

## **Chief Executive, CEO**

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## **Information on the Internet**

|   |  |
|---|--|
| SpareBank 1 SR-Bank's homepage                | <a href="http://www.sr-bank.no">www.sr-bank.no</a>                   |
| Information of Equity Certificate in general: | <a href="http://www.egenkapitalbevis.no">www.egenkapitalbevis.no</a> |

## **Financial Calendar 2011**

|                              |                  |
|------------------------------|------------------|
| 4 <sup>th</sup> quarter 2010 | 3. February 2011 |
| 1 <sup>st</sup> quarter 2011 | 28. April 2011   |
| 2 <sup>nd</sup> quarter 2011 | 10. August 2011  |
| 3 <sup>rd</sup> quarter 2011 | 27. October 2011 |

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# 1. SpareBank 1 SR-Bank

## 1.1 Financial highlights

### Per 30.09.2010

- Group profit before tax: NOK 1,200 million (NOK 995 million)
- Group profit after tax: NOK 936 million (NOK 781 million)
- Return on equity after tax: 15.1 % (16.9 %)
- Impairment losses on loans and guarantees: NOK 163 million (NOK 294 million)
- Net interest income: NOK 1,300 million (NOK 1,221 million)
- Net commission and other income: NOK 818 million (NOK 713 million)
- Net return on investment securities: NOK 388 million (NOK 496 million)
- The core capital ratio: 9.3 % (6.9 %)

### 3<sup>rd</sup> quarter 2010

- Group profit before tax: NOK 386 million (NOK 503 million)
- Group profit after tax: NOK 300 million (NOK 399 million)
- Return on equity after tax: 14.3 % (25.2 %)
- Impairment losses on loans and guarantees: NOK 43 million (NOK 85 million)
- Net interest income: NOK 436 million (NOK 465 million)
- Net commission and other income: NOK 264 million (NOK 262 million)
- Net return on investment securities: NOK 137 million (NOK 237 million)

(Comparable figures for 2009 in parentheses)

### Income statement

| MNOK  | Q3<br>2010 | Q2<br>2010 | Q1<br>2010 | Q4<br>2009 | Q3<br>2009 | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2010 |
|---|------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Net interest income                                       | 436        | 427        | 437        | 455        | 465        | 1.300         | 1.221         | 1.676         |
| Net commission and other income                           | 264        | 294        | 260        | 285        | 262        | 818           | 713           | 998           |
| Net return on investment securities                       | 137        | 172        | 79         | 209        | 237        | 388           | 496           | 705           |
| <b>Total income</b>                                       | <b>837</b> | <b>893</b> | <b>776</b> | <b>949</b> | <b>964</b> | <b>2.506</b>  | <b>2.430</b>  | <b>3.379</b>  |
| <b>Total operating expenses</b>                           | <b>408</b> | <b>423</b> | <b>312</b> | <b>438</b> | <b>376</b> | <b>1.143</b>  | <b>1.141</b>  | <b>1.579</b>  |
| <b>Operating profit before losses</b>                     | <b>429</b> | <b>470</b> | <b>464</b> | <b>511</b> | <b>588</b> | <b>1.363</b>  | <b>1.289</b>  | <b>1.800</b>  |
| Losses on loans and guarantees                            | 43         | 51         | 69         | 74         | 85         | 163           | 294           | 368           |
| <b>Operating profit before tax and minority interests</b> | <b>386</b> | <b>419</b> | <b>395</b> | <b>437</b> | <b>503</b> | <b>1.200</b>  | <b>995</b>    | <b>1.432</b>  |
| Tax expense   | 86         | 81         | 97         | 107        | 104        | 264           | 214           | 321           |
| <b>Profit after tax from continuing operations</b>        | <b>300</b> | <b>338</b> | <b>298</b> | <b>330</b> | <b>399</b> | <b>936</b>    | <b>781</b>    | <b>1.111</b>  |
| Attributable to majority interests                        | 300        | 338        | 298        | 330        | 399        | 936           | 779           | 1.109         |
| Attributable to minority interests                        | 0          | 0          | 0          | 0          | 0          | 0             | 2             | 2             |

## Key figures

|  | Q3<br>2010 | Q2<br>2010 | Q1<br>2010 | Q4<br>2009 | Q3<br>2009 | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2010 |
|--|------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Return on equity <sup>1)</sup>                     | 14,3 %     | 16,5 %     | 14,8 %     | 18,2 %     | 25,2 %     | 15,1 %        | 16,9 %        | 17,5 %        |
| Cost ratio <sup>2)</sup>                           | 48,7 %     | 47,4 %     | 40,2 %     | 46,2 %     | 39,0 %     | 45,6 %        | 47,0 %        | 46,7 %        |
| Deposit-to-loan ratio                              | 55,5 %     | 58,0 %     | 55,3 %     | 58,1 %     | 57,9 %     | 55,5 %        | 57,9 %        | 58,1 %        |
| Growth in loans                                    | 8,0 %      | -0,7 %     | -1,6 %     | -6,6 %     | -3,3 %     | 8,0 %         | -3,3 %        | -6,6 %        |
| Growth in loans including SpareBank 1 Boligkreditt | 6,6 %      | 6,0 %      | 5,8 %      | 5,3 %      | 8,8 %      | 6,6 %         | 8,8 %         | 5,3 %         |
| Growth in deposits                                 | 3,7 %      | 3,1 %      | -0,9 %     | 2,4 %      | -0,3 %     | 3,7 %         | -0,3 %        | 2,4 %         |
| Average total assets, MNOK                         | 128.799    | 127.627    | 124.888    | 123.755    | 124.508    | 127.010       | 124.273       | 124.283       |
| Total assets, MNOK                                 | 129.524    | 128.653    | 126.508    | 124.909    | 122.081    | 129.524       | 122.081       | 124.909       |
| Impairment losses ratio <sup>3)</sup>              | 0,23       | 0,25       | 0,28       | 0,38       | 0,41       | 0,23          | 0,41          | 0,38          |
| Capital adequacy ratio                             | 11,6       | 11,5       | 11,6       | 11,9       | 9,3        | 11,6          | 9,3           | 11,9          |
| Core capital ratio                                 | 9,3        | 9,1        | 9,4        | 9,6        | 6,9        | 9,3           | 6,9           | 9,6           |
| Market price                                       | 53,00      | 46,10      | 48,80      | 50,00      | 44,00      | 53,00         | 44,00         | 50,00         |
| Book equity per EC (including dividends) (group)   | 44,11      | 42,44      | 41,47      | 42,07      | 40,51      | 44,11         | 40,51         | 42,07         |
| Earnings per EC (group) <sup>4)</sup>              | 1,56       | 1,76       | 1,55       | 1,95       | 2,50       | 4,87          | 4,88          | 6,88          |

<sup>1)</sup> Net profit (of which minority interests are deducted) as a percentage of average equity. For 2009 the equity are weighted per month instead of quarterly. This because of the issue in November 2009.

<sup>2)</sup> Total operating expenses as a percentage of total operating income

<sup>3)</sup> Net losses expressed as a percentage of average gross lending year to date, annualized

<sup>4)</sup> Net profit multiplied by the equity certificate percentage divided by the average number of certificates outstanding.

## 1.2 Business description: leading financial institution in Rogaland, Hordaland and Agder



Figure 1.2.1: Operating areas

SpareBank 1 SR-Bank is located in the South-Western part of Norway and is the second largest of the Norwegian-owned banks (after DnB NOR) with assets totalling NOK 129 billion at the end of 3<sup>rd</sup> quarter 2010. Head office is in Stavanger. The group's market areas are the counties of Rogaland, Agder and Hordaland. The Group has about 1 100 employees and provides products and services within financing, investments, money transfers, pensions as well as life and non-life insurance.

The customer-oriented activity is organized in three divisions; retail, corporate and capital market.

### *Retail Market*

SpareBank 1 SR-Bank is the leading retail customer bank in Rogaland, with 178 000 customers and a market share of about 40 per cent. In addition to the retail customers the division also serves 9 100 small business and agricultural customers and 2 800 clubs and associations.

### *Corporate Market*

SpareBank 1 SR-Bank has about 7 300 customers in the business sector and public sector. About 40 per cent of all businesses in the bank's traditional market list SpareBank 1 SR-Bank as their main bank. In addition, there are small businesses and agricultural customers being served by the Retail market division.

### *Capital Market*

The capital market division comprises the group's securities activities, SR-Markets and the subsidiaries that manage customers' and the group's assets in the form of securities, securities funds and property. SR-Markets serve primarily the group's customers and selected customer in a separate market area and in the country as a whole.

### **Segment results**

|                             | <b>3rd quarter</b>   |         |                         |         |                       |         |
|-----------------------------|----------------------|---------|-------------------------|---------|-----------------------|---------|
|                             | <b>Retail market</b> |         | <b>Corporate market</b> |         | <b>Capital market</b> |         |
|                             | Q3 2010              | Q3 2009 | Q3 2010                 | Q3 2009 | Q3 2010               | Q3 2009 |
| <i>MNOK</i>                 |                      |         |                         |         |                       |         |
| Operating profit before tax | 188                  | 211     | 149                     | 135     | 36                    | -22     |

|   | <b>Per 30.09</b>     |        |                         |        |                       |      |
|---|----------------------|--------|-------------------------|--------|-----------------------|------|
|   | <b>Retail market</b> |        | <b>Corporate market</b> |        | <b>Capital market</b> |      |
|   | 2010                 | 2009   | 2010                    | 2009   | 2010                  | 2009 |
| <i>MNOK</i>   |                      |        |                         |        |                       |      |
| Operating profit before tax                             | 600                  | 572    | 434                     | 246    | 117                   | 122  |
| Gross loans to customers excl. SpareBank 1 Boligkreditt | 51.882               | 43.544 | 43.736                  | 44.372 | -                     | -    |
| Deposits from customers                                 | 26.794               | 25.123 | 29.062                  | 27.995 | -                     | -    |

## Organization

Figure 1.2.2 illustrates the organizational structure of SpareBank 1 SR-Bank. The Supervisory Board is the Bank's supreme body and consists of 40 members, 16 of which represents the equity capital certificate holders, four from the county councils in Rogaland, Hordaland and Vest- and Aust-Agder, 10 are customers and 10 are employees. The members are elected for four years at a time. Pursuant to the legislation, it is considered important that the elected members together reflect the savings bank's customer structure and other stakeholders. In the case of a savings bank that has issued equity capital certificates (ECs), between one-fifth and two-fifths of the Supervisory Board's members must be elected by the holders of ECs.

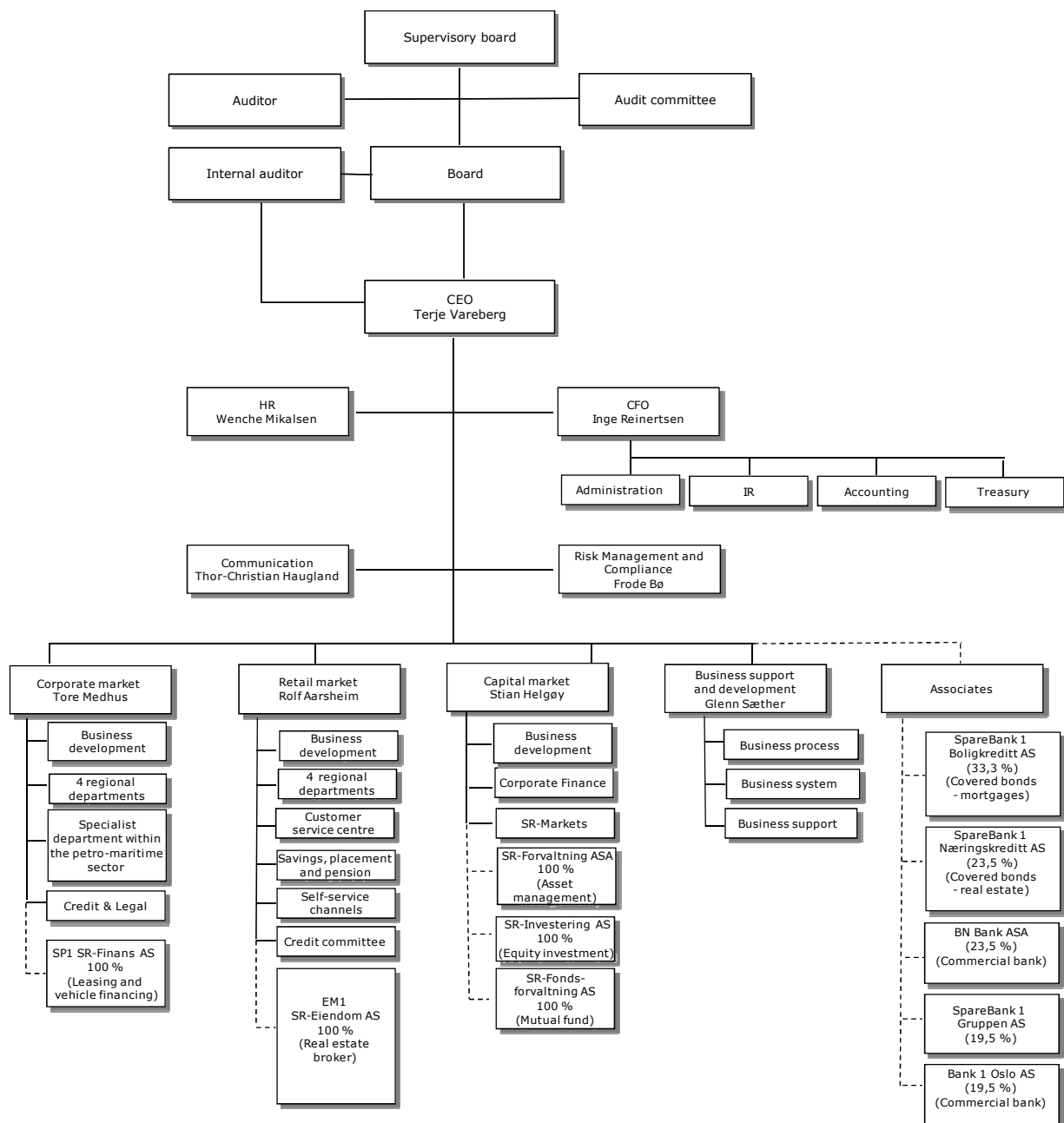


Figure 1.2.2: SpareBank 1 SR-Bank organizational chart



### The SpareBank 1 Alliance

SpareBank 1 SR-Bank is one of the banks that founded the SpareBank 1 Gruppen (Alliance) in 1996. The purpose of the SpareBank 1 Alliance is to develop, procure and supply competitive financial services and products and to exploit economies of scale in the form of lower costs and/or higher quality, so that customers get the best advice and the best services at competitive terms. The banks in the alliance cooperate partly through common projects and partly through the jointly owned holding company SpareBank 1 Gruppen AS. In addition to SpareBank 1 SR-Bank, SpareBank 1 Gruppen is owned by SpareBank 1 Nord-Norge, SpareBank 1 SMN, Sparebanken Hedmark, Samarbeidende Sparebanker AS (16 smaller savings banks in Norway), and the Norwegian Confederation of Trade Unions (LO). The SpareBank 1 Alliance structure is shown in figure 1.2.3.

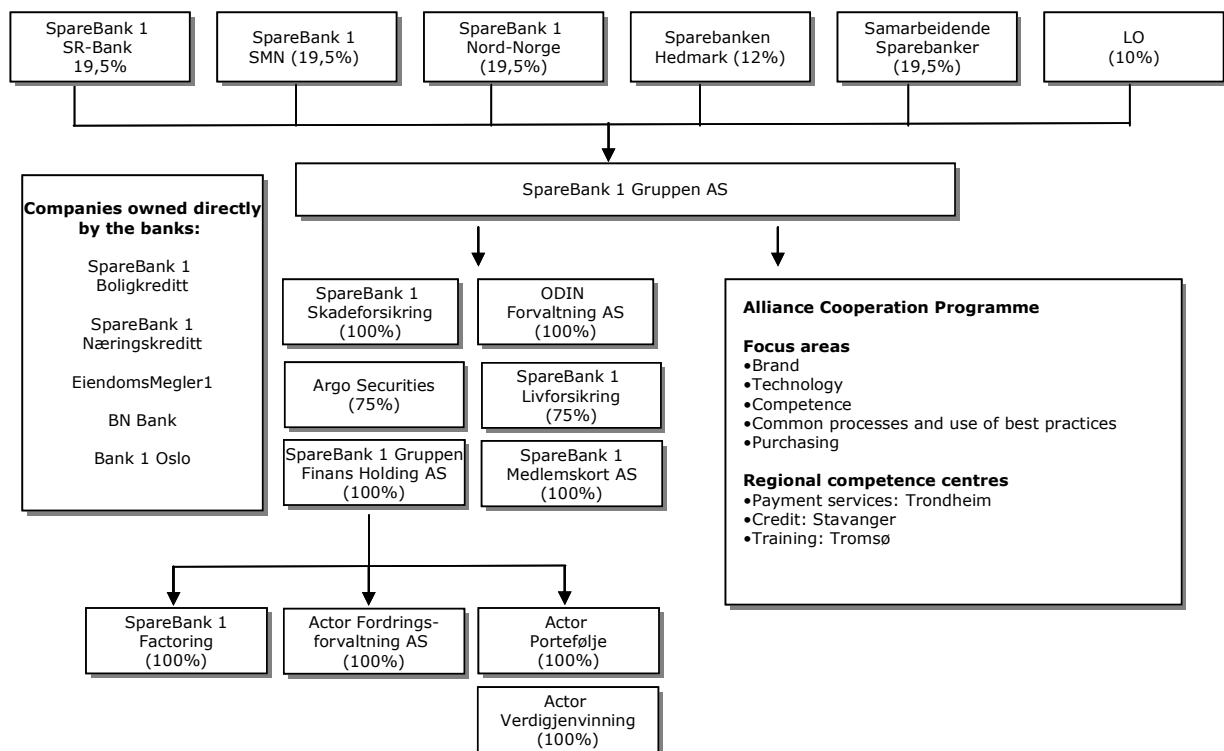


Figure 1.2.3: Structure of SpareBank 1 Alliance

### ***1.3 Credit ratings***

SpareBank 1 SR-Bank has credit ratings from Moody's Investor Service and FitchRatings. The ratings are as follows:

**Moody's Investors Service (7 September 2010):**

- Long-term deposit, senior unsecured and issuer ratings confirmed at A1, stable outlook
- Subordinate ratings confirmed at A2, stable outlook
- Preferred stock ratings confirmed at A3, stable outlook
- BFSR C-
- Prime-1 short rating

**Fitch Ratings (12 March 2010):**

- Long-term Issuer Default Rating (IDR) affirmed at 'A', negative outlook
- Short-term IDR affirmed at 'F1'
- Support rating affirmed at '3'
- Support Rating Floor affirmed at 'BB+'
- Individual rating affirmed at 'B/C'

## 1.4 Equity capital certificate - EC

### ECs and the stock market

SpareBank 1 SR-Bank's ECs was listed on the Oslo stock exchange in 1994. The ticker is ROGG. The relative performance of ROGG, compared to Oslo Stock Exchange Benchmark Index (OSEBX) and DnB NOR (the largest bank in Norway) is shown in figure 1.4.1. below.

