



FIRST QUARTER
Report and Accounts 2008



Main figures for the Group

Resultat	31.03.08		31.03.07		2007	
	NOK million	% av. Assets forv. kap.	NOK million	% av. Assets forv. kap.	NOK million	% av. Assets forv. kap.
Interest income	500	6.61%	323	4.89%	1 573	5.64%
Interest costs	351	4.64%	196	2.97%	1 014	3.64%
Net int.- and credit comm. Income	149	1.97%	127	1.92%	559	2.00%
Other income	70	0.92%	63	0.96%	270	0.97%
Operating costs	121	1.60%	111	1.68%	480	1.72%
Result before credit losses	98	1.29%	79	1.20%	349	1.25%
Credit losses	4	0.05%	1	0.02%	12	0.04%
Result after credit losses	94	1.24%	78	1.18%	337	1.21%
Tax	32	0.42%	20	0.30%	99	0.36%
Result after tax	62	0.82%	58	0.88%	238	0.85%
Balance Sheet						
Assets	30 009		26 831		30 178	
Net loans	26 237		22 853		25 816	
Deposits	15 035		14 087		15 695	
Equity and related capital	2 627		2 311		2 575	
Capital adequacy ratio	13.4 %	¹⁾	12.3 %		12.1 %	
Number of man-years at Group	412		404		415	

1) The capital adequacy ratio is based on preliminary figures according to the Basel II standard approach.

FIRST QUARTER 2008

GENERAL INFORMATION

The Sparebanken Sør Group consists of Sparebanken Sør and its subsidiaries, ABCenter Holding AS, Bankbygg AS, AS Eiendomsvekst, Markensgate 9 AS, Prosjektutvikling AS, Rettighetskompaniet AS and Skippergata 10 AS.

The Group conducts banking operations in 28 different locations and real estate brokerage business in 15 locations in Aust-Agder, Vest-Agder and Telemark.

RESULT

The Group's pre-tax result at the end of the first quarter of 2008 totalled NOK 94 million, up by NOK 16 million on the corresponding interim period last year. Increased net interest income is an important reason for the improvement in the overall result. Net revenue generation from financial instruments also made a positive contribution. In relation to average assets, the result amounted to 1.24 per cent, as against 1.18 per cent the year before. The after-tax return on equity capital was 10.9 per cent,

as opposed to 11.3 per cent at the same time last year.

NET INTEREST INCOME AND AVERAGE INTEREST MARGIN

Net interest income totalled NOK 149 million at the end of the first quarter, up by NOK 22 million on the same interim period last year. In relation to average assets, this amounted to 1.97 per cent, up from 1.92 per cent 12 months ago. The level of domestic interest rates has increased in comparison with the first quarter of 2007, producing higher income from that part of the balance sheet which is funded by equity capital. In addition, pricing of loans according to risk is having an increasingly beneficial impact on net interest income. However, funding costs have been increasing as a result of the unsettled conditions in the financial markets.

OTHER (NON-INTEREST) INCOME

Net other operating income totalled NOK 70 million at the end of the first quarter, up by NOK 7 million on the same period last year. In relation to average assets, this amounted to 0.92 per

cent, as against 0.96 per cent the year before. An important reason for the increase is the impact on the result of higher credit spreads involving banks in the financial markets in connection with mark-to-market evaluation of the certificate- and bond debt. Net fee- and commission income was down by NOK 3 million due to lower income from the Group's real estate brokerage operations. Fee- and commission income from banking operations posted a smaller increase compared to the year before.

OPERATING COSTS

Costs totalled NOK 121 million at the end of the first quarter of 2008. This involved a NOK 10 million increase compared with the same time last year. Measured against average assets, however, the overall cost ratio continued to improve, ending up at 1.60 per cent, down from 1.68 per cent 12 months ago. The most important reasons for the increase in costs on a cash basis are the Bank's expansion in Telemark, general wage- and salary increases, higher pension costs, and costs relating to the Bank's new premises in Kristiansand. At the end of the first quarter, the Parent Bank's cost ratio was 1.19 per cent. Group manning levels were equivalent to 412 man-years, up by 8 man-years compared to the same time last year. Higher investment in Telemark is an important reason for the increase in overall manning levels.

