	502.3
Net int. receivable and cr. comm. income	105.8	441.4	407.7	370.4	350.6
Other operating income	12.6	44.7	77.3	89.2	104.6
Other operating costs	79.7	302.7	297.2	283.4	275.5
Operating result before losses	38.7	183.4	187.8	176.2	179.7
Gains on the sale of long-term shareholdings			35.0	83.4	
Losses on loans and guarantees	12.7	78.3	59.4	35.7	27.7
Result from ordinary operations	26.0	105.1	163.4	223.9	152.0
Tax	8.7	34.1	47.1	60.5	42.4
Result after tax	17.3	71.0	116.3	163.4	109.6

Profit and Loss Account items as a percentage of average assets	31.03.2003	2002	2001	2000	1999
Interest receivable and credit comm. income	7.59 %	7.91 %	8.35 %	7.52 %	7.78 %
Interest costs	5.01 %	5.04 %	5.43 %	4.58 %	4.58 %
Net int. receivable and cr. comm. income	2.58 %	2.87 %	2.92 %	2.94 %	3.20 %
Other operating income	0.31 %	0.29 %	0.55 %	0.71 %	0.95 %
Other operating costs	1.95 %	1.97 %	2.13 %	2.25 %	2.51 %
Operating result before losses	0.94 %	1.19 %	1.34 %	1.40 %	1.64 %
Gains on the sale of long-term shareholdings	0.00 %	0.00 %	0.25 %	0.66 %	0.00 %
Losses on loans and guarantees	0.31 %	0.51 %	0.43 %	0.28 %	0.25 %
Result from ordinary operations	0.63 %	0.68 %	1.16 %	1.78 %	1.39 %
Tax	0.21 %	0.22 %	0.34 %	0.48 %	0.39 %
Result after tax	0.42 %	0.46 %	0.82 %	1.30 %	1.00 %
Average assets	16 591.0	15 384.0	13 936.6	12 595.0	10 967.0
Return on equity capital	5.30 %	5.62 %	10.10 %	15.28 %	11.69 %
Costs as a % of income excluding securities	64.90 %	57.60 %	59.82 %	61.48 %	64.17 %

From the Balance Sheet	31.03.2003	2002	2001	2000	1999
Assets	16 575.2	16 257.9	14 401.6	13 255.5	11 893.6
Gross loans	14 621.2	14 165.9	12 888.3	11 550.5	10 186.3
Deposits from customers	10 339.3	10 363.4	9 188.5	9 147.4	7 527.0
Deposits as a percentage of gross loans	70.71 %	73.16 %	71.29 %	79.19 %	73.89 %
Equity and related capital	1 292.6	1 292.6	1 212.4	1 086.0	909.6
Capital adequacy ratio	11.2 %	11.6 %	12.0 %	11.6 %	11.3 %