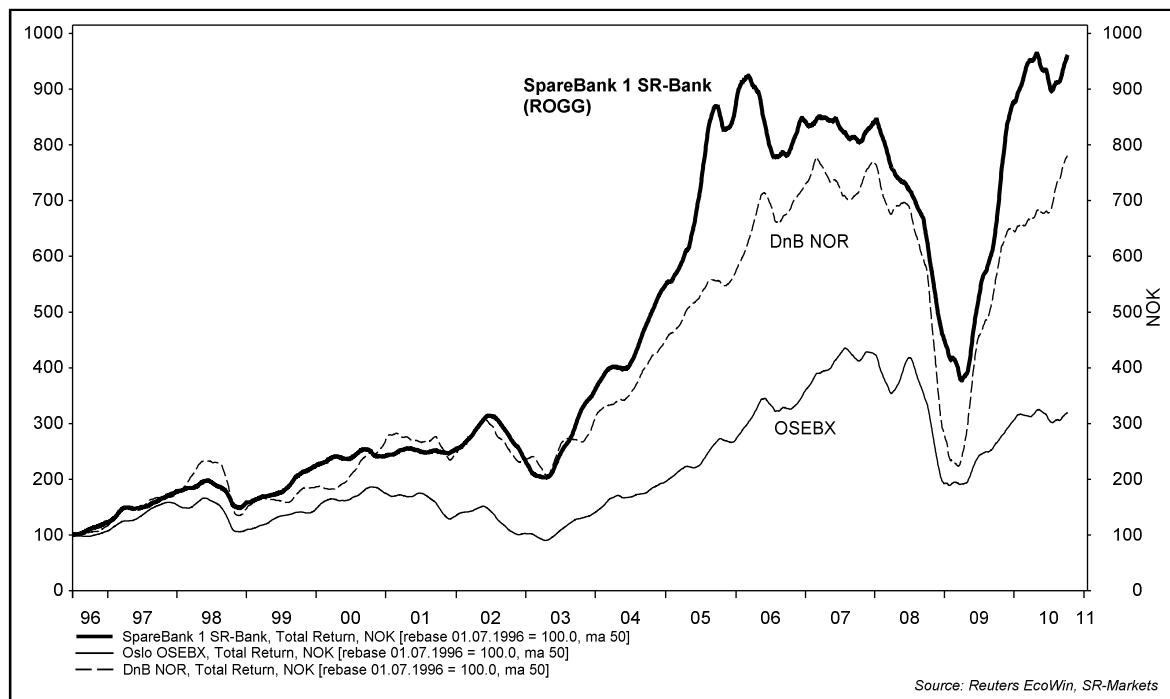


Figure 1.4.1: Total return (dividend reinvested) ROGG, OSEBX and DnB NOR. 1996-2010.

ROGG was at NOK 53,00 per 30.09.2010. There were 120.93 million ECs outstanding at the end of third quarter.

Financial analysts with official coverage of ROGG:

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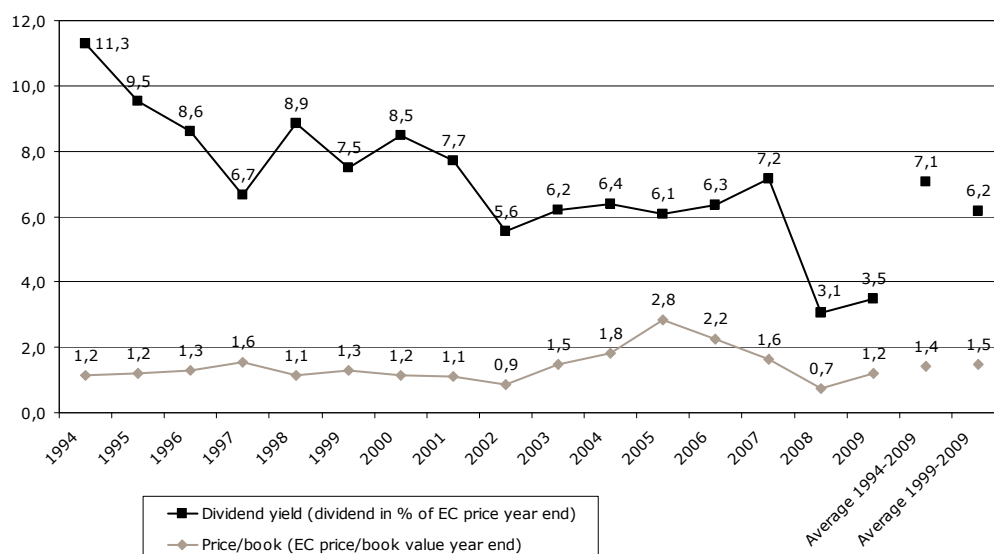


Figure 1.4.2 Dividend yield and price/book. 1994-2009.

## Dividend policy

It is the parent bank's available profit after tax which is the basis for distribution of dividend.

SpareBank 1 SR-Bank's dividend policy is as follows:

The financial objective of SpareBank 1 SR-Bank's operations is to achieve earnings that yield adequate, stable returns on the bank's total equity, thereby creating value for EC holders through competitive returns in the form of dividends and EC appreciation.

The profit for the year will be divided between EC holders and the savings bank's funds in proportion to their share of the bank's equity. SpareBank 1 SR-Bank aims for around half of the profits allocated to EC holders shall normally be paid as a dividend and around half of the profit allocated to the savings bank fund shall be paid out as gifts or transferred to a foundation benefiting the public, provided that capital adequacy is satisfactory. In determining dividends and gifts, account will be taken of the bank's earnings performance, the market situation, stability in dividends as well as the need for core capital. In assessing a distribution of the profit for the year to dividend and gifts, respectively, importance will be attached to keeping stable the proportion of total equity (ownership fraction) held by EC holders.

The share of EC's profit which has been paid out as dividends (payout ratio EC) is shown in figure 1.4.4.

## History and capital structure

The history of Norwegian savings banks goes back to 1820s when the first savings banks were founded as self-owned foundations. The roots of SpareBank 1 SR-Bank go back to 1839. Due to the organizational form, the savings banks equity capital comprised of donations and retained earnings until 1987 when the savings banks legislation was amended and enabled savings banks to raise capital in the equity market by ECs. Therefore savings

banks that have issued EC have two types of equity capital: self-owned capital (savings banks reserve/fund) and ECs.

ECs are very similar to shares. The main differences are 1) the capital structure where ECs have better priority than the self-owned capital, 2) ECs give ownership to specific parts of a bank's equity capital and 3) governing bodies of a savings bank will have broader representation than a commercial bank. The representation of the EC owners in SpareBank 1 SR-Bank's governing body is 40 per cent. The share of the bank's equity capital belonging to EC owners (EC ratio) was 63.2 per cent by the end of 3<sup>rd</sup> quarter 2010. EC owners are each year entitled to their share of total profits (according to the EC ratio for the year). Table 1.4.1 shows the calculation of the EC ratio. Figure 1.4.4 shows the EC ratio from 1994-2010 and annual share of EC's yearly profit which has been paid out as dividend.

One important recent feature regarding ECs is that the Norwegian saving bank legislation was amended with effect from 1 July 2009. The amendments have important implications for the ECs, hereby making it more similar to stocks and possibilities to avoid the so-called dilution effect. The name was changed from Primary Capital Certificate (PCC) to Equity Certificate (EC). There were also significant improvements in the legislation regarding possible structures for mergers and acquisitions among savings banks.

Figure 1.4.3 illustrates SpareBank 1 SR-Bank's capital structure and the more favourable priority for ECs than ordinary shares. Furthermore, retained earnings belonging to the EC owners (transferred to the dividend equalisation reserve) will initially have the same priority as savings banks reserve which implies that EC owners share of a potential deficit is 22 per cent by the end of 3<sup>rd</sup> quarter 2010), while the share of future profit is 63 per cent.

### *Possible conversion to a limited liability company (ASA)*

On the 28<sup>th</sup> of June 2010 the Supervisory Board requested that the Board of Directors evaluated the pros and cons of a possible conversion of SpareBank 1 SR-Bank into a limited liability savings bank.

SpareBank 1 SR-Bank has a strong position in its market. Profitability has been good for many years and the group is extremely well positioned for further profitable growth. However, access to capital may be a scarcity factor.

The Board of Directors has made a concrete overall assessment of all relevant issues affecting the bank. The Board has stressed maintaining the bank's regional roots, and that the savings bank activities shall continue to be developed in a close interaction with the region's social and business development.

Based on the current capital situation and a total weighing up of interests, the Board of Directors has concluded that a reorganisation of the activities into a limited liability company is best suited for continuing and developing the bank's business as a whole. The Board has stressed in particular the need to deal with sudden changes and major fluctuations in the capital market in best possible manner.

The Board of Directors has therefore on the 28<sup>th</sup> of October this year decided to recommend that the Supervisory Board resolves a conversion to a limited liability company (ASA). Any such conversion shall absorb and continue the regional roots, the savings bank traditions and the bank's history.

A conversion to a limited liability savings bank takes place by establishing a public limited company that acquires the banking license, and takes SpareBank 1 SR-Bank's assets and

liabilities. Owners of equity capital certificates will have these converted into a similar number of shares. Simultaneously, a savings bank foundation is established that becomes the owner of the shares in the new limited liability savings bank that are not assigned to existing owners.

On establishment, the savings bank foundation will own approximately one-third of the bank's shares. It will be the bank's largest owner by far. Pursuant to law, the objects of the foundation will be to act as a long-term owner of the limited liability savings bank and to engage in charitable activities.

The Supervisory Board will deal with the matter at its ordinary meeting on 25<sup>th</sup> of November 2010. Any subsequent conversion calls for the approval of the authorities.

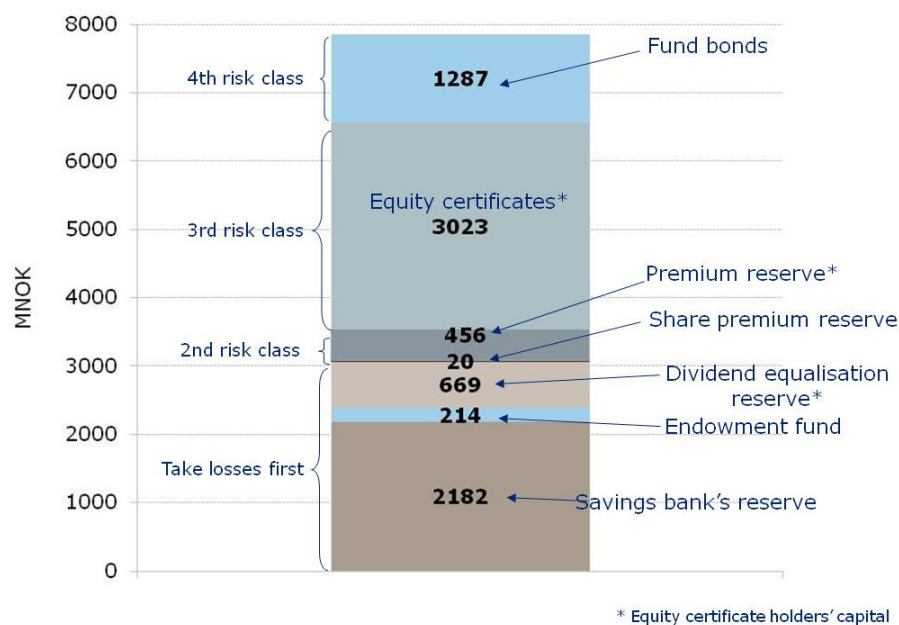


Figure 1.4.3: *Capital structure per 30.09.2010*

|  |                 |                 |
|--|-----------------|-----------------|
| <i>MNOK</i>                                      | <b>30.09.10</b> | <b>31.12.09</b> |
| Equity certificates                              | 3.020           | 3.014           |
| Dividend equalisation reserve                    | 669             | 759             |
| Premium reserve                                  | 456             | 458             |
| <b>A. The equity certificate owners' capital</b> | <b>4.145</b>    | <b>4.231</b>    |
| Savings bank's reserve                           | 2.182           | 2.241           |
| Compensation fund                                | 20              | 20              |
| Endowment fund                                   | 214             | 240             |
| <b>B. The savings bank's reserve</b>             | <b>2.416</b>    | <b>2.501</b>    |
| Fund for unrealised gains                        | <b>127</b>      | <b>127</b>      |
| <b>Equity excl proposed dividend</b>             | <b>6.688</b>    | <b>6.859</b>    |
| <b>Equity certificate ratio (A/(A+B))</b>        | <b>63,2 %</b>   | <b>62,9 %</b>   |

Table 1.4.1: EC ratio - calculation of EC holder's share of the bank's equity capital

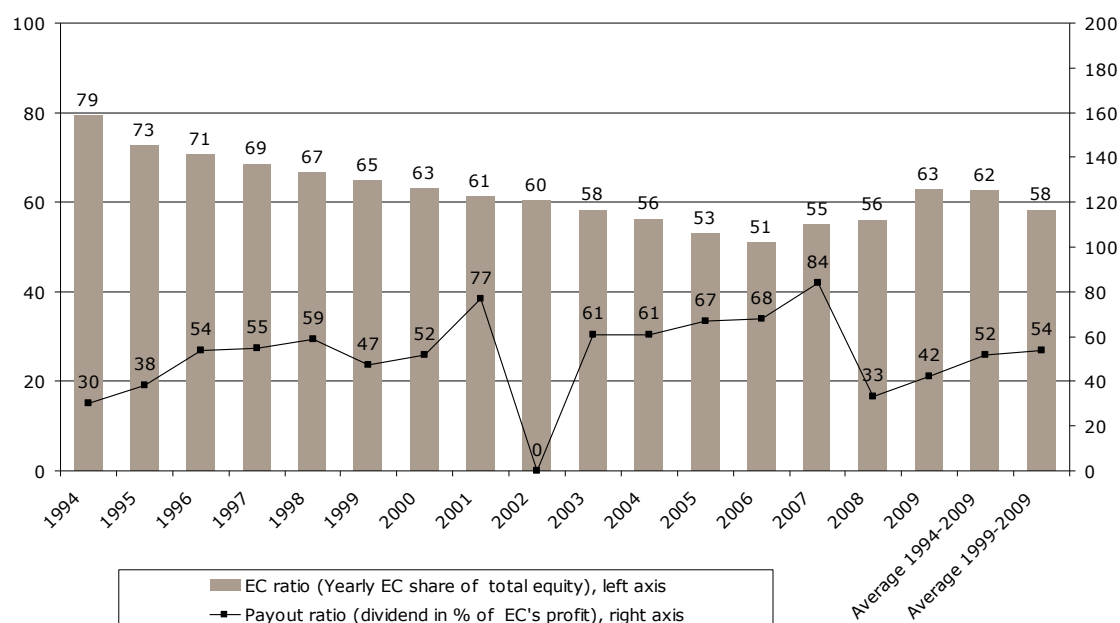


Figure 1.4.4: EC ratio and payout ratio. 1994-2009ff

| <b>20 largest EC holders per 30.09.10</b> | <b>Number</b> | <b>Stake</b> |
|---|---------------|--------------|
| Gjensidige Forsikring                     | 20.713.065    | 17,1%        |
| Odin Norge                                | 3.248.293     | 2,7%         |
| Odin Norden                               | 3.066.553     | 2,5%         |
| Køhlergruppen AS                          | 1.923.657     | 1,6%         |
| Coil Investment Group AS                  | 1.904.993     | 1,6%         |
| Clipper AS                                | 1.685.357     | 1,4%         |
| Frank Mohn AS                             | 1.666.142     | 1,4%         |
| Trygve Stangeland                         | 1.632.048     | 1,3%         |
| State Street Bank and Trust, U.S.A.       | 1.480.474     | 1,2%         |
| Lærdal AS                                 | 1.222.915     | 1,0%         |
| Brown Brothers Harriman, U.S.A.           | 1.061.327     | 0,9%         |
| The Northern Trust, U.K.                  | 1.005.116     | 0,8%         |
| Nordea Bank Norge ASA                     | 969.841       | 0,8%         |
| Westco AS                                 | 885.352       | 0,7%         |
| SHB Stockholm Clients Account, Sverige    | 865.000       | 0,7%         |
| Trygves Holding AS                        | 770.939       | 0,6%         |
| Bank of New York, U.S.A.                  | 765.403       | 0,6%         |
| Bjergsted Investering AS                  | 720.055       | 0,6%         |
| Solvang Shipping AS                       | 701.034       | 0,6%         |
| Forsand Kommune                           | 682.230       | 0,6%         |