CREDIT LOSSES AND COMMITMENTS IN DEFAULT

Credit losses remain at a very modest level. At the end of the first quarter, net losses amounted to NOK 4.5 million. Increased collective write-downs totalled NOK 4.0 million, the aggregate level amounting to NOK 70 million at the end of the first quarter of 2008.

At the end of the first quarter, net commitments in default and bad and doubtful commitments totalled NOK 222 million, up from NOK 188 million 12 months earlier. In relation to lending, this amounted to 0.85 per cent, up from 0.73 per cent at the end of the previous year.

BALANCE SHEET

At the end of the first quarter, aggregate assets stood at NOK 30.0 billion, up from NOK 26.8 billion at the same time last year, after an 11.9 per cent growth. Loans increased by 14.8 per cent, retail banking and corporate banking expanding by 14.6 and 15.0 per cent respectively. Corporate lending growth is down on the year before. This is in line with the Bank's intention of increas-

ing the proportion of loans to retail banking customers. Deposits were up by 6.7 per cent overall. The retail banking sector increased by 6.5 per cent and the corporate banking sector by 7.0 per cent. At the end of the first quarter of 2008, the overall deposit coverage ratio was 57.3 per cent. The deposit coverage ratio has been falling and this is accordingly being given a great deal of attention.

The Bank's funding loans raised in the certificate- and bond markets totalled NOK 10.1 billion at the end of the quarter currently under review, up from NOK 8.8 billion 12 months ago.

RISK MANAGEMENT

There are four different risk areas involved: credit risk, market risk, operational risk and funding risk. Risk is managed through powers of attorney, targets and limits introduced by the Board of Directors. The Bank has a moderate risk profile, within the limits and targets agreed. At the moment, a separate department for risk management is in the process of being established.

EQUITY AND RELATED CAPITAL - CAPITAL ADEQUACY RATIO

At the end of the quarter, the Bank's equity and related capital totalled NOK 2.6 billion, of which subordinated loan capital accounted for NOK 0.3 billion. The remainder consists of accrued earnings which have been added to the Savings Bank's Fund. The Bank's capital adequacy ratio amounted to 13.4 per cent, based on preliminary figures according to the standard approach contained in the Basel II rules and regulations.

FUTURE PROSPECTS

The Board of Directors expects 2008 to be a good year even though there are some challenges in parts of the operations. The unsettled financial markets will gradually bring about higher funding costs. It will be important to adapt pricing to this on an ongoing basis in order to be able to maintain appropriate margins in the Bank's banking operations. New premises located in the centre of Kristiansand will be moved into at the beginning of May this year and there are plans for opening a new branch in Porsgrunn before the summer holidays. In addition, branches are being planned for Skien and Lillesand.

Arendal, 22 April 2008

The Board of Directors of Sparebanken Sør

Profit and Loss Account

PARENT BANK IFRS			Notes	GROUP IFRS		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
1 580	323	502	Interest- and similar income	500	323	1 573
1 022	196	351	Interest- and similar costs	351	196	1 014
558	127	151	Net interest- and credit commission income	149	127	559
115	26	27	Commissions and income from banking services	46	49	220
25	6	6	Commissions payable and costs relating to banking services	6	6	25
90	20	21	Net commission income	40	43	195
53	17	26	Income from financial instruments	26	17	56
			Income from investment in associated companies			
14	3	4	Other operating income	4	3	19
67	20	30	Total other operating income	30	20	75
182	40	44	Personnel costs	59	56	244
19	5	5	Depreciation of fixed- and intangible assets	6	5	24
166	42	41	Other operating costs	56	50	212
367	87	90	Total operating costs	121	111	480
348	80	112	Operating result before credit losses	98	79	349
12	1	4	Losses on loans, guarantees etc.	2	1	12
336	79	108	Result before taxation cost	7	78	337
98	20	36	Tax payable on ordinary result	32	20	99
238	59	72	Result from ordinary operations after tax	62	58	238
			Minority interests			2
238	59	72	Majority interests	62	58	236

