

THIRD QUARTER REPORT 2002

SPAREBANKEN SØR

RESULT

The pre-tax result at the end of the third quarter totalled NOK 98.0 million. This was NOK 31.6 million down on the corresponding interim period last year. In relation to average assets, the pre-tax result amounted to 0.87 per cent, as against 1.26 per cent at the same time last year. The reduced result is primarily ascribable to generally falling prices in the securities markets – which involved a NOK 43.1 million accounting loss for the Bank – coupled with the fact that last year's accounts incorporated as income a NOK 34.3 million gain from the sale of shares held on a long-term basis.

NET INTEREST INCOME AND AVERAGE INTEREST MARGIN

Net interest income improved by NOK 28.1 million, totalling NOK 325.0 million at the end of the third quarter. In relation to average assets, this amounted to 2.87 per cent, unchanged from a year ago. The average interest margin has thus remained stable despite strong competition. This, combined with higher deposit- and lending volumes, has brought about the abovementioned improvement in net interest income. The Board of Directors is pleased with the way in which the Bank's average interest margin has developed.

OTHER (NON-INTEREST) INCOME

Net other operating income ended up at NOK 22.6 million, as opposed to NOK 45.1 million at the same time last year. In relation to average assets, this involved a shrinkage from 0.44 to 0.20 per cent. This is principally attributable to generally falling prices in the securities markets as a result of which the Bank incurred substantial accounting losses. Revenues generated from banking services again showed stable development and were up on the same time a year ago.

OPERATING COSTS

Costs totalled NOK 216.0 million, up from NOK 208.1 million at the end of the second quarter last year. This is mainly due to the general increase in prices and wages. Measured against average assets, however, the cost ratio improved from 2.01 to 1.90 per cent. The overall increase in costs during the last 12 months is modest and within the budgeted limits.

CREDIT LOSSES

Net specific credit losses after the first 9 months of the year amounted to NOK 20.6 million. In addition, NOK 13.0 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 shows net losses of NOK 33.6 million. Despite some uncertainty within some sectors of local commerce and industry the Bank's credit losses are at a moderate level.

The Bank's loan portfolio is assessed at regular intervals in order to identify any credit losses as early as possible. Although credit losses are higher than 12 months ago, their level continues to be moderate.

BALANCE SHEET

At the end of the quarter currently under review, aggregate assets stood at NOK 15.2 billion, up from NOK 14.0 billion at the same time last year. During the last 12-month period, lending expanded by 11.2 per cent. The low deposit growth is primarily ascribable to the removal of a larger single deposit as a result of restructuring within the public sector. Retail banking deposits, however, have made good progress. The Bank's overall credit risk profile has not changed significantly during the period. Deposits amount to 67.1 per cent of loans, compared with 72.8 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 third quarter, the Bank's capital adequacy ratio amounted to 11.3 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

Most stock exchanges have experienced substantial price falls for quite some time. This has resulted in uncertainty about the further economic development both domestically and internationally. Falling securities prices have had a substantially adverse impact on overall results, but in relation to the Bank's equity capital the effect must nevertheless be considered as moderate. Sparebanken Sør's normal banking operations have produced steady revenue generation in line with the Bank's budgets and are expected to continue to do so. Loan losses are expected to end up a little higher than last year but within the limits fixed by the Board of Directors.

Arendal, 16 October 2002

The Board of Directors of Sparebanken Sør

Profit and Loss Account

PARENT BANK Amounts in NOK million			GROUP			
30.09.2002	30.09.2001	31.12.2001		30.09.2002	30.09.2001	31.12.2001
890.1	864.2	1163.8	Interest receivable and similar income	889.2	863.8	1159.1
565.1	567.3	756.1	Interest payable and similar costs	565.1	567.3	752.4
325.0	296.9	407.7	Net interest- and credit commission income	324.1	296.5	406.7
2.7	8.9	6.2	Dividends and other income from securities with variable yield	6.9	14.5	14.4
67.7	61.6	87.1	Commissions and income from banking services	106.1	103.9	143.8
19.0	17.0	23.9	Commissions payable and other costs in respect of bkg. Services	19.0	17.0	23.9
-39.0	-18.8	-5.8	Net value change and gains/losses on foreign exchange and securities	-39.0	-18.8	-5.8
10.2	10.4	13.7	Other operating income	10.2	10.4	13.7
22.6	45.1	77.3	Net other operating income	65.2	93.0	142.2
171.3	163.3	232.0	Wages, salaries and general administration costs	207.0	204.1	286.7
12.9	13.5	18.8	Depreciation of fixed and intangible assets	19.1	20.8	28.8
31.8	31.3	46.4	Other operating costs	31.8	31.3	46.3
216.0	208.1	297.2	Total operating costs	257.9	256.2	361.8
131.6	133.9	187.8	Result before credit losses	131.4	133.3	187.1
33.6	38.6	59.4	Losses on loans, guarantees etc.	33.6	38.6	59.4
0.0	34.3	35.0	Gains on securities held on a long-term basis	0.0	34.3	35.0
98.0	129.6	163.4	Result before taxation charge	97.8	129.0	162.7
28.5	34.6	47.1	Tax payable on ordinary result	28.5	34.6	46.3
69.5	95.0	116.3	Result for the accounting year	69.3	94.4	116.4
			Minority interests	-0.2	-0.6	0.1
			Result after minority interests	69.5	95.0	116.3