Table 1.4.2: 20 largest EC holders per 30.09.2010



## 2. Financial results and balance sheet

### Income statement

| MNOK  | Q3<br>2010 | Q2<br>2010 | Q1<br>2010 | Q4<br>2009 | Q3<br>2009 | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2010 |
|---|------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Interest income   | 1.231      | 1.185      | 1.122      | 1.107      | 1.122      | 3.538         | 3.908         | 5.015         |
| Interest expense  | 795        | 758        | 685        | 652        | 657        | 2.238         | 2.687         | 3.339         |
| <b>Net interest income</b>                                | <b>436</b> | <b>427</b> | <b>437</b> | <b>455</b> | <b>465</b> | <b>1.300</b>  | <b>1.221</b>  | <b>1.676</b>  |
| Commission income   | 189        | 206        | 207        | 219        | 201        | 602           | 541           | 760           |
| Commission expenses                                       | -20        | -16        | -20        | -20        | -24        | -56           | -67           | -87           |
| Other operating income                                    | 95         | 104        | 73         | 86         | 85         | 272           | 239           | 325           |
| <b>Net commission and other income</b>                    | <b>264</b> | <b>294</b> | <b>260</b> | <b>285</b> | <b>262</b> | <b>818</b>    | <b>713</b>    | <b>998</b>    |
| Dividend income   | 1          | 46         | 0          | 17         | 1          | 47            | 6             | 23            |
| Income from investment in associates                      | 70         | 54         | 49         | 128        | 98         | 173           | 170           | 298           |
| Net gains/losses on financial instruments                 | 66         | 72         | 30         | 64         | 138        | 168           | 320           | 384           |
| <b>Net return on investment securities</b>                | <b>137</b> | <b>172</b> | <b>79</b>  | <b>209</b> | <b>237</b> | <b>388</b>    | <b>496</b>    | <b>705</b>    |
| <b>Total income</b>                                       | <b>837</b> | <b>893</b> | <b>776</b> | <b>949</b> | <b>964</b> | <b>2.506</b>  | <b>2.430</b>  | <b>3.379</b>  |
| Personnel expenses  | 250        | 244        | 153        | 223        | 218        | 647           | 658           | 881           |
| Administrative expenses                                   | 82         | 90         | 81         | 92         | 83         | 253           | 254           | 346           |
| Other operating expenses                                  | 76         | 89         | 78         | 123        | 75         | 243           | 229           | 352           |
| <b>Total operating expenses</b>                           | <b>408</b> | <b>423</b> | <b>312</b> | <b>438</b> | <b>376</b> | <b>1.143</b>  | <b>1.141</b>  | <b>1.579</b>  |
| <b>Operating profit before losses</b>                     | <b>429</b> | <b>470</b> | <b>464</b> | <b>511</b> | <b>588</b> | <b>1.363</b>  | <b>1.289</b>  | <b>1.800</b>  |
| Losses on loans and guarantees                            | 43         | 51         | 69         | 74         | 85         | 163           | 294           | 368           |
| <b>Operating profit before tax and minority interests</b> | <b>386</b> | <b>419</b> | <b>395</b> | <b>437</b> | <b>503</b> | <b>1.200</b>  | <b>995</b>    | <b>1.432</b>  |
| Tax expense   | 86         | 81         | 97         | 107        | 104        | 264           | 214           | 321           |
| <b>Profit after tax from continuing operations</b>        | <b>300</b> | <b>338</b> | <b>298</b> | <b>330</b> | <b>399</b> | <b>936</b>    | <b>781</b>    | <b>1.111</b>  |
| Attributable to majority interests                        | 300        | 338        | 298        | 330        | 399        | 936           | 779           | 1.109         |
| Attributable to minority interests                        | 0          | 0          | 0          | 0          | 0          | 0             | 2             | 2             |

### Key figures

|   | Q3<br>2010 | Q2<br>2010 | Q1<br>2010 | Q4<br>2009 | Q3<br>2009 | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2010 |
|---|------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Return on equity <sup>1)</sup>                              | 14,3 %     | 16,5 %     | 14,8 %     | 18,2 %     | 25,2 %     | 15,1 %        | 16,9 %        | 17,5 %        |
| Cost ratio <sup>2)</sup>                                    | 48,7 %     | 47,4 %     | 40,2 %     | 46,2 %     | 39,0 %     | 45,6 %        | 47,0 %        | 46,7 %        |
| Net interest margin   | 1,3 %      | 1,3 %      | 1,4 %      | 1,5 %      | 1,5 %      | 1,4 %         | 1,3 %         | 1,4 %         |
| Gross loans to customers                                    | 100.289    | 96.812     | 96.481     | 93.473     | 92.849     | 100.289       | 92.849        | 93.473        |
| Gross loans to customers including SpareBank 1 Boligkreditt | 124.398    | 122.426    | 120.352    | 118.227    | 116.750    | 124.398       | 116.750       | 118.227       |
| Deposits from customers                                     | 55.703     | 56.137     | 53.323     | 54.336     | 53.725     | 55.703        | 53.725        | 54.336        |
| Deposit-to-loan ratio                                       | 55,5 %     | 58,0 %     | 55,3 %     | 58,1 %     | 57,9 %     | 55,5 %        | 57,9 %        | 58,1 %        |
| Growth in loans   | 8,0 %      | -0,7 %     | -1,6 %     | -6,6 %     | -3,3 %     | 8,0 %         | -3,3 %        | -6,6 %        |
| Growth in loans including SpareBank 1 Boligkreditt          | 6,6 %      | 6,0 %      | 5,8 %      | 5,3 %      | 8,8 %      | 6,6 %         | 8,8 %         | 5,3 %         |
| Growth in deposits  | 3,7 %      | 3,1 %      | -0,9 %     | 2,4 %      | -0,3 %     | 3,7 %         | -0,3 %        | 2,4 %         |
| Average total assets  | 128.799    | 127.627    | 124.888    | 123.755    | 124.508    | 127.010       | 124.273       | 124.283       |
| Total assets  | 129.524    | 128.653    | 126.508    | 124.909    | 122.081    | 129.524       | 122.081       | 124.909       |
| Impairment losses ratio <sup>3)</sup>                       | 0,23       | 0,25       | 0,28       | 0,38       | 0,41       | 0,23          | 0,41          | 0,38          |
| Non-performing commitments as a percentage of gross loans   | 0,54       | 0,36       | 0,54       | 0,42       | 0,53       | 0,54          | 0,53          | 0,42          |
| Other doubtful commitments as a percentage of gross loans   | 0,94       | 1,01       | 0,80       | 0,81       | 0,51       | 0,94          | 0,51          | 0,81          |
| Capital adequacy ratio                                      | 11,6       | 11,5       | 11,6       | 11,9       | 9,3        | 11,6          | 9,3           | 11,9          |
| Core capital ratio  | 9,3        | 9,1        | 9,4        | 9,6        | 6,9        | 9,3           | 6,9           | 9,6           |
| Core capital  | 8.433      | 8.243      | 8.196      | 8.130      | 5.632      | 8.433         | 5.632         | 8.130         |
| Net equity and subordinated loan capital                    | 10.450     | 10.352     | 10.112     | 10.029     | 7.568      | 10.450        | 7.568         | 10.029        |
| Minimum subordinated capital requirement                    | 7.241      | 7.226      | 7.001      | 6.768      | 6.545      | 7.267         | 6.545         | 6.768         |
| Number of branches  | 49         | 50         | 51         | 51         | 53         | 49            | 53            | 51            |
| Man-years (permanent)                                       | 1.112      | 1.093      | 1.083      | 1.093      | 1.094      | 1.112         | 1.094         | 1.093         |
| Equity certificate ratio                                    | 63,2 %     | 63,1 %     | 62,9 %     | 62,9 %     | 56,6 %     | 63,2 %        | 56,6 %        | 62,9 %        |
| Market price  | 53,00      | 46,10      | 48,80      | 50,00      | 44,00      | 53,00         | 44,00         | 50,00         |
| Market capitalisation                                       | 6.409      | 5.575      | 5.902      | 6.047      | 3.955      | 6.409         | 3.955         | 6.047         |
| Book equity per EC (including dividends) (group)            | 44,19      | 42,44      | 41,47      | 42,07      | 40,51      | 44,19         | 40,51         | 42,07         |
| Earnings per EC (group) <sup>4)</sup>                       | 1,56       | 1,76       | 1,55       | 1,95       | 2,50       | 4,87          | 4,88          | 6,88          |
| Dividends per EC  | n.a.       | n.a.       | n.a.       | n.a.       | n.a.       | n.a.          | n.a.          | 1,75          |
| Price / Earnings per EC                                     | 4,49       | 6,55       | 7,87       | 6,41       | 4,40       | 8,16          | 6,76          | 7,27          |
| Price / Book equity (group)                                 | 1,20       | 1,09       | 1,18       | 1,19       | 1,09       | 1,20          | 1,09          | 1,19          |

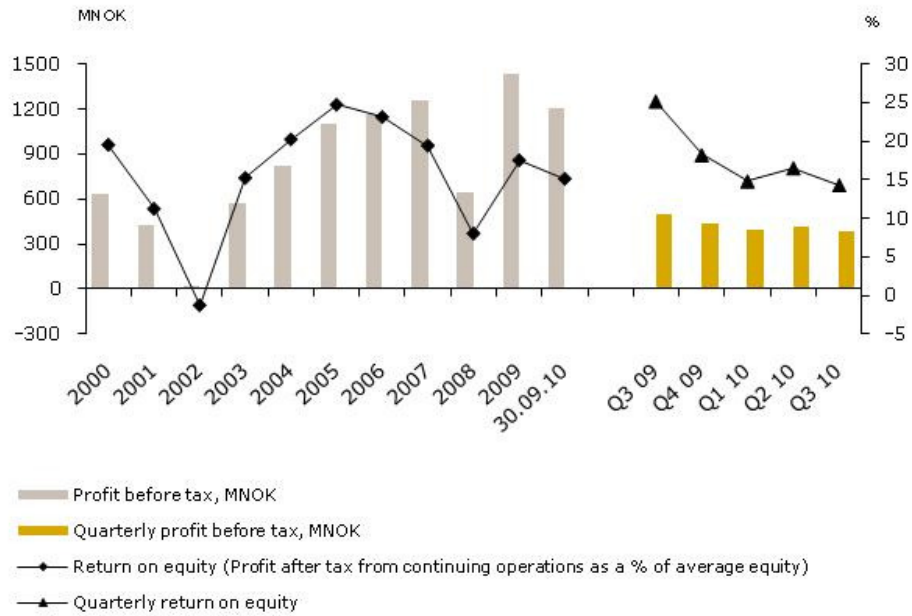
<sup>1)</sup> Net profit (of which minority interests are deducted) as a percentage of average equity. For 2009 the equity are weighted per month instead of quarterly. This because of the issue in November 2009.

<sup>2)</sup> Total operating expenses as a percentage of total operating income

<sup>3)</sup> Net losses expressed as a percentage of average gross lending year to date, annualized

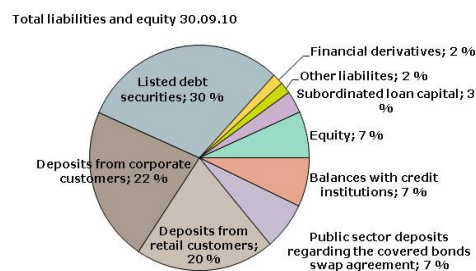
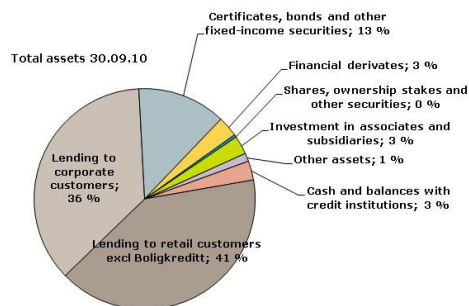
<sup>4)</sup> Net profit multiplied by the equity certificate percentage divided by the average number of certificates outstanding.

### Result before tax and return on equity

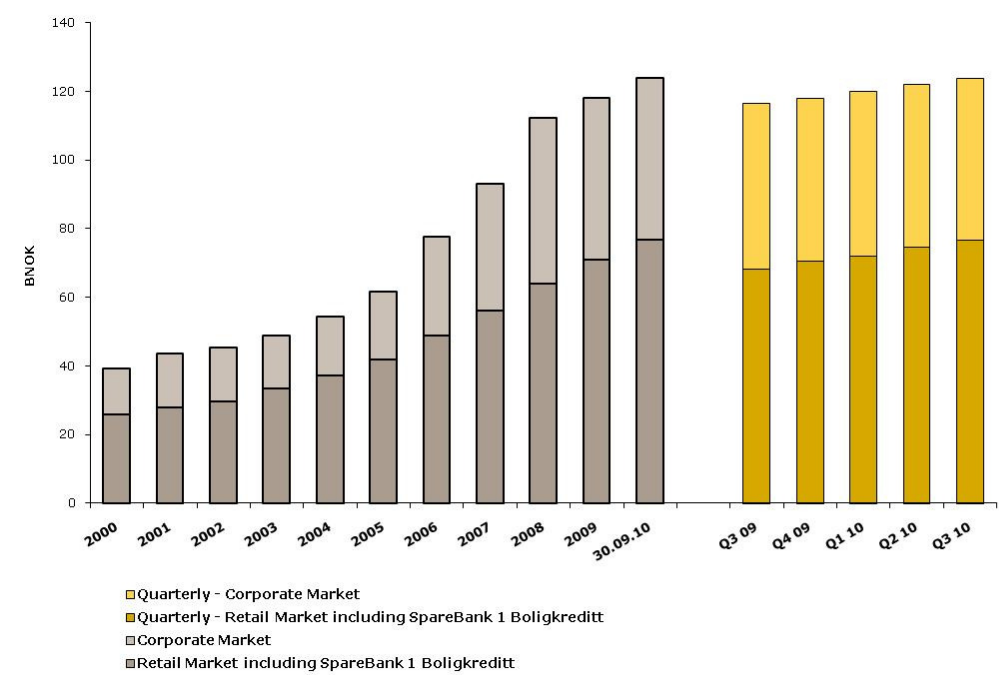


## Balance sheet

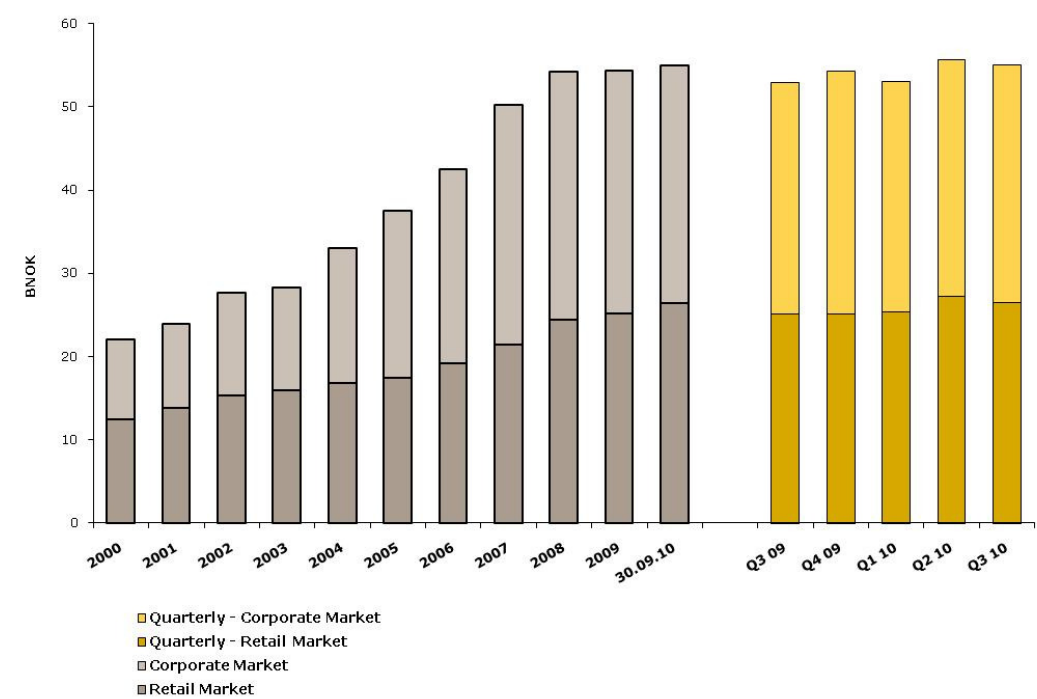
| MNOK  | 30 Sept.<br>2010 | 30 June<br>2010 | 31 March<br>2010 | 31 Dec.<br>2009 | 30 Sept.<br>2009 |
|---|------------------|-----------------|------------------|-----------------|------------------|
| Cash and balances with central banks                              | 2.497            | 2.624           | 1.404            | 781             | 2.093            |
| Balances with credit institutions                                 | 1.145            | 3.484           | 1.646            | 1.301           | 1.364            |
| Gross loans to customers  | 100.289          | 96.812          | 96.481           | 93.473          | 92.849           |
| - individual impairment losses on loans                           | -405             | -376            | -341             | -329            | -290             |
| - collective impairment losses on loans                           | -341             | -338            | -331             | -320            | -307             |
| Net loans to customers  | 99.543           | 96.098          | 95.809           | 92.824          | 92.252           |
| Certificates, bonds and other fixed-income securities             | 16.868           | 17.311          | 19.187           | 22.582          | 18.933           |
| Financial derivatives   | 3.897            | 3.643           | 3.016            | 2.438           | 2.753            |
| Shares, ownership stakes and other securities                     | 514              | 493             | 445              | 439             | 413              |
| Investment in associates  | 3.507            | 3.451           | 3.385            | 3.127           | 2.792            |
| Investment in subsidiaries  | -                | -               | -                | -               | -                |
| Business available for sale                                       | 23               | 23              | 23               | 23              | 638              |
| Other assets  | 1.530            | 1.526           | 1.593            | 1.394           | 843              |
| <b>Total assets</b>   | <b>129.524</b>   | <b>128.653</b>  | <b>126.508</b>   | <b>124.909</b>  | <b>122.081</b>   |
| Balances with credit institutions                                 | 9.022            | 7.982           | 8.516            | 8.852           | 7.699            |
| Public sector deposits regarding the covered bonds swap agreement | 8.832            | 8.832           | 8.832            | 8.832           | 8.832            |
| Deposits from customers   | 55.703           | 56.137          | 53.323           | 54.336          | 53.725           |
| Listed debt securities  | 39.093           | 38.891          | 39.896           | 37.523          | 38.770           |
| Financial derivatives   | 2.075            | 2.057           | 1.969            | 1.576           | 1.857            |
| Other liabilities   | 2.135            | 2.300           | 1.923            | 1.846           | 1.521            |
| Business available for sale                                       | -                | -               | -                | -               | 55               |
| Subordinated loan capital   | 4.093            | 4.197           | 3.961            | 3.871           | 3.132            |
| <b>Total liabilities</b>  | <b>120.953</b>   | <b>120.396</b>  | <b>118.420</b>   | <b>116.836</b>  | <b>115.591</b>   |
| Equity certificates   | 3.023            | 3.023           | 3.023            | 3.023           | 2.247            |
| Holding of own equity certificates                                | -3               | -3              | -3               | -9              | -9               |
| Premium reserve   | 456              | 456             | 456              | 458             | 42               |
| Dividend equalisation reserve                                     | 669              | 652             | 735              | 759             | 443              |
| Proposed dividend   | -                | -               | -                | 212             | -                |
| Savings bank's reserve  | 2.182            | 2.171           | 2.220            | 2.241           | 2.005            |
| Compensation fund   | 20               | 20              | 20               | 20              | -                |
| Endowment fund  | 214              | 221             | 240              | 240             | 82               |
| Fund for unrealised gains   | 127              | 127             | 127              | 127             | 69               |
| Other equity  | 947              | 954             | 972              | 1.002           | 832              |
| Profit/loss at period end   | 936              | 636             | 298              | -               | 779              |
| Minority interests  | -                | -               | -                | -               | -                |
| <b>Total equity</b>   | <b>8.571</b>     | <b>8.257</b>    | <b>8.088</b>     | <b>8.073</b>    | <b>6.490</b>     |
| <b>Total liabilities and equity</b>                               | <b>129.524</b>   | <b>128.653</b>  | <b>126.508</b>   | <b>124.909</b>  | <b>122.081</b>   |