Balance Sheet

PARENT BANK IFRS				GROUP IFRS			
31.12.07	31.03.07	31.03.08	ASSETS	Notes	31.03.08	31.03.07	31.12.07
543	254	316	Cash and claims on claims on central banks		316	254	543
214	559	126	Loans to and claims on financial institutions		126	559	214
25 887	22 874	26 314	Net loans to customers	3 5	26 237	22 853	25 816
3	1	3	Reposessed assets		3	1	3
2 807	2 434	2 412	Bonds and certificates		2 412	2 434	2 807
222	190	222	Shares		222	190	222
65	42	28	Financial derivatives		28	42	65
129	55	128	Equity stakes in Group companies				
1	11	1	Equity stakes in associated companies		1	11	1
9	10	11	Intangible assets		40	39	38
11	28	1	Asset relating to deferred tax			28	
114	122	117	Fixed assets		291	151	282
133	224	280	Other assets		333	269	187
30 138	26 804	29 959	TOTAL ASSETS	7	30 009	26 831	30 178
			LIABILITIES AND EQUITY CAPITAL				
1 591	918	1 461	Liabilities to financial institutions		1 461	918	1 591
15 709	14 097	15 049	Deposits from and liabilities to customers	4	15 035	14 087	15 695
9 711	8 817	10 081	Debt incurred through the issuance of securities		10 081	8 817	9 711
161	114	161	Financial derivatives		161	114	161
79	89	62	Liabilities relating to period tax		66	93	83
			Deferred tax		17		11
321	364	517	Other liabilities		561	387	351
292	300	289	Subordinated loan capital		289	300	292
27 864	24 699	27 620	Total liabilities		27 671	24 716	27 895
			Minority interests		5	6	5
17	15	10	Other equity capital		14	15	21
2 257	2 031	2 257	Savings Bank's Fund		2 257	2 036	2 257
59	72		Retained profits		62	58	
2 274	2 105	2 339	Total equity capital	6	2 338	2 115	2 283
30 138	26 804	29 959	TOTAL LIABILITIES AND EQUITY CAPITAL	7	30 009	26 831	30 178
			OFF-BALANCE SHEET ITEMS				
			Contingent liabilities:				
745	680	802	Guarantees		802	680	745
1 236	1 705	1 147	Book value of assets pledged as collateral security for debt		1 147	1 705	1 236
1	2	1	Other contingent liabilities		1	2	1

Cash Flow Statement

PARENT BANK IFRS				GROUP IFRS		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
285	57	57	Net cash flow from operations	44	56	282
-3 795	-751	-428	Increase in loans	-422	-751	-3 745
-48	-115	-154	Change in Other assets	-154	-115	-58
-72	343	367	Change in Securities	367	343	-69
431	86	88	Change in Loans to other financial institutions	88	86	431
1 112	-504	-660	Change in Deposits from customers	-660	-504	1 108
460	-213	-130	Change in funding loans from financial institutions	-130	-213	460
-14	54	237	Change in Other liabilities	250	55	22
-1 926	-1 100	-680	Net cash flow from current financial operations	-661	-1 099	-1 851
-12	-1	-5	Investment in fixed assets	-11	-1	-166
-68			Net invested in Group- and associated companies			10
1			Sale of fixed assets			5
-79	-1	-5	Net cash flow from investments	-11	-1	-151
2 193	1 228	401	Change in Debt incurred through issuance of securities	401	1 228	2 193
			Change in Subordinated loan capital			
2 193	1 228	401	Net cash flow from long-term funding operations	401	1 228	2 193
473	184	-227	Net change in liquid funds	-227	184	473
70	70	543	Liquid funds as at 01.01	543	70	70
543	254	316	Liquid funds at the end of the period	316	254	543
			Equity capital movements			
PARENT BANK				GROUP		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
2 051	2 050	2 274	Equity capital as at 01.01	2 283	2 061	2 063
238	59	72	Result	62	58	238
-13			Donations			-13
			Change in market value of equity capital instruments			
-2	-4	-7	available for sale	-7	-4	-2
			Dividend payments			-3
2 274	2 105	2 339	Equity capital at the end of the period	2 338	2 115	2 283