Balance Sheet

PARENT BANK Amounts in NOK million			GROUP			
30.09.2002	30.09.2001	31.12.2001		30.09.2002	30.09.2001	31.12.2001
ASSETS						
58.8	156.7	114.0	Cash-in-hand and claims on central banks	58.8	156.7	114.0
43.3	73.7	86.1	Loans to and claims on credit institutions	43.3	73.7	86.1
13 676.3	12 294.9	12 667.9	Loans to and claims on customers	13 645.1	12 251.2	12 636.7
7.1	0.6	0.6	Repossessed assets	7.1	0.6	0.6
991.8	971.6	1 072.2	Certificates, bonds and other interest-bearing securities	991.8	971.6	1 072.2
143.0	157.9	183.0	Shares	143.1	158.1	183.1
8.2	8.0	8.1	Equity stakes in associated companies	8.2	8.0	8.1
18.8	25.0	22.8	Equity stakes in Group companies			
8.6	6.5	8.5	Intangible assets	32.3	32.1	36.4
126.7	129.8	117.2	Fixed assets	153.3	155.6	143.8
26.9	7.3	12.4	Other assets	42.1	23.0	27.7
131.8	124.2	108.8	Prepayments and accrued income	131.8	124.2	108.7
15 241.3	13 956.2	14 401.6	TOTAL ASSETS	15 256.9	13 954.8	14 417.4
LIABILITIES AND EQUITY CAPITAL						
534.6	334.3	554.1	Liabilities to credit institutions	549.6	334.3	554.1
9 176.6	8 944.6	9 188.5	Deposits from and liabilities to customers	9 157.0	8 929.7	9 183.8
3 641.4	2 854.5	3 155.2	Borrowings through the issuance of securities	3 641.4	2 854.5	3 155.2
102.1	140.8	127.1	Other liabilities	119.5	151.2	144.5
413.4	401.0	70.1	Incurred costs and prepaid income	413.5	401.0	70.2
39.6	35.7	42.5	Provisions against commitments/liabilities and costs	39.5	35.7	42.5
13 907.7	12 710.9	13 137.5	Total liabilities	13 920.5	12 706.4	13 150.3
			Minority interests	1.1	1.4	1.3
1 264.1	1 150.3	1 264.1	Accrued and retained equity capital	1 265.8	1 152.0	1 265.8
69.5	95.0		Undistributed earnings	69.5	95.0	
15 241.3	13 956.2	14 401.6	TOTAL LIABILITIES AND EQUITY CAPITAL	15 256.9	13 954.8	14 417.4
ITEMS OF AN OFF BALANCE SHEET CATEGORY						
Contingent liabilities						
510.1	616.8	532.2	Guarantees	510.1	616.8	532.2
938.0	698.4	969.3	Book value of collateral assets pledged as security for borrowings	938.0	698.4	969.3
6.9	7.0	5.0	Other contingent liabilities	6.9	7.0	5.0
Liabilities						
2 398.8	1 692.4	1 575.8	Interest rate swaps	2 398.8	1 692.4	1 575.8
739.7	782.0	707.2	Forward exchange contracts	739.7	782.0	707.2

QUARTERLY RESULTS (Parent Bank)

Amounts in NOK million	3rd qtr. 2002	2nd qtr. 2002	1st qtr. 2002	4th qtr. 2001	3rd qtr. 2001
Net interest- and credit comm. Income	114.0	107.3	103.7	110.8	105.8
Other operating income	-2.4	5.1	19.9	32.2	7.7
Operating costs	69.4	74.2	72.4	89.1	69.6
Result before credit losses	42.2	38.2	51.2	53.9	43.9
Losses on loans	11.4	15.0	7.2	20.8	22.8
Gains on securities held on long-term basis				0.7	
Result before tax	30.8	23.2	44.0	33.8	21.1
Tax payable on ordinary result	9.5	6.0	13.0	12.5	5.0
Result after tax	21.3	17.2	31.0	21.3	16.1

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

	30.09.02	30.09.01	2001
Net interest- and credit comm. Income	2.87	2.87	2.92
Other operating income	0.20	0.44	0.55
Operating costs	1.9	2.01	2.13
Result before credit losses	1.17	1.30	1.34
Losses on loans	0.30	0.37	0.43
Gains on securities held on long-term bas	0.00	0.33	0.25
Result before tax	0.87	1.26	1.16
Tax payable on ordinary result	0.25	0.33	0.34
Result after tax	0.62	0.93	0.82

Losses on loans and guarantees	30.09.02	30.09.01	31.12.01
Period's change in specific loss provisions	0.6	13.0	16.8
Period's change in non-specific loss provisions	13.0	18.0	25.0
Period's confirmed losses against which spec. provisions were made in previo	19.8	8.9	16.8
Period's confirmed losses against which no spec. provisions were made in pre	2.3	1.0	3.7
Period's recoveries in respect of previous confirmed losses	2.1	2.3	2.9
Period's credit loss cost	33.6	38.6	59.4

Commitments in default - bad and doubtful commitments

Commitments in default	286.3	361.8	281.3
Loss provisions	-72.1	-65.5	-75.6
Net commitments in default	214.2	296.3	205.7
Other bad and doubtful commitments	55.9	49.8	42.4
Loss provisions	-18.2	-20.4	-14.0
Net bad and doubtful commitments	37.7	29.4	28.4

Commitments in default are defined as the sum of a customer's total commitments even if only one of the loans involved has been in default for 90 days or more.

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 over-financed pension liabilities	-24.4	-23.8	-24.4
Equity capital participations in other financial institutions	-3.0	-31.6	-27.3
Net equity and related capital	1 236.7	1 094.1	1 212.4

Weighted asset base for capital adequacy calculations purposes	10 923.2	9 687.8	10 115.4
Capital adequacy ratio	11.32 %	11.29 %	12.00 %

1)

1) The result so far this year has not been included when making these calculations