# **Lending volume**

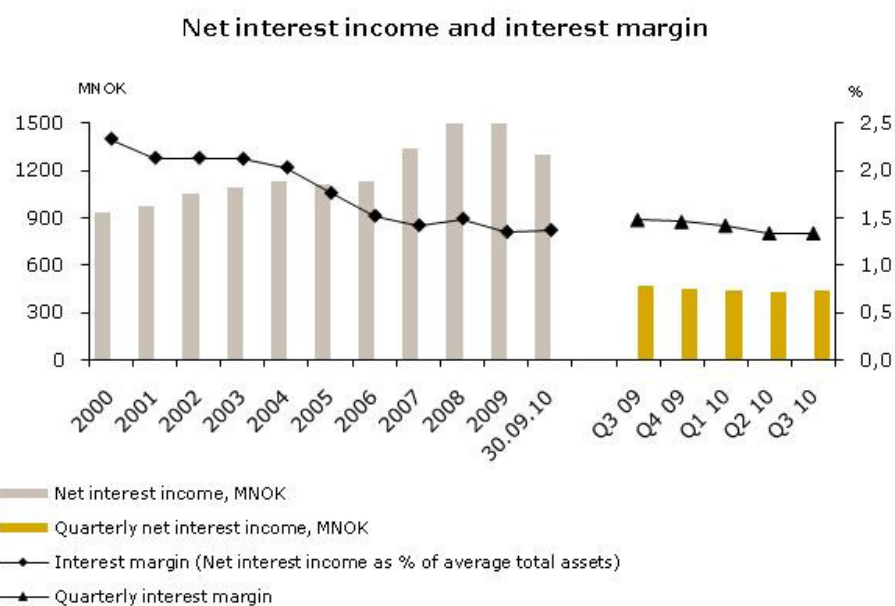


# **Deposit volume**

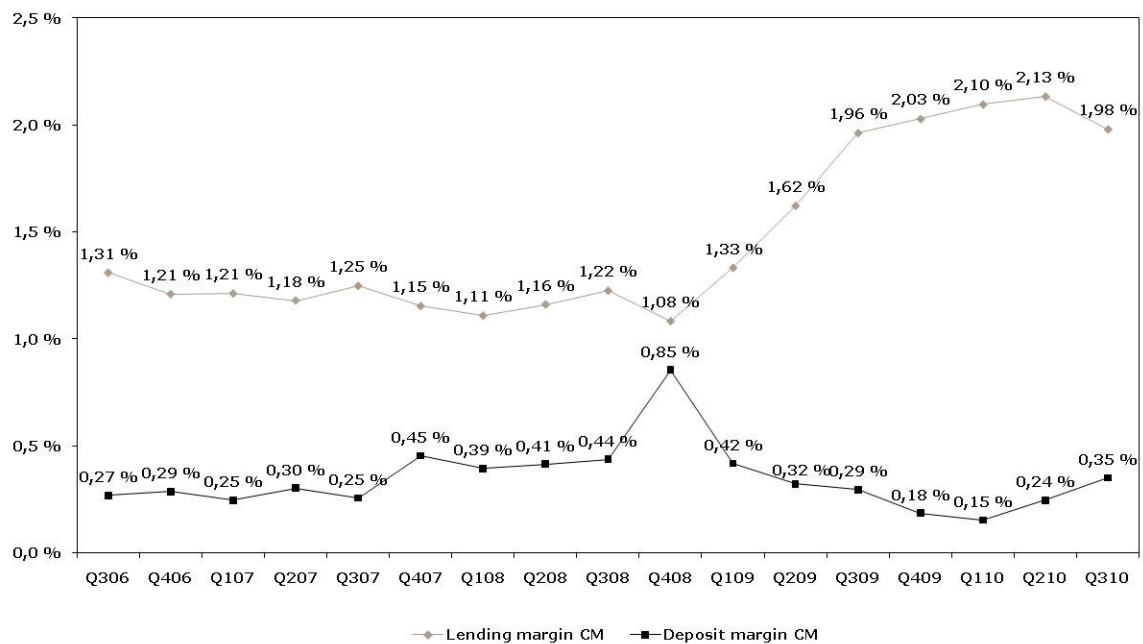


## 2.1 Net interest income

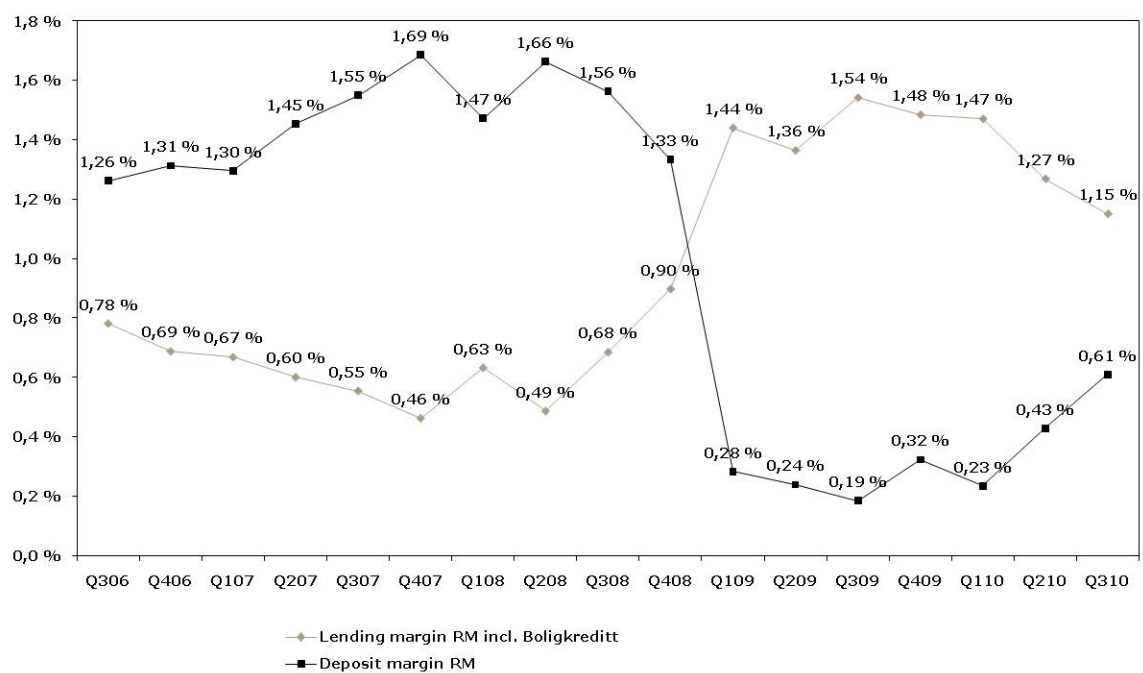
|                                     | Q3            | Q2            | Q1            | Q4            | Q3            | 30.09         | 30.09         | 31.12         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| MNOK                                | 2010          | 2010          | 2010          | 2009          | 2009          | 2010          | 2009          | 2009          |
| Interest income                     | 1.231         | 1.185         | 1.122         | 1.107         | 1.122         | 3.538         | 3.908         | 5.015         |
| Interest expense                    | 795           | 758           | 685           | 652           | 657           | 2.238         | 2.687         | 3.339         |
| <b>Net interest income</b>          | <b>436</b>    | <b>427</b>    | <b>437</b>    | <b>455</b>    | <b>465</b>    | <b>1.300</b>  | <b>1.221</b>  | <b>1.676</b>  |
| <b>As % of average total assets</b> | <b>1,34 %</b> | <b>1,34 %</b> | <b>1,42 %</b> | <b>1,46 %</b> | <b>1,48 %</b> | <b>1,37 %</b> | <b>1,31 %</b> | <b>1,35 %</b> |



## Lending and deposit margins<sup>1</sup> – Corporate Market



## Lending and deposit margins – Retail Market including SpareBank 1 Boligkreditt



<sup>1</sup> Definition margin: Average customer interest minus 3 months average nibor (funding cost is not included)

## 2.2 Net other operating income

| <i>MNOK</i>                         | Q3<br>2010  | Q2<br>2010  | Q1<br>2010  | Q4<br>2009  | Q3<br>2009  | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|
| Net commission and other income     | 264         | 294         | 260         | 285         | 262         | 818           | 713           | 998           |
| Net return on investment securities | 137         | 172         | 79          | 209         | 237         | 388           | 496           | 705           |
| <b>Net other operating income</b>   | <b>401</b>  | <b>466</b>  | <b>339</b>  | <b>494</b>  | <b>499</b>  | <b>1.206</b>  | <b>1.209</b>  | <b>1.703</b>  |
| <b>As % of total income</b>         | <b>48 %</b> | <b>52 %</b> | <b>44 %</b> | <b>52 %</b> | <b>52 %</b> | <b>48 %</b>   | <b>50 %</b>   | <b>50 %</b>   |

### Net commission and other income

| <i>MNOK</i>                            | Q3<br>2010  | Q2<br>2010  | Q1<br>2010  | Q4<br>2009  | Q3<br>2009  | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|--|-------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|
| Payment facilities                     | 53          | 50          | 48          | 45          | 53          | 150           | 143           | 188           |
| Savings/placements                     | 29          | 41          | 32          | 32          | 32          | 102           | 76            | 116           |
| Insurance products                     | 25          | 29          | 27          | 34          | 26          | 80            | 84            | 109           |
| Commission income real estate (EM1)    | 93          | 109         | 76          | 82          | 86          | 278           | 247           | 328           |
| SpareBank 1 Boligkreditt               | 32          | 43          | 53          | 57          | 43          | 128           | 89            | 146           |
| Guarantee commission                   | 17          | 13          | 12          | 10          | 11          | 42            | 37            | 47            |
| Salesprofit, building                  | 2           | -           | -           | 8           | -           | 2             | -             | 8             |
| Arrangement fees                       | 6           | 9           | 9           | 15          | 8           | 24            | 29            | 44            |
| Other                                  | 8           | 2           | 3           | 2           | 3           | 13            | 7             | 12            |
| <b>Net commission and other income</b> | <b>264</b>  | <b>294</b>  | <b>260</b>  | <b>285</b>  | <b>262</b>  | <b>818</b>    | <b>713</b>    | <b>998</b>    |
| <b>As % of total income</b>            | <b>32 %</b> | <b>33 %</b> | <b>34 %</b> | <b>30 %</b> | <b>27 %</b> | <b>33 %</b>   | <b>29 %</b>   | <b>30 %</b>   |

### Change in net commission and other income

| <i>MNOK</i>   | Per 30.09  |            |            |
|---|------------|------------|------------|
|   | 2010       | Change     | 2009       |
| <b>Net commission and other income</b>                      | <b>818</b> | <b>105</b> | <b>713</b> |
| Payment facilities  |            | 8          |            |
| Savings/placements  |            | 25         |            |
| Insurance products  |            | -4         |            |
| Commission income real estate (EiendomsMegler 1 SR-Eiendom) |            | 31         |            |
| Commission income SpareBank 1 Boligkreditt                  |            | 39         |            |
| Guarantee commission  |            | 5          |            |
| Salesprofit, building                                       |            | 2          |            |
| Arrangement fees  |            | -5         |            |
| Other   |            | 6          |            |

### Net return on investment securities

| <i>MNOK</i>   | Q3<br>2010  | Q2<br>2010  | Q1<br>2010  | Q4<br>2009  | Q3<br>2009  | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|---|-------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|
| Dividend  | 1           | 46          | 0           | 17          | 1           | 47            | 6             | 23            |
| Investment income, associates                         | 70          | 54          | 49          | 128         | 98          | 173           | 170           | 298           |
| Securities gains/losses                               | 32          | 41          | 21          | 8           | 103         | 94            | 186           | 194           |
| - of which capital change in shares and certificates  | 12          | 45          | 7           | 1           | 36          | 64            | 71            | 72            |
| - of which capital change in certificates and bonds   | 20          | -5          | 15          | 7           | 67          | 30            | 115           | 122           |
| Currency/interest gains/losses                        | 35          | 31          | 9           | 56          | 35          | 74            | 134           | 190           |
| - of which currency customer- and own-account trading | 35          | 31          | 37          | 45          | 30          | 103           | 102           | 147           |
| - of which IFRS-effects                               | -1          | 0           | -28         | 11          | 5           | -29           | 32            | 43            |
| <b>Net return on investment securities</b>            | <b>137</b>  | <b>172</b>  | <b>79</b>   | <b>209</b>  | <b>237</b>  | <b>388</b>    | <b>496</b>    | <b>705</b>    |
| <b>As % of total income</b>                           | <b>16 %</b> | <b>19 %</b> | <b>10 %</b> | <b>22 %</b> | <b>25 %</b> | <b>15 %</b>   | <b>20 %</b>   | <b>21 %</b>   |

### Change in net return on investment securities

| <i>MNOK</i>   | Per 30.09  |             |            |
|---|------------|-------------|------------|
|   | 2010       | Change      | 2009       |
| <b>Net return on investment securities</b>            | <b>388</b> | <b>-108</b> | <b>496</b> |
| Dividend  |            | 41          |            |
| Investment income, associates                         |            | 3           |            |
| Securities gains/losses                               |            | -92         |            |
| - of which capital change in shares and certificates  |            | -7          |            |
| - of which capital change in certificates and bonds   |            | -85         |            |
| Currency/interest gains/losses                        |            | -60         |            |
| - of which currency customer- and own-account trading |            | 1           |            |
| - of which IFRS-effects                               |            | -61         |            |



## 2.3 Operating expenses

| MNOK                             | Q3<br>2010 | Q2<br>2010 | Q1<br>2010 | Q4<br>2009 | Q3<br>2009 | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|----------------------------------|------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Wages                            | 173        | 173        | 161        | 157        | 157        | 507           | 477           | 633           |
| Pension expenses                 | 40         | 35         | -43        | 34         | 29         | 32            | 86            | 119           |
| Other personnel expenses         | 37         | 36         | 35         | 33         | 32         | 108           | 95            | 129           |
| <b>Total personnel expenses*</b> | <b>250</b> | <b>244</b> | <b>153</b> | <b>224</b> | <b>218</b> | <b>647</b>    | <b>658</b>    | <b>881</b>    |
| IT expenses                      | 44         | 45         | 44         | 50         | 45         | 133           | 130           | 180           |
| Marketing expenses               | 13         | 21         | 17         | 17         | 11         | 52            | 46            | 63            |
| Other administrative expenses    | 25         | 24         | 20         | 24         | 28         | 69            | 79            | 103           |
| Write-offs                       | 17         | 16         | 19         | 17         | 19         | 53            | 53            | 70            |
| Expenses real property           | 8          | 10         | 8          | 46         | 5          | 26            | 24            | 70            |
| Other operating expenses         | 51         | 63         | 51         | 59         | 50         | 163           | 151           | 211           |
| <b>Other expenses</b>            | <b>158</b> | <b>179</b> | <b>159</b> | <b>215</b> | <b>158</b> | <b>496</b>    | <b>483</b>    | <b>697</b>    |
| <b>Total operating expenses</b>  | <b>408</b> | <b>423</b> | <b>312</b> | <b>438</b> | <b>376</b> | <b>1.143</b>  | <b>1.141</b>  | <b>1.579</b>  |

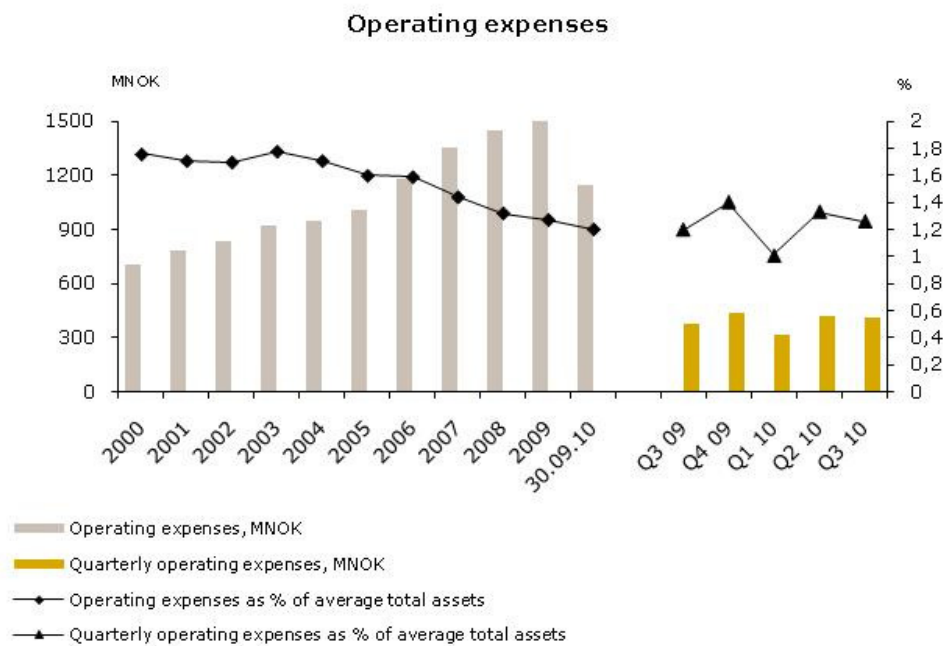
\* Reversal of provisions for contractual pension (AFP) of net NOK 64 million as of 30.09.10 has impact on net operating expenses and the Group's ordinary expenses amount to NOK 1,207 million.