Note

Note 1 - Accounting principles

The first quarter accounts are prepared according to IFRS, including IAS 34. The accounting principles are the same as those which were used for the 2007 annual accounts and have been explained there.

Note 2 - Losses on loans and guarantees

PARENT BANK				GROUP		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
-10	-4	-1	Period's change in individual write-downs	-1	-4	-10
13	3	4	+ Period's change in collective write-downs	4	3	13
			+ Per.'s conf. losses			
11	2	1	- with individual write-downs in previous years	1	2	11
			+ Per.'s conf. losses			
1	0	0	- with no individual write-downs in previous years	0	0	1
			- Period's recoveries from previous, confirmed losses			
3	0	0		0	0	3
12	1	4	= Period's credit loss cost	4	1	12

Note 3 - Commitments in default - bad and doubtful commitments

PARENT BANK				GROUP		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
106	89	152	Commitments in default	152	89	106
-18	-22	-24	Individual write-downs	-24	-22	-18
88	67	128	Net comitments in default	128	67	88
134	139	121	Other bad and doubtful commitments	121	139	134
-34	-35	-27	Individual write-downs	-27	-35	-34
100	104	94	Net bad and doubtful commitments	94	104	100

Commitments in default are defined as the total amount of all a customer's commitments if just one loan has been in default for 90 days or longer.

Note 4 - Deposits from customers according to industrial, commercial and other sectors

PARENT BANK				GROUP		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
8 350	7 840	8 353	Retail banking customers	8 353	7 840	8 350
1 667	1 193	1 356	Public sector	1 356	1 193	1 667
246	237	247	Primary industries	247	237	246
1 192	1 630	1 012	Industry / building /transport	1 012	1 630	1 192
524	408	460	Wholesale- and retail trade / hotels / restaurants	460	408	524
2 870	1 672	2 598	Real estate	2 584	1 662	2 856
860	1 117	1 023	Sundry	1 023	1 117	860
15 709	14 097	15 049	TOTAL	15 035	14 087	15 695

Note 5 - Gross loans according to industrial, commercial and other sectors

PARENT BANK				GROUP		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
15 209	13 633	15 627	Retail banking customers	15 627	13 633	15 209
62	67	59	Public sector	59	67	62
401	359	409	Primary industries	409	359	401
1 711	1 587	1 800	Industry / building /transport	1 800	1 587	1 711
1 711	1 586	1 499	Wholesale- and retail trade / hotels / restaurants	1 499	1 586	1 711
6 374	5 339	6 549	Real estate	6 472	5 318	6 303
537	415	492	Sundry	492	415	537
26 005	22 986	26 435	TOTAL GROSS LOANS	26 358	22 965	25 934
118	112	121	Write-downs on loans	121	112	118
25 887	22 874	26 314	TOTAL NET LOANS	26 237	22 853	25 816

Note 6 - Equity and related capital - Capital adequacy ratio

	31.03.08
Savings Bank's Fund	2 257
Deductions	-34
Additions	23
Core capital	2 246
Subordinated loan capital	289
Fund for market value reserve	5
Supplementary capital	294
Equity and related capital in other financial institutions	
Net equity and related capital	2 540
Weighted asset calculation basis	19 000
Capital adequacy ratio	13.4 %

The capital adequacy ratio is based on preliminary figures according to the Basel II standard method.