## Change in operating expenses

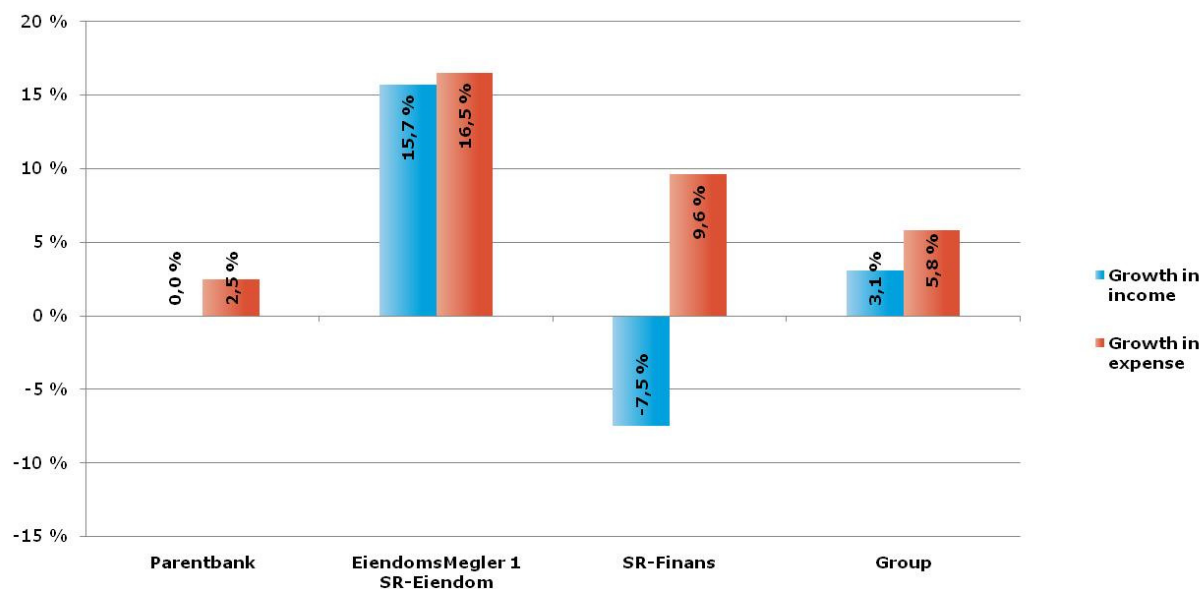
| MNOK   | Per 30.09    |          |              |
|--|--------------|----------|--------------|
|  | 2010         | Change   | 2009         |
| <b>Total</b>   | <b>1.143</b> | <b>2</b> | <b>1.141</b> |
| Personnel expenses                                   |              | 54       |              |
| Reversal of provisions for contractual pension (AFP) |              | -64      |              |
| IT expenses  |              | 3        |              |
| Marketing expenses                                   |              | 6        |              |
| Other administrative expenses                        |              | -10      |              |
| Write-offs   |              | 0        |              |
| Expenses real property                               |              | 2        |              |
| Other operating expenses                             |              | 12       |              |

## Cost/income ratio

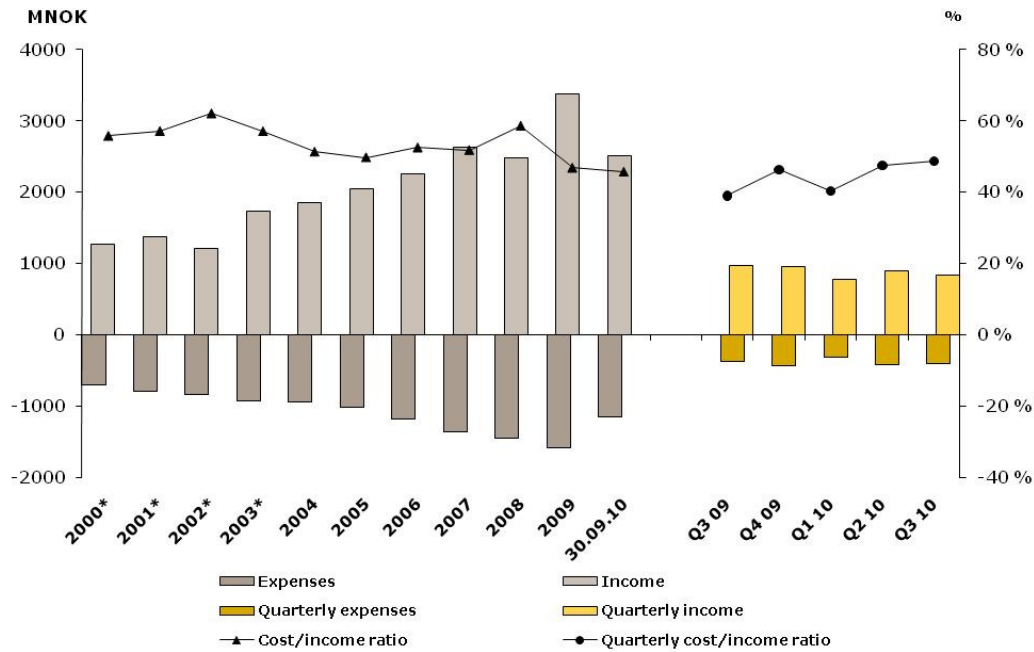
| MNOK                              | Q3<br>2010 | Q2<br>2010 | Q1<br>2010 | Q4<br>2009 | Q3<br>2009 | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|-----------------------------------|------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Operating expenses                | 408        | 423        | 312        | 438        | 376        | 1.143         | 1.141         | 1.579         |
| Cost/income ratio                 | 48,7 %     | 47,0 %     | 40,2 %     | 46,2 %     | 39,0 %     | 45,6 %        | 47,0 %        | 46,7 %        |
| Growth in expenses last 12 months | 8,5 %      | 6,8 %      | -15,5 %    | 9,0 %      | 7,0 %      | 0,2 %         | 7,0 %         | 9,0 %         |



**Growth in income and expense as at 30.09.2010  
- development last 12 month**

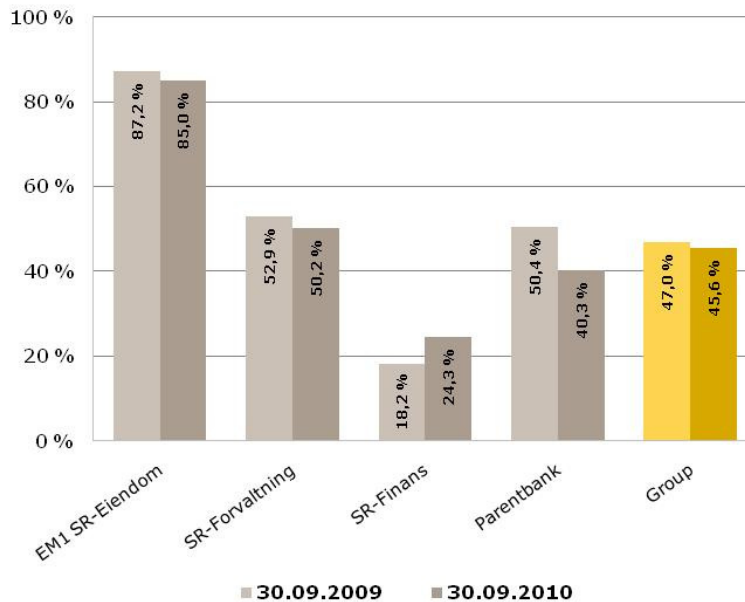


## Development cost/income ratio



\* In accordance with the Generally Accepted Accounting Principles in Norway – IFRS from 2004

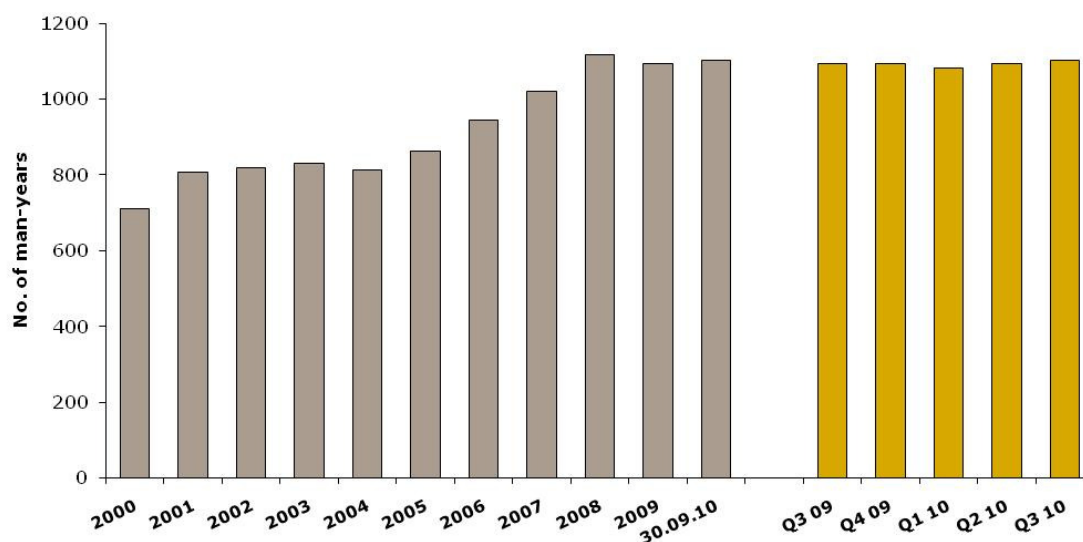
## Cost ratio as a total for the Group, the Parentbank and the individual subsidiaries



**Number of man-labour years (permanent employees, contracted staff not included)**

| <i>No. of man-years</i>        | <b>Q3<br/>2010</b> | <b>Q2<br/>2010</b> | <b>Q1<br/>2010</b> | <b>Q4<br/>2009</b> | <b>Q3<br/>2009</b> |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| SpareBank 1 SR-Bank            | 876                | 863                | 854                | 867                | 870                |
| EiendomsMegler 1 SR-Eiendom AS | 181                | 167                | 168                | 164                | 164                |
| SR-Forvaltning ASA             | 11                 | 11                 | 10                 | 11                 | 10                 |
| SR-Finans AS                   | 29                 | 28                 | 30                 | 32                 | 33                 |
| Other                          | 6                  | 24                 | 22                 | 19                 | 18                 |
| <b>Total</b>                   | <b>1.103</b>       | <b>1.093</b>       | <b>1.083</b>       | <b>1.093</b>       | <b>1.094</b>       |

**Man-labour years 2000-3<sup>rd</sup> quarter 2010 (permanent employees, contracted staff not included)**



## 2.5 Losses on loans and loss provisions

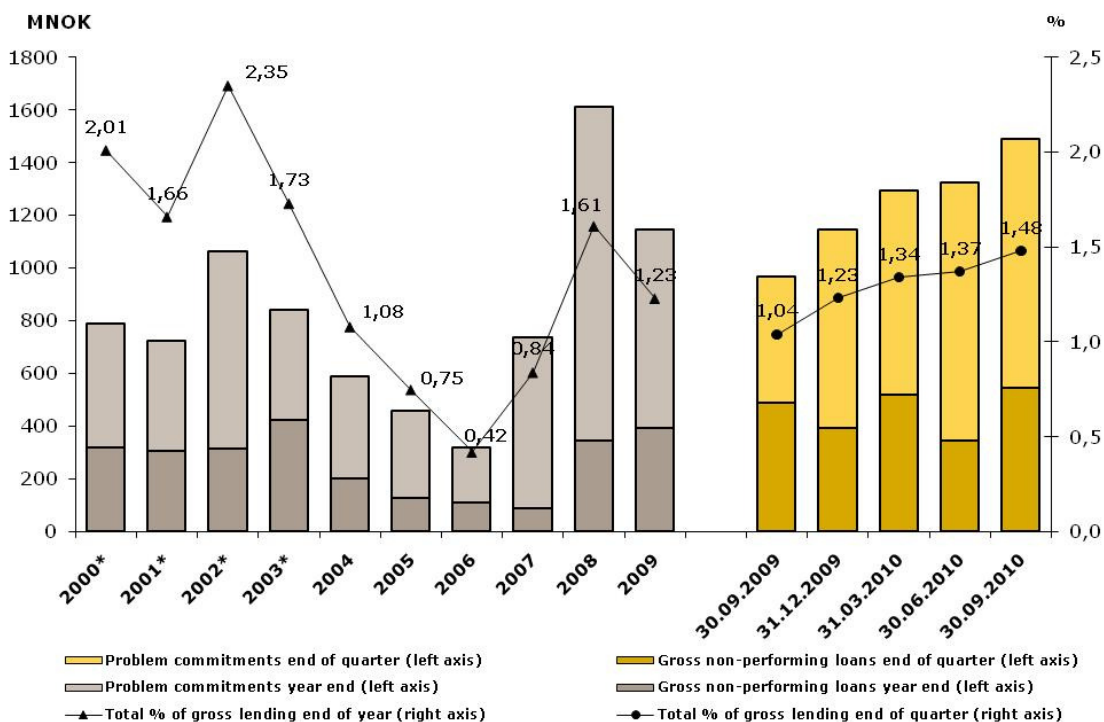
### Losses on loans and guarantees

| MNOK  | 30 Sept.<br>2010 | 30 June<br>2010 | 31 March<br>2010 | 31 Dec.<br>2009 | 30 Sept.<br>2009 |
|---|------------------|-----------------|------------------|-----------------|------------------|
| Change in individual individual impairment losses provisions for the period | 82               | 50              | 16               | -12             | -56              |
| Change in collective impairment loss provisions for the period              | 21               | 18              | 11               | 91              | 78               |
| Amortised cost  | 7                | 5               | -                | 17              | 3                |
| Actual loan losses on commitments for which provisions have been made       | 69               | 61              | 37               | 227             | 229              |
| Actual loan losses on commitments for which no provision has been made      | 13               | 13              | 7                | 63              | 43               |
| Recoveries on commitments previously written-off                            | -29              | -27             | -2               | -18             | -3               |
| <b>The period's net losses/(reversals) on loans and advances</b>            | <b>163</b>       | <b>120</b>      | <b>69</b>        | <b>368</b>      | <b>294</b>       |

### Provisions for impairment losses on loans and guarantees

| MNOK   | 30 Sept.<br>2010 | 30 June<br>2010 | 31 March<br>2010 | 31 Dec.<br>2009 | 30 Sept.<br>2009 |
|--|------------------|-----------------|------------------|-----------------|------------------|
| Provisions for individual impairment losses at start of period   | 337              | 337             | 337              | 349             | 349              |
| Increases in previous provisions for individual impairment losses  | 47               | 40              | 76               | 99              | 152              |
| Reversal of provisions from previous periods   | -76              | -71             | -61              | -127            | -120             |
| New provisions for individual impairment losses  | 179              | 141             | 39               | 226             | 141              |
| Amortised cost   | -6               | -3              | -5               | 16              | 5                |
| Actual loan losses during the period for which provisions for individual impairment losses have been made previously | -69              | -61             | -37              | -226            | -229             |
| <b>Provisions for individual impairment losses at the end of period</b>  | <b>412</b>       | <b>383</b>      | <b>349</b>       | <b>337</b>      | <b>298</b>       |

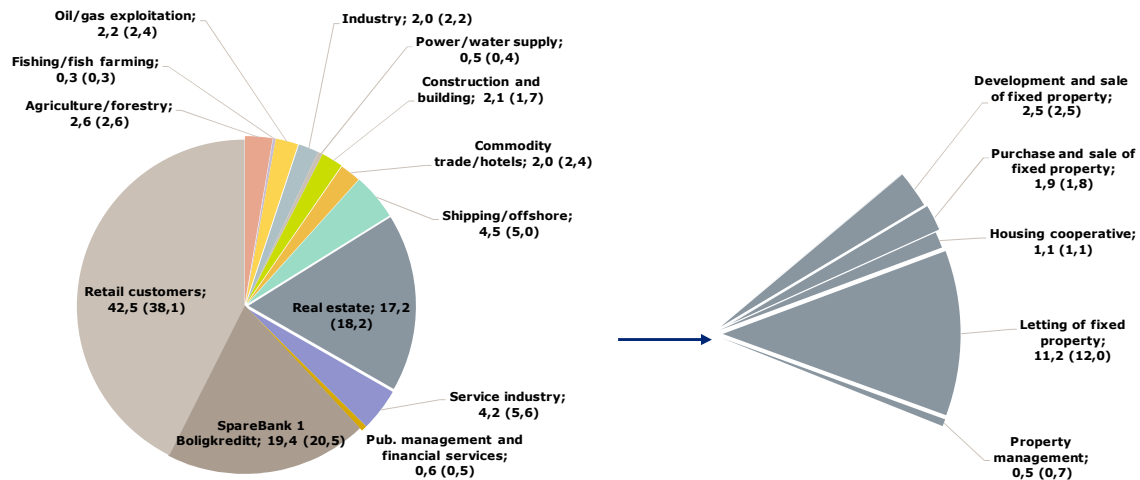
### Non-performing loans and problem commitments



\* In accordance with the Generally Accepted Accounting Principles in Norway – IFRS from 2004

## 2.6 Loans

| <i>MNOK</i>   | 30 Sept.<br>2010 | 30 June<br>2010 | 31 March<br>2010 | 31 Dec.<br>2009 | 30 Sept.<br>2009 |
|---|------------------|-----------------|------------------|-----------------|------------------|
| Agriculture and forestry  | 3.276            | 3.191           | 3.134            | 3.176           | 3.089            |
| Fishing   | 49               | 52              | 50               | 51              | 50               |
| Fishfarming   | 276              | 246             | 432              | 532             | 252              |
| Oil/gas exploitation  | 2.685            | 2.452           | 2.517            | 2.124           | 2.761            |
| Production of food  | 204              | 205             | 148              | 147             | 232              |
| Graphic business  | 44               | 238             | 445              | 428             | 62               |
| Industry  | 2.031            | 2.352           | 2.110            | 2.064           | 2.024            |
| Shipyard  | 189              | 299             | 471              | 377             | 237              |
| Power and water supply  | 566              | 401             | 417              | 373             | 416              |
| Building and construction   | 2.602            | 2.704           | 1.952            | 1.953           | 1.941            |
| Commodity trade   | 2.250            | 2.270           | 2.726            | 2.555           | 2.460            |
| Hotels and restaurants  | 277              | 339             | 331              | 325             | 313              |
| Shipping  | 4.417            | 4.498           | 4.571            | 4.578           | 5.167            |
| Transportation  | 1.136            | 1.716           | 1.721            | 1.064           | 713              |
| Real estate   | 21.349           | 21.269          | 21.099           | 21.610          | 21.286           |
| Business services and management  | 4.106            | 3.762           | 4.326            | 4.495           | 5.477            |
| Social and private services and management                              | 1.086            | 1.063           | 1.018            | 1.037           | 1.055            |
| Finance   | 456              | 194             | 151              | 192             | 333              |
| Central and local government  | 233              | 235             | 240              | 268             | 244              |
| Retail customers  | 52.646           | 48.938          | 48.252           | 45.847          | 44.438           |
| Unallocated (excess value fixed interest loans and amort. lending fees) | 195              | 199             | 163              | 102             | 65               |
| Accrued interests corporate sector and retail customers                 | 216              | 189             | 207              | 175             | 234              |
| <b>Gross loans</b>  | <b>100.289</b>   | <b>96.812</b>   | <b>96.481</b>    | <b>93.473</b>   | <b>92.849</b>    |
| SpareBank 1 Boligkreditt  | 24.109           | 25.614          | 23.871           | 24.754          | 23.901           |
| <b>Gross loans incl SpareBank 1 Boligkreditt</b>                        | <b>124.398</b>   | <b>122.426</b>  | <b>120.352</b>   | <b>118.227</b>  | <b>116.750</b>   |

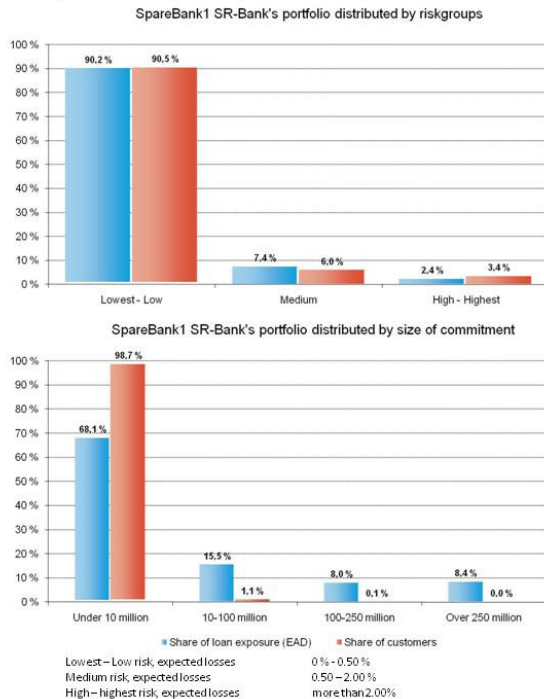


(Figures for corresponding period in 2009 are showed in parenthese)

## 2.7 Risk profile

### Risk profile – total loan portfolio

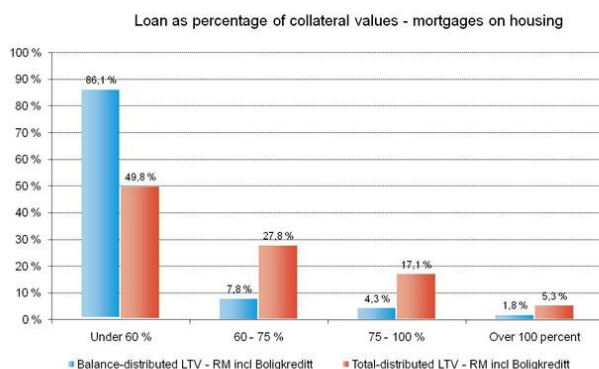
High percentage of commitments with low risk



- 90% of the loan exposure, corresponding to 91% of the customers, meets the criteria for low or lowest risk. Expected losses in this part of the portfolio are extremely limited, amounting to 0.04%
- Exposure to high or highest risk corresponds to 2% of the loan exposure or 3% of the customers. Expected losses on this part of the portfolio amount to about 3.6%
- 99% of the customers, corresponding to 68% of the loan exposure, involve commitments of less than NOK 10 million. A limited number of customers have an exposure in excess of NOK 100 million. These have a lower default probability than the portfolio average

### Portfolio of housing loans– LTV

Very good collateral cover for loans with mortgages on residential property



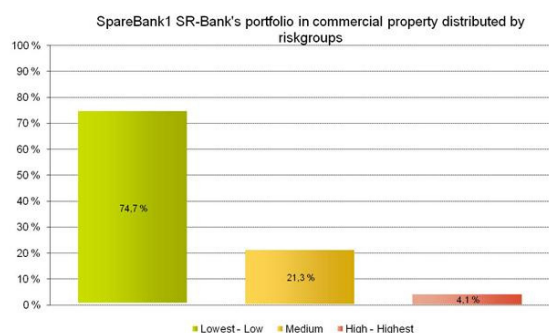
- FSAN defines our guidelines for acceptable lending practice for housing loans. The main requirements relate to a through process, especially regarding the borrower's ability to service the loan and that the loan shall not exceed 90 per cent of the value of the property.
- The bank's lending practice complies with FSAN guidelines.
- Only 6 per cent of the exposure exceeds 75 per cent of the collateral values.
  - There have been no significant changes in LTV during the last quarter.

The calculation of LTV is based on the market value of the collateral. In the case of balance-distributed LTV, loans that exceed 60% of the collateral's market value the excess amount is distributed among the other intervals. In the case of totally distributed LTV the entire loan is allocated to one and the same interval.

The figures include the portfolio transferred to Boligkredit.

# Lending against mortgages in commercial property

The portfolio is dominated by commitments with low risk

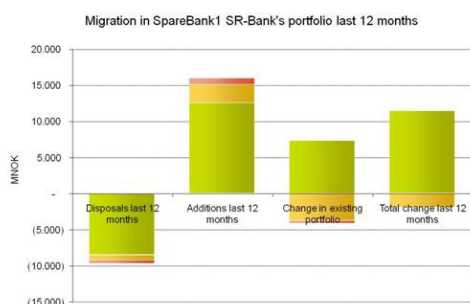
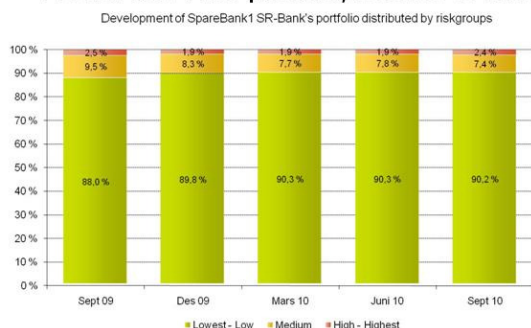


Lowest - Low risk, expected losses 0% - 0,50 %  
 Medium risk, expected losses 0,50 - 2,00 %  
 High - highest risk, expected losses more than 2%

- The portfolio of commercial property represents the group's largest concentration on a single sector
  - Accounts for approx. 14% of total exposure (EAD) including retail market customers
- The commercial property portfolio is dominated by low risk commitments and the credit quality is relatively stable
  - 75% of the exposure is now classified as low risk, whilst 4% is classified as high risk
- A significant part of the portfolio is interest-hedged, mainly by way of hedging contacts with a term of more than 5 years
- The portfolio is characterised by long-term leases with financially sound tenants. Vacant space is limited

## SpareBank1 SR-Bank's Risk Profile

Moderate risk profile, stable trends in credit quality



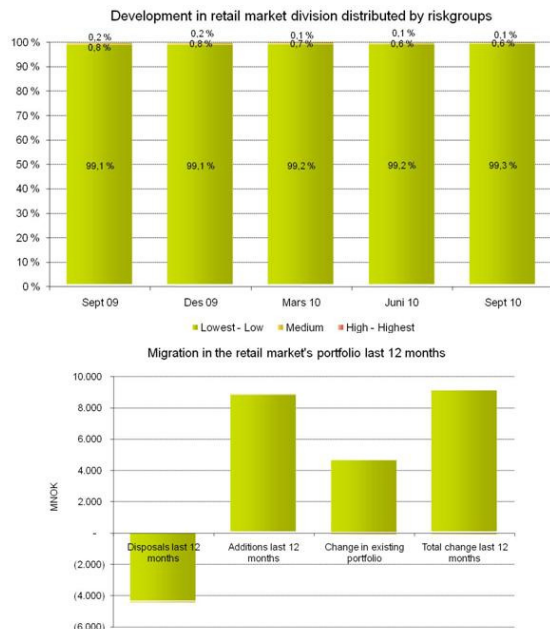
Lowest - low risk, expected losses 0% - 0,50 %  
 Medium risk, expected losses 0,50 - 2,00 %  
 High - highest risk - expected losses more than 2,00

- The group's moderate risk profile is maintained
- The downturn in the Norwegian economy has been limited, and persistent low interest rates have contributed to a higher activity level and a continued rise in housing prices in the group's market area
- These trends contribute to maintaining the sound credit quality in the group's portfolio



## Risk profile in retail market portfolio

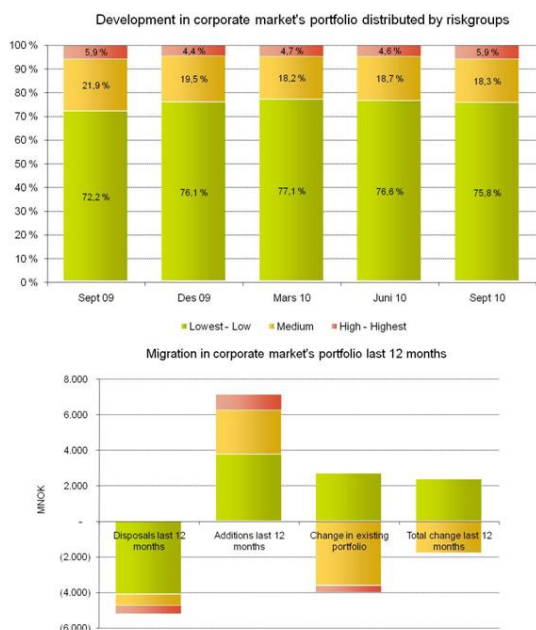
Portfolio quality is very good and potential losses are limited



- The quality of the retail market portfolio is very good. Credit quality is characterised by the stable development
- The ongoing good portfolio growth over a lengthy period has not had any impact on the portfolio's credit quality
- Most of the portfolio is secured by way of mortgages on real estate. Collateral coverage is good, which implies limited potential losses so long as the value of the collateral is not significantly impaired

## Risk Profile - Corporate market portfolio

The portfolio quality is good, but growth in lending is still low



- The quality of the corporate market profile is good. The development is relatively stable and the portfolio's risk profile is maintained.
- Neither the portfolio's average default probability nor expected losses and requirements for risk-adjusted capital have changed significantly during Q3.
- Portfolio growth is limited.

Further information regarding risk capital management can be found in Pilar III report, see [www.sr-bank.no](http://www.sr-bank.no) under "Investor Relations".

## 2.8 Capital adequacy

Basel II was introduced in Norway from 1 January 2007. Figure 2.8 shows the methods used by SpareBank 1 SR-Bank. Using IRB demands high standards regarding organisation, competence, risk-models and risk-management systems.

Interim regulations have been issued by Finanstilsynet (The Financial Supervisory Authority of Norway). From 2009, a reduction (from the earlier capital adequacy rules – Basel I) of the risk-weighted basis of calculation of 20% was allowed, while the corresponding figure for 2008 was 10%. "Transitional arrangements" in Table 2.8.2 illustrates this effect.

| Risk             | Portfolio                                 | Regulatory method     |
|------------------|---|-----------------------|
| Credit risk      | Government                                | Standard method       |
|                  | Institutions                              | Standard method       |
|                  | Enterprise                                | IRB-Basic             |
|                  | Mass market                               | IRB-Mass market       |
|                  | SpareBank 1 Boligkreditt AS (mass market) | IRB-Mass market       |
|                  | Other subsidiaries and associates         | Standard method       |
| Market risk      | Equity risk                               | Standard method       |
|                  | Debt risk                                 | Standard method       |
|                  | Currency risk                             | Standard method       |
| Operational risk | SpareBank 1 SR-Bank incl. subsidiaries    | Standardised approach |
|                  | Associates                                | Standard method       |

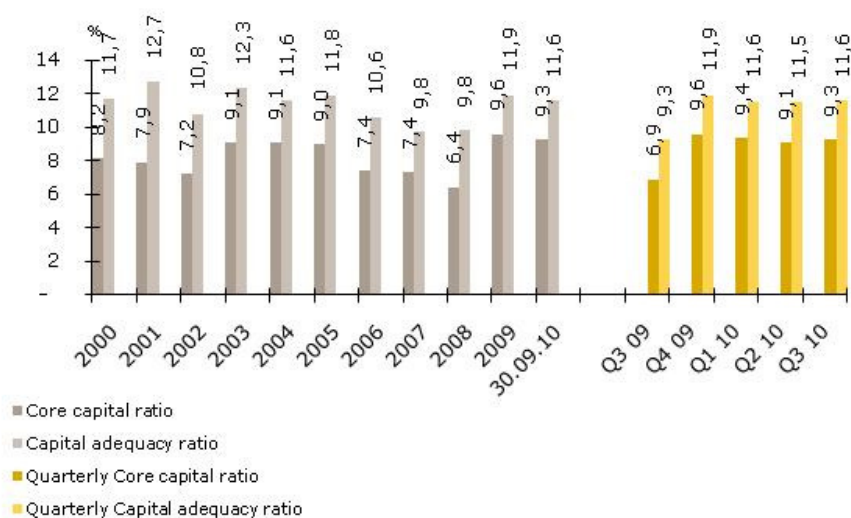
Figure 2.8: *Methods used for calculating capital adequacy*

### **Basel III - proposals for new capital requirements**

The Basel Committee recently published concrete proposals for new capital requirements to be implemented in the years 2013 to 2018 ("Basel III"). The European Commission is in February 2011 expected to publish its proposal for follow up within the EU in the form of a revised Capital Requirements Directive (CRDIV). Stricter requirements will in future be placed on financial institutions' capital adequacy to bring it more into line with the risk borne by such institutions and with the costs inflicted on society by financial crisis. Qualitative and quantitative requirements are also being introduced on financial institutions' liquidity to ensure that they have sufficient liquidity available in a crisis-like situation to honour their obligations in the short term and ensure funding that assures stability in the longer term.

SpareBank 1 SR-Bank is already in compliance with the basic Tier 1 capital requirements in the proposed Basel III. However, the new additional requirement of a capital conservation buffer of 2.5 per cent with effect from 2016-2018 will entail a new obligation for banks in Norway as elsewhere.