Note 7 - Segmentation reporting

Reporting per segment	Group as at 31.03.2008					Group as at 31.03.2007				
	PM	BM	AB- Center	Unal- loc.	Total	PM	BM	AB- Center	Unal- loc.	Total
Profit and Loss Account (NOK mill.)										
Net interest and cr. comm. income	62	48	-1	40	149	61	37		29	127
Net other operating income	20	5	19	26	70	19	4	23	17	63
Operating costs	33	29	24	35	121	31	29	24	27	111
Op. res. bef. losses per segment	49	24	-6	31	98	49	12	-1	19	79
Losses on loans and guarantees				4	4				1	1
Result bef. tax per segment	49	24	-6	27	94	49	12	-1	18	78
Net loans to customers	15 624	10 519		94	26 237	13 733	8 849		271	22 853
Other assets				83	3 689				75	3 903
Total assets per segment	15 624	10 519	83	3 783	30 009	13 733	8 849	75	4 174	26 831
Depos. from/liabs. to customers	8 940	5 922		173	15 035	8 656	5 038		393	14 087
Open account/other liabilities	6 684	4 597	83	1 272	12 636	5 077	3 811	75	1 666	10 629
Total liabilities per segment	15 624	10 519	83	1 445	27 671	13 733	8 849	75	2 059	24 716
Equity capital				2 338	2 338				2 115	2 115
Total liabs. & eq. cap. per segm.	15 624	10 519	83	3 783	30 009	13 733	8 849	75	4 174	26 831
Reporting per region	Group as at 31.03.2008					Group as at 31.03.2007				
			AB- Center	Unal- loc.	Total			AB- Center	Unal- loc.	Total
Resultatregnskap (i mill. kr.)	East	West				East	West			
Net int.- and cr. comm. income	55	55	-1	40	149	49	49		29	127
Net other operating income	12	13	19	26	70	11	12	23	17	63
Operating costs	30	32	24	35	121	28	32	24	27	111
Op. res. bef. losses per segm.	37	36	-6	31	98	32	29	-1	19	79
Losses on loans and guarantees				4	4	-1	-1		3	1
Result before tax per segment	37	36	-6	27	94	33	30	-1	16	78
Net loans to customers	11 813	14 331		93	26 237	10 328	12 254		271	22 853
Other assets				83	3 689				75	3 903
Total assets per segment	11 813	14 331	83	3 782	30 009	10 328	12 254	75	4 174	26 831
Deposits from and liabs. to customers	6 812	8 050		173	15 035	6 881	6 813		393	14 087
Open account/other liabilities	5 001	6 281	83	1 271	12 636	3 447	5 441	75	1 666	10 629
Total liabilities per segment	11 813	14 331	83	1 444	27 671	10 328	12 254	75	2 059	24 716
Equity capital per segment				2 338	2 338				2 115	2 115
Total liabs. & eq. cap. per segm.	11 813	14 331	83	3 782	30 009	10 328	12 254	75	4 174	26 831