### Core capital and capital adequacy ratio



|  | 30 Sept.<br>2010 | 30 June<br>2010 | 31 March<br>2010 | 31 Dec.<br>2009 | 30 Sept.<br>2009 |
|--|------------------|-----------------|------------------|-----------------|------------------|
| <b>MNOK</b>  |                  |                 |                  |                 |                  |
| Equity capital certificates  | 3.023            | 3.023           | 3.023            | 3.023           | 2.247            |
| - Own equity capital certificates                                      | -3               | -3              | -3               | -9              | -9               |
| Premium reserve  | 456              | 456             | 456              | 478             | 42               |
| Equalisation reserve   | 669              | 652             | 735              | 759             | 443              |
| Allocated to dividend  | -                | -               | -                | 212             | -                |
| Savings bank's reserve   | 2.182            | 2.171           | 2.220            | 2.241           | 2.005            |
| Compensation fund  | 20               | 20              | 20               | -               | -                |
| Endowment fund   | 214              | 221             | 240              | 240             | 82               |
| Reserve for unrealised gains   | 127              | 127             | 127              | 127             | 69               |
| Other equity   | 947              | 954             | 972              | 1.002           | 832              |
| <b>Total book equity</b>   | <b>7.635</b>     | <b>7.621</b>    | <b>7.790</b>     | <b>8.073</b>    | <b>5.711</b>     |
| Deferred taxes, goodwill and other intangible assets                   | -82              | -54             | -54              | -42             | -43              |
| Fund for unrealized gains, available for sale                          | -1               | -1              | -1               | -1              | -1               |
| Deduction for allocated dividends                                      | -                | -               | -                | -212            | -                |
| 50% deduction for subordinated capital in other financial institutions | -31              | -32             | -17              | -17             | -17              |
| 50% deduction for expected losses on IRB, net of write-downs           | -302             | -311            | -335             | -337            | -341             |
| 50 %Capital adequacy reserve   | -578             | -570            | -570             | -552            | -499             |
| Share of non-performing, non-amortized estimate deviations             | 37               | -               | -                | -               | -                |
| Year-to-date profit included in core capital (50%)                     | 468              | 318             | 149              | -               | 389              |
| Hybrids  | 1.287            | 1.272           | 1.234            | 1.218           | 433              |
| <b>Total core capital</b>  | <b>8.433</b>     | <b>8.243</b>    | <b>8.196</b>     | <b>8.130</b>    | <b>5.632</b>     |
| <i>Supplementary capital in excess of core capital</i>                 |                  |                 |                  |                 |                  |
| Perpetual subordinated capital   | 783              | 818             | 779              | 760             | 764              |
| Non-perpetual subordinated capital                                     | 2.145            | 2.204           | 2.059            | 2.045           | 2.029            |
| 50% deduction for subordinated capital in other financial institutions | -31              | -32             | -17              | -17             | -17              |
| 50% deduction for expected losses on IRB, net of write-downs           | -302             | -311            | -335             | -337            | -341             |
| 50 % capital adequacy reserve  | -578             | -570            | -570             | -552            | -499             |
| <b>Total supplementary capital</b>                                     | <b>2.017</b>     | <b>2.109</b>    | <b>1.916</b>     | <b>1.899</b>    | <b>1.936</b>     |
| <b>Net subordinated capital</b>  | <b>10.450</b>    | <b>10.352</b>   | <b>10.112</b>    | <b>10.029</b>   | <b>7.568</b>     |

Table 2.8.1: Capital overview

| <i>MNOK</i>  | <b>30 Sept.<br/>2010</b> | <b>30 June<br/>2010</b> | <b>31 March<br/>2010</b> | <b>31 Dec.<br/>2009</b> | <b>30 Sept.<br/>2009</b> |
|--|--------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| Specialized Lending exposure                         | 1.925                    | 1.976                   | 1.988                    | 2.045                   | 2.000                    |
| Other corporations exposure                          | 1.881                    | 1.940                   | 1.905                    | 1.755                   | 1.923                    |
| SME exposure   | 34                       | 34                      | 33                       | 33                      | 33                       |
| Retail mortgage exposure                             | 676                      | 656                     | 653                      | 614                     | 568                      |
| Other retail exposure                                | 64                       | 73                      | 63                       | 93                      | 99                       |
| Equity investments                                   | -                        | -                       | -                        | -                       | -                        |
| <b>Total credit risk IRB</b>                         | <b>4.580</b>             | <b>4.679</b>            | <b>4.642</b>             | <b>4.540</b>            | <b>4.623</b>             |
| Debt risk  | 87                       | 99                      | 85                       | 82                      | 95                       |
| Equity risk  | 19                       | 31                      | 47                       | 47                      | 48                       |
| Currency risk  | -                        | -                       | -                        | -                       | -                        |
| Operational risk                                     | 374                      | 374                     | 374                      | 320                     | 320                      |
| Transitional arrangements                            | 568                      | 439                     | 255                      | 264                     | 46                       |
| Exposures calculated using the standardised approach | 1.710                    | 1.700                   | 1.692                    | 1.605                   | 1.495                    |
| Deductions   | -97                      | -96                     | -94                      | -91                     | -82                      |
| <b>Minimum requirements subordinated capital</b>     | <b>7.241</b>             | <b>7.226</b>            | <b>7.001</b>             | <b>6.767</b>            | <b>6.545</b>             |
| <b>Capital adequacy ratio</b>                        | <b>11,55 %</b>           | <b>11,46 %</b>          | <b>11,55 %</b>           | <b>11,86 %</b>          | <b>9,25 %</b>            |
| Core capital ratio                                   | 9,32 %                   | 9,13 %                  | 9,37 %                   | 9,61 %                  | 6,88 %                   |
| Supplementary capital ratio                          | 2,23 %                   | 2,33 %                  | 2,19 %                   | 2,26 %                  | 2,38 %                   |

Table 2.8.2: *Capital requirements*

### 3. Business areas

#### 3.1 Business segments - Financial performance

**Extracts from income statement, per 30.09.10 and third quarter**

|   | SpareBank 1 SR-Bank Group Q3 10 |        |                  |        |                |       |                   |       |           |       |        |       |         |        |
|---|---------------------------------|--------|------------------|--------|----------------|-------|-------------------|-------|-----------|-------|--------|-------|---------|--------|
|   | Retail Market                   |        | Corporate Market |        | Capital Market |       | Eiendoms-Megler 1 |       | SR-Finans |       | Other* |       | Total   |        |
| MNOK  | Q3 10                           | Q3 09  | Q3 10            | Q3 09  | Q3 10          | Q3 09 | Q3 10             | Q3 09 | Q3 10     | Q3 09 | Q3 10  | Q3 09 | Q3 10   | Q3 09  |
| Net interest income                         | 242                             | 302    | 175              | 170    | 5              | 10    | 2                 | 1     | 41        | 46    | -29    | -64   | 436     | 465    |
| Net commission and other income             | 83                              | 41     | 44               | 33     | 26             | 36    | 95                | 83    | 0         | -3    | 16     | 72    | 264     | 262    |
| Net return on investment securities         | 0                               | 0      | 0                | 0      | 14             | -57   | 0                 | 0     | 0         | 0     | 123    | 294   | 137     | 237    |
| Operating expenses                          | 131                             | 128    | 40               | 40     | 9              | 11    | 81                | 68    | 9         | 9     | 138    | 120   | 408     | 376    |
| Operating contribution before losses        | 194                             | 215    | 179              | 163    | 36             | -22   | 16                | 16    | 32        | 34    | -28    | 182   | 429     | 588    |
| Losses on loans and guarantees              | 6                               | 4      | 30               | 28     | 0              | 0     | 0                 | 0     | 10        | 10    | -3     | 43    | 43      | 85     |
| Operating contribution before tax           | 188                             | 211    | 149              | 135    | 36             | -22   | 16                | 16    | 22        | 24    | -25    | 139   | 386     | 503    |
| Gross loans to customers excl. Boligkreditt | 51.882                          | 43.544 | 43.736           | 44.372 | 0              | 0     | 0                 | 0     | 5.119     | 5.109 | -448   | -176  | 100.289 | 92.849 |
| Deposits from customers                     | 26.794                          | 25.123 | 29.062           | 27.995 | 0              | 0     | 0                 | 0     | 0         | 1     | -153   | 606   | 55.703  | 53.725 |

|                                     | SpareBank 1 SR-Bank Group per 30.09.10 |        |                  |        |                |      |                   |      |           |       |        |      |         |        |
|-------------------------------------|--|--------|------------------|--------|----------------|------|-------------------|------|-----------|-------|--------|------|---------|--------|
|                                     | Retail Market                          |        | Corporate Market |        | Capital Market |      | Eiendoms-Megler 1 |      | SR-Finans |       | Other* |      | Total   |        |
| MNOK                                | 2010                                   | 2009   | 2010             | 2009   | 2010           | 2009 | 2010              | 2009 | 2010      | 2009  | 2010   | 2009 | 2010    | 2009   |
| Net interest income                 | 730                                    | 700    | 532              | 430    | 14             | 17   | 5                 | 3    | 124       | 137   | -105   | -66  | 1.300   | 1.221  |
| Net commission and other income     | 247                                    | 234    | 120              | 115    | 105            | 107  | 272               | 236  | -5        | -8    | 79     | 29   | 818     | 713    |
| Net return on investment securities | 0                                      | 0      | 0                | 0      | 25             | 27   | 0                 | 0    | 0         | 0     | 363    | 469  | 388     | 496    |
| Operating expenses                  | 369                                    | 353    | 112              | 112    | 27             | 29   | 235               | 202  | 29        | 27    | 371    | 418  | 1.143   | 1.141  |
| Operating profit before losses      | 608                                    | 581    | 540              | 433    | 117            | 122  | 42                | 37   | 90        | 102   | -34    | 14   | 1.363   | 1.289  |
| Losses on loans and guarantees      | 8                                      | 9      | 106              | 187    | 0              | 0    | 0                 | 0    | 37        | 28    | 12     | 70   | 163     | 294    |
| Operating profit before tax         | 600                                    | 572    | 434              | 246    | 117            | 122  | 42                | 37   | 53        | 74    | -46    | -56  | 1.200   | 995    |
| Loans to customers                  | 51.882                                 | 43.544 | 43.736           | 44.372 | 0              | 0    | 0                 | 0    | 5.119     | 5.109 | -448   | -176 | 100.289 | 92.849 |
| Deposits from customers             | 26.794                                 | 25.123 | 29.062           | 27.995 | 0              | 0    | 0                 | 0    | 0         | 1     | -153   | 606  | 55.703  | 53.725 |

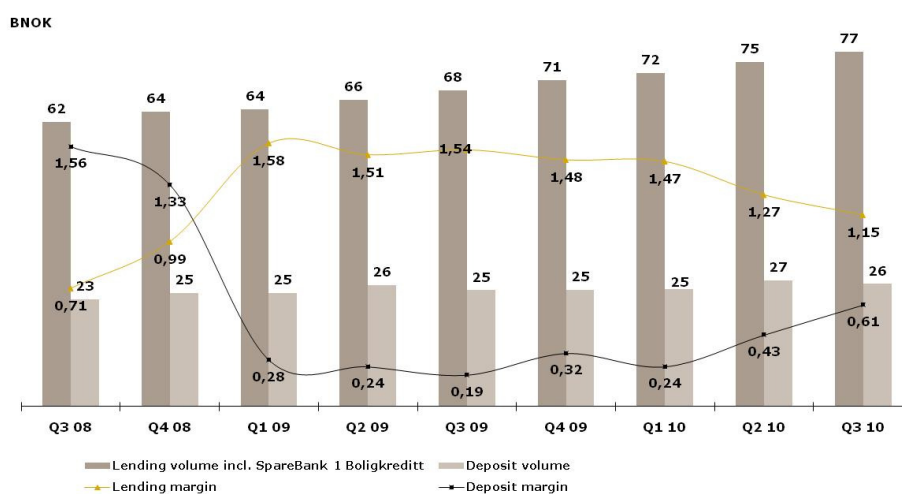
\* Includes SR-Forvaltning, SR-Investering and SR-Fondsforvaltning

## 3.2 Retail Market

### Financial performance in the retail market segment

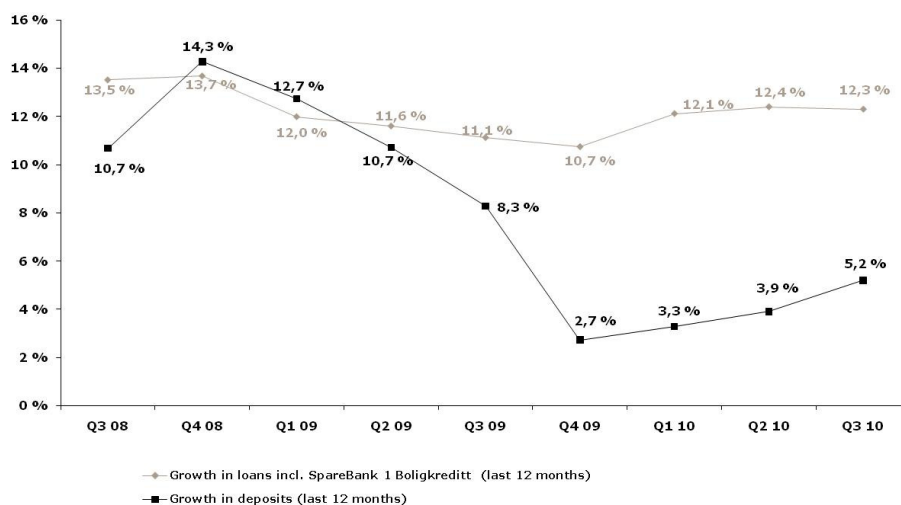
| MNOK  | Q3<br>2010 | Q2<br>2010 | Q1<br>2010 | Q4<br>2009 | Q3<br>2009 | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|---|------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Net interest income                         | 242        | 239        | 249        | 264        | 256        | 730           | 700           | 964           |
| Net other operating income                  | 83         | 84         | 80         | 89         | 87         | 247           | 234           | 323           |
| Total income                                | 325        | 323        | 329        | 354        | 343        | 977           | 0             | 1.287         |
| Total operating expenses                    | 131        | 113        | 125        | 140        | 128        | 369           | 353           | 493           |
| <b>Operating contribution before losses</b> | <b>194</b> | <b>210</b> | <b>204</b> | <b>213</b> | <b>215</b> | <b>608</b>    | <b>581</b>    | <b>794</b>    |
| Losses on loans and guarantees              | 6          | 1          | 2          | -4         | 4          | 8             | 9             | 5             |
| <b>Operating contribution before tax</b>    | <b>188</b> | <b>209</b> | <b>202</b> | <b>217</b> | <b>211</b> | <b>600</b>    | <b>572</b>    | <b>789</b>    |

### Development in average volume and interest margin\*



\*Definition margin: Average customer interest minus 3 months average nibor

### Growth in loans and deposits

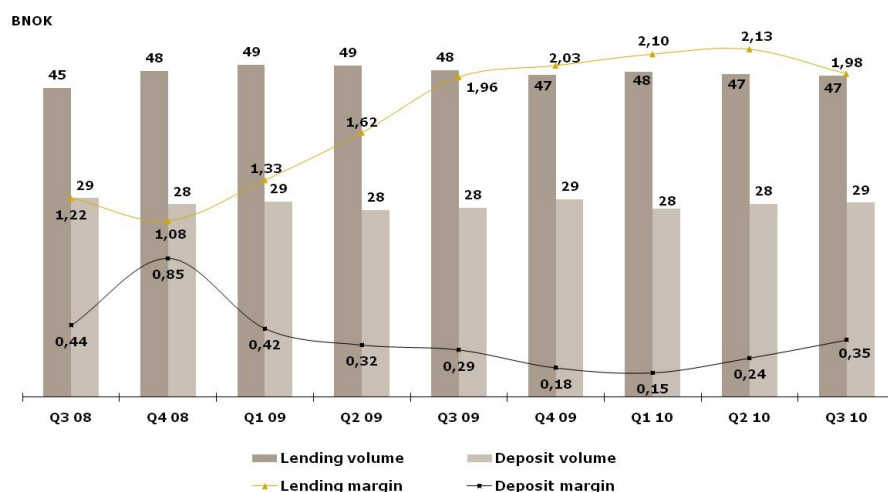


### 3.3 Corporate Market

#### Financial performance in the corporate market segment

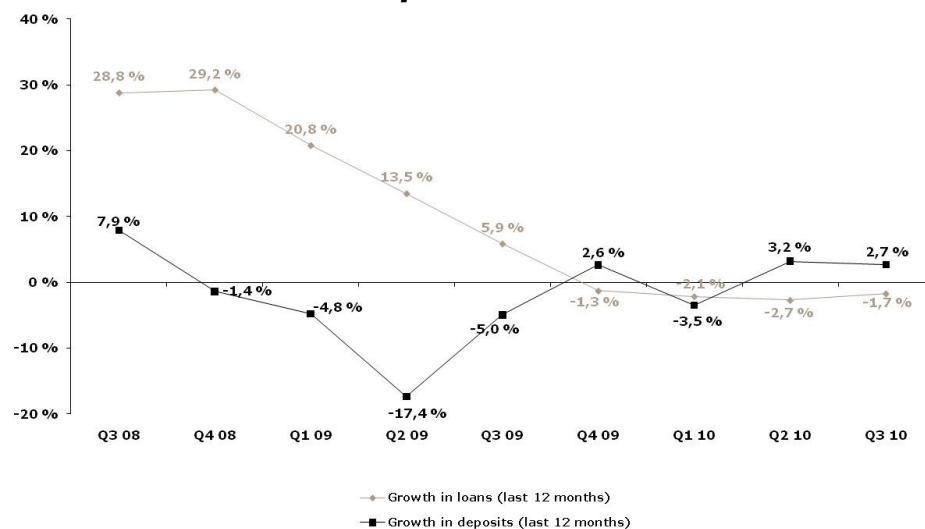
| MNOK  | Q3<br>2010 | Q2<br>2010 | Q1<br>2010 | Q4<br>2009 | Q3<br>2009 | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|---|------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Net interest income                         | 175        | 187        | 170        | 173        | 170        | 532           | 430           | 603           |
| Net other operating income                  | 44         | 38         | 38         | 37         | 33         | 120           | 115           | 152           |
| Total income                                | 219        | 225        | 208        | 210        | 204        | 652           | 545           | 755           |
| Total operating expenses                    | 40         | 32         | 40         | 46         | 40         | 112           | 112           | 158           |
| <b>Operating contribution before losses</b> | <b>179</b> | <b>193</b> | <b>168</b> | <b>164</b> | <b>164</b> | <b>540</b>    | <b>433</b>    | <b>597</b>    |
| Losses on loans and guarantees              | 30         | 38         | 38         | 61         | 27         | 106           | 187           | 248           |
| <b>Operating contribution before tax</b>    | <b>149</b> | <b>155</b> | <b>130</b> | <b>103</b> | <b>136</b> | <b>434</b>    | <b>246</b>    | <b>349</b>    |

#### Development in average volume and interest margin\*



\*Definition margin: Difference between average customer interest rate and 3 months average nibor

#### Growth in loans and deposits



### 3.4 Capital Market

The Capital market division was established as a separate division in the spring of 2007. The aim was to reinforce and to develop and establish products and services that generate earnings from activities other than traditional banking activities. These other earnings are important to increase the group's earnings opportunities beyond the usual banking activities and give the group a more diversified basis of income. The Capital market division is organised in four speciality areas: Trade/Sales/Operations, Corporate Finance, Business development/acquisition and Asset Management.