QUARTERLY RESULTS

Parent Bank						
	1st q.	4th q.	3rd q.	2nd q.	1st q.	4th q.
	2008	2007	2007	2007	2007	2006
Net interest- and credit commission income	151	152	145	134	127	125
Net other operating income	51	42	47	28	40	40
Operating costs	90	99	94	87	87	105
Operating result before credit losses	112	95	98	75	80	60
Losses on loans, guarantees etc.	4	9	3	-1	1	-4
Result before taxation cost	108	86	95	76	79	64
Tax payable on ordinary result	36	28	29	21	20	18
Result from ordinary operations after tax	72	58	66	55	59	46
Group						
	1st q.	4th q.	3rd q.	2nd q.	1st q.	4th q.
	2008	2007	2007	2007	2007	2006
Net interest- and credit commission income	149	151	146	135	127	127
Net other operating income	70	71	79	57	63	74
Operating costs	121	139	121	109	111	136
Operating result before credit losses	98	83	104	83	79	65
Losses on loans, guarantees etc.	4	9	3	-1	1	-4
Result before taxation cost	94	74	101	84	78	69
Tax payable on ordinary result	32	27	30	22	20	20
Result from ordinary operations after tax	62	47	71	62	58	49
Group						
As a percentage of average assets	1st q.	4th q.	3rd q.	2nd q.	1st q.	4th q.
	2008	2007	2007	2007	2007	2006
Net interest- and credit commission income	1.97	2.05	2.04	1.98	1.92	2.03
Net other operating income	0.92	0.97	1.10	0.83	0.96	1.18
Operating costs	1.60	1.89	1.69	1.60	1.68	2.17
Operating result before credit losses	1.29	1.13	1.45	1.21	1.20	1.04
Losses on loans, guarantees etc.	0.05	0.12	0.04	-0.02	0.02	-0.06
Result before taxation cost	1.24	1.01	1.41	1.23	1.18	1.10
Tax payable on ordinary result	0.42	0.37	0.42	0.32	0.30	0.32
Result from ordinary operations after tax	0.82	0.64	0.99	0.91	0.88	0.78

FINANCIAL HIGHLIGHTS 2004 - 2008 (GROUP)

Profit and Loss Account	31.03.08	31.03.07	2007	2006	2005	2004
Interest- and credit commission income	500	323	1 573	1 001	772	723
Interest costs	351	196	1 014	504	303	264
Net interest- and credit commission income	149	127	559	497	469	459
Net other operating income	70	63	270	241	234	212
Operating costs	121	111	480	433	397	390
Operating result before credit losses	98	79	349	305	306	281
Losses on loans, guarantees etc.	4	1	12	-1		22
Result before taxation cost	94	78	337	306	306	259
Tax payable on ordinary result	32	20	99	88	85	67
Result from ordinary operations after tax	62	58	238	218	221	192
Profit and Loss Account items as a percentage of average assets						
	31.03.08	31.03.07	2007	2006	2005	2004
Interest- and credit commission income	6.61%	4.89%	5.64%	4.27%	3.75%	3.88%
Interest costs	4.64%	2.97%	3.64%	2.15%	1.47%	1.42%
Net interest- and credit commission income	1.97%	1.92%	2.00%	2.12%	2.28%	2.46%
Net other operating income	0.92%	0.96%	0.97%	1.02%	1.14%	1.14%
Operating costs	1.60%	1.68%	1.72%	1.84%	1.93%	2.09%
Operating result before credit losses	1.29%	1.20%	1.25%	1.30%	1.49%	1.51%
Losses on loans, guarantees etc.	0.05%	0.02%	0.04%			0.12%
Result before taxation cost	1.24%	1.18%	1.21%	1.30%	1.49%	1.39%
Tax payable on ordinary result	0.42%	0.30%	0.36%	0.37%	0.41%	0.36%
Result from ordinary operations after tax	0.82%	0.88%	0.85%	0.93%	1.08%	1.03%
Average assets 30 274	26 396	27 890	23 453	20 550	18 623	
From the Balance Sheet						
Assets	30 009	26 831	30 178	26 227	21 665	19 358
Net loans	26 237	22 853	25 816	22 102	19 050	17 093
Deposits from customers	15 035	14 087	15 695	14 591	12 235	10 828
Equity and related capital	2 627	2 311	2 575	2 361	1 844	1 629
Capital adequacy ratio	13.4 % ¹⁾	12.3 %	12.1 %	13.0 %	12.8 %	12.2 %
Other key figures						
Costs as a percentage of income	55.25%	62.01%	57.90%	58.67%	56.47%	58.12%
Deposits as a percentage of loans	57.30%	61.64%	60.80%	66.02%	64.22%	63.35%
Return on equity capital	10.86%	11.26%	11.54%	11.60%	13.20%	13.30%
Number of man-years worked at the Group	412	404	415	402	389	385

1) The capital adequacy ratio at the end of the first quarter is based on preliminary calculations according to the Basel II standard approach.



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