#### Financial performance in the capital market segment

| <i>MNOK</i>                                 | Q3<br>2010 | Q2<br>2010 | Q1<br>2010 | Q4<br>2009 | Q3<br>2009 | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|---|------------|------------|------------|------------|------------|---------------|---------------|---------------|
| Net interest income                         | 5          | 5          | 4          | -2         | 9          | 14            | 17            | 14            |
| Net other operating income                  | 40         | 49         | 41         | 42         | 19         | 130           | 134           | 176           |
| Total income                                | 45         | 54         | 45         | 40         | 28         | 144           | 151           | 190           |
| Total operating expenses                    | 9          | 12         | 6          | 11         | 11         | 27            | 29            | 40            |
| <b>Operating contribution before losses</b> | <b>36</b>  | <b>42</b>  | <b>39</b>  | <b>28</b>  | <b>17</b>  | <b>117</b>    | <b>122</b>    | <b>150</b>    |
| Losses on loans and guarantees              | 0          | 0          | 0          | 0          | 0          | 0             | 0             | 0             |
| <b>Operating contribution before tax</b>    | <b>36</b>  | <b>42</b>  | <b>39</b>  | <b>28</b>  | <b>17</b>  | <b>117</b>    | <b>122</b>    | <b>150</b>    |



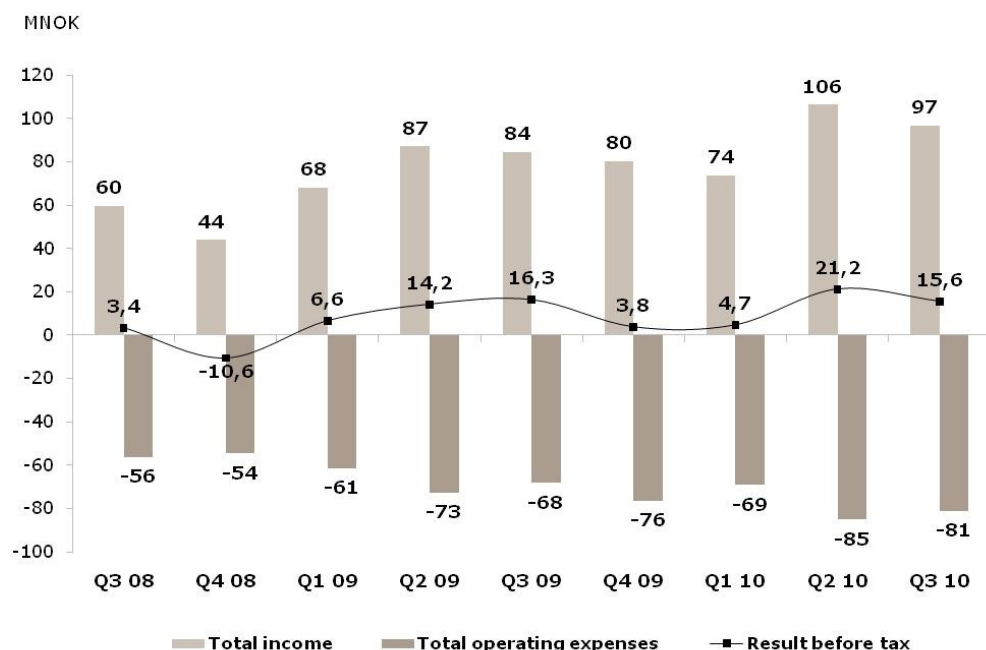
### 3.5 Subsidiaries

#### EiendomsMegler 1 SR-Eiendom AS

EiendomsMegler 1 SR-Eiendom AS, which is fully owned by SpareBank 1 SR-Bank, is our region's market leader and the largest company in the nationwide EiendomsMegler 1 chain. This chain is the largest chain of real estate agents in Norway. Per 30.09.2010, the company sold 5,280 properties from its 30 real estate offices in Rogaland, Agder and Hordaland. The activities cover commercial real estate, holiday homes, housing rental and new-builds and used homes.

#### Financial performance

| MNOK                            | Q3<br>2010  | Q2<br>2010   | Q1<br>2010  | Q4<br>2009  | Q3<br>2009  | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|---------------------------------|-------------|--------------|-------------|-------------|-------------|---------------|---------------|---------------|
| Interest income                 | 2,0         | 1,8          | 1,4         | 1,7         | 1,0         | 5,2           | 2,7           | 4,4           |
| Other income                    | 94,7        | 104,5        | 72,4        | 78,5        | 83,4        | 271,6         | 236,7         | 315,2         |
| <b>Total income</b>             | <b>96,7</b> | <b>106,3</b> | <b>73,8</b> | <b>80,2</b> | <b>84,4</b> | <b>276,8</b>  | <b>239,4</b>  | <b>319,5</b>  |
| Personal expenses               | 51,0        | 49,4         | 42,1        | 46,1        | 42,1        | 142,5         | 117,9         | 161,0         |
| Other expenses                  | 30,1        | 35,7         | 27,0        | 30,2        | 26,0        | 92,8          | 84,3          | 117,6         |
| <b>Total operating expenses</b> | <b>81,1</b> | <b>85,1</b>  | <b>69,1</b> | <b>76,4</b> | <b>68,1</b> | <b>235,3</b>  | <b>202,2</b>  | <b>278,5</b>  |
| <b>Result before tax</b>        | <b>15,6</b> | <b>21,2</b>  | <b>4,7</b>  | <b>3,8</b>  | <b>16,3</b> | <b>41,5</b>   | <b>37,2</b>   | <b>41,0</b>   |

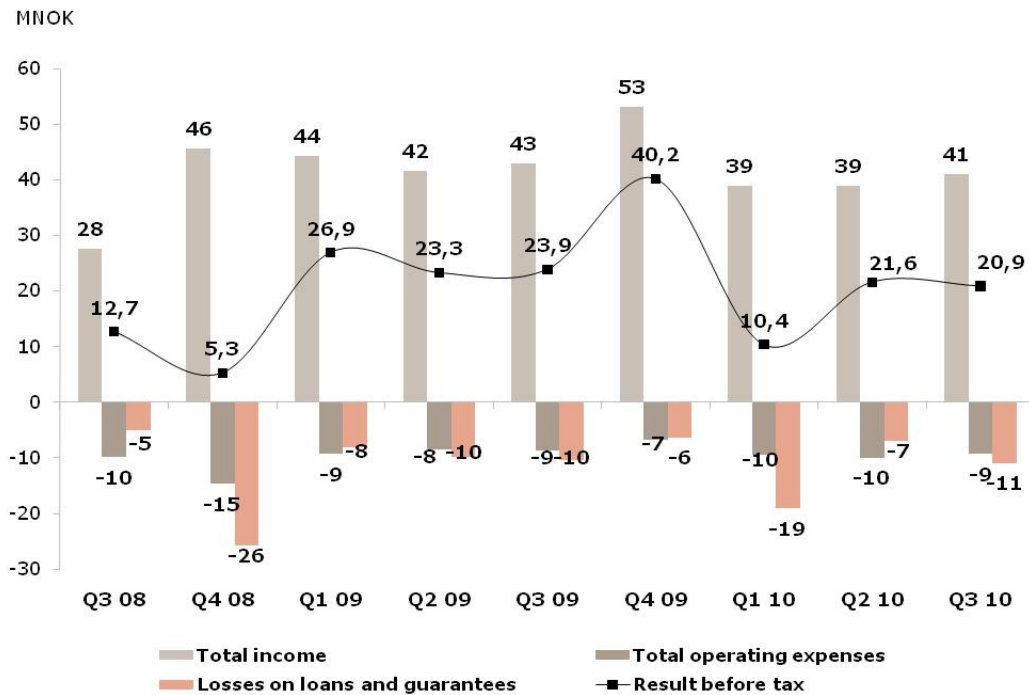


## SpareBank 1 SR-Finans AS

SpareBank 1 SR-Finans AS is the leading leasing company in Rogaland with approximately NOK 5.0 billion in total assets. Its main products are leasing to trade and industry and car loans to private customers. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

| MNOK                             | Q3<br>2010  | Q2<br>2010  | Q1<br>2010  | Q4<br>2009  | Q3<br>2009  | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|
| Interest income                  | 41,7        | 41,2        | 41,5        | 57,1        | 45,8        | 124,5         | 137,1         | 194,2         |
| Other income                     | -0,6        | -2,1        | -2,5        | -4,0        | -2,8        | -5,3          | -8,2          | -12,1         |
| <b>Total income</b>              | <b>41,1</b> | <b>39,1</b> | <b>38,9</b> | <b>53,2</b> | <b>43,0</b> | <b>119,2</b>  | <b>128,9</b>  | <b>182,1</b>  |
| Personal expenses                | 6,2         | 6,6         | 6,4         | 3,9         | 5,7         | 19,3          | 17,5          | 21,0          |
| Other expenses                   | 3,1         | 3,5         | 3,1         | 2,8         | 3,0         | 9,7           | 9,0           | 12,1          |
| <b>Total operating expenses</b>  | <b>9,3</b>  | <b>10,1</b> | <b>9,5</b>  | <b>6,7</b>  | <b>8,7</b>  | <b>29,0</b>   | <b>26,5</b>   | <b>33,2</b>   |
| <b>Ordinary operating profit</b> | <b>31,8</b> | <b>29,0</b> | <b>29,4</b> | <b>46,5</b> | <b>34,3</b> | <b>90,2</b>   | <b>102,4</b>  | <b>148,9</b>  |
| Loss on loans, guarantees etc.   | 10,9        | 7,4         | 19,0        | 6,3         | 10,5        | 37,4          | 28,3          | 34,6          |
| <b>Result before tax</b>         | <b>20,9</b> | <b>21,6</b> | <b>10,4</b> | <b>40,2</b> | <b>23,9</b> | <b>52,8</b>   | <b>74,1</b>   | <b>114,3</b>  |

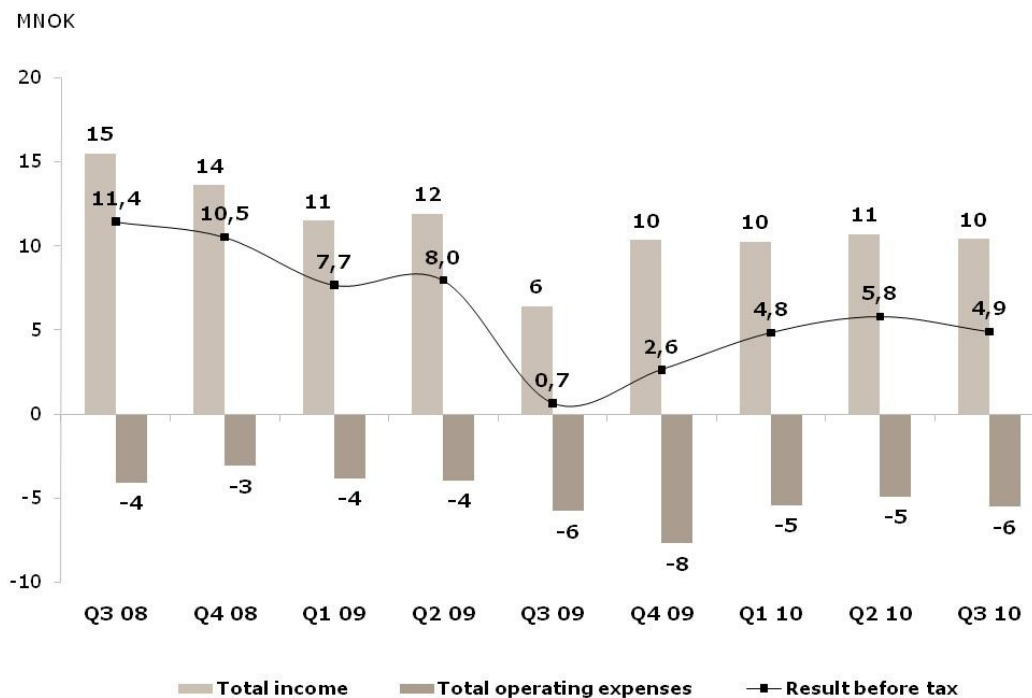


## SR-Forvaltning ASA

SR-Forvaltning ASA is a securities firm with a licence to provide asset management services. The company's objective is to be a local alternative with a high level of expertise in financial management. The company manages portfolios for SpareBank 1 SR-Bank and SpareBank 1 SR-Bank's pension fund, in addition to portfolios for about 3,200 external customers. The external customer base is made up of pension funds, public and private enterprises and affluent private individuals. Total assets amount to approximately NOK 5.9 billion as per 30.09.2010. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

| MNOK                            | Q3<br>2010  | Q2<br>2010  | Q1<br>2010  | Q4<br>2009  | Q3<br>2009 | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|---------------------------------|-------------|-------------|-------------|-------------|------------|---------------|---------------|---------------|
| Interest income                 | 0,2         | 0,2         | 0,2         | 0,2         | 0,1        | 0,7           | 0,5           | 0,7           |
| Other income                    | 10,2        | 10,5        | 10,1        | 10,1        | 6,3        | 30,8          | 29,3          | 39,4          |
| <b>Total income</b>             | <b>10,4</b> | <b>10,7</b> | <b>10,3</b> | <b>10,3</b> | <b>6,4</b> | <b>31,5</b>   | <b>29,8</b>   | <b>40,2</b>   |
| Personal expenses               | 4,1         | 3,5         | 4,0         | 6,0         | 4,4        | 11,6          | 9,7           | 15,8          |
| Other expenses                  | 1,4         | 1,4         | 1,4         | 1,7         | 1,4        | 4,2           | 3,8           | 5,5           |
| <b>Total operating expenses</b> | <b>5,5</b>  | <b>4,9</b>  | <b>5,4</b>  | <b>7,7</b>  | <b>5,8</b> | <b>15,8</b>   | <b>13,5</b>   | <b>21,2</b>   |
| <b>Result before tax</b>        | <b>4,9</b>  | <b>5,8</b>  | <b>4,8</b>  | <b>2,7</b>  | <b>0,7</b> | <b>15,7</b>   | <b>16,3</b>   | <b>18,9</b>   |

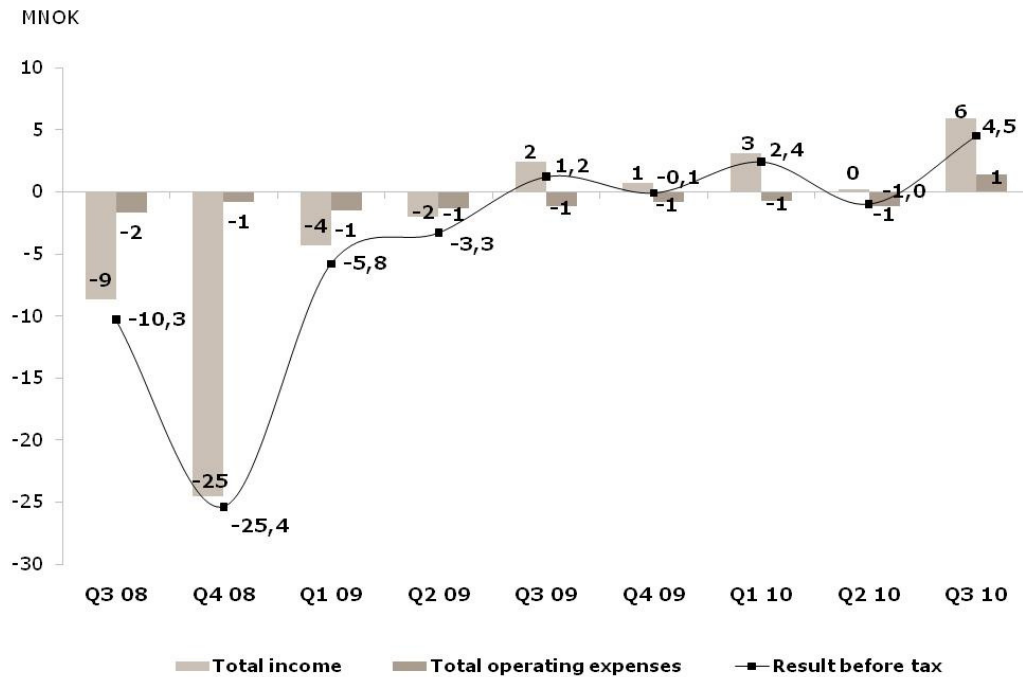


## SR-Investering AS

SR-Investering AS' objective is to contribute to long-term value creation by investing in trade and industry in the group's market area. The company invests primarily in private equity funds and small and medium-sized companies that have a need for capital to develop and grow further. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

| MNOK                                | Q3<br>2010 | Q2<br>2010  | Q1<br>2010 | Q4<br>2009  | Q3<br>2009 | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|-------------------------------------|------------|-------------|------------|-------------|------------|---------------|---------------|---------------|
| Interest income                     | 0,4        | 0,4         | 0,3        | 0,3         | 0,3        | 1,1           | 1,0           | 1,3           |
| Other income                        | 0,3        | -           | -          | 0,6         | -          | 0,3           | -             | 0,6           |
| Net return on investment securities | 5,2        | -0,2        | 2,8        | -0,2        | 2,1        | 7,8           | -5,0          | -5,2          |
| <b>Total income</b>                 | <b>5,9</b> | <b>0,2</b>  | <b>3,1</b> | <b>0,7</b>  | <b>2,4</b> | <b>9,2</b>    | <b>-4,0</b>   | <b>-3,2</b>   |
| Personal expenses                   | 1,3        | 1,1         | 0,6        | 0,6         | 1,1        | 2,9           | 3,5           | 4,2           |
| Other expenses                      | 0,1        | 0,1         | 0,1        | 0,2         | 0,1        | 0,4           | 0,5           | 0,7           |
| <b>Total operating expenses</b>     | <b>1,4</b> | <b>1,2</b>  | <b>0,7</b> | <b>0,8</b>  | <b>1,2</b> | <b>3,3</b>    | <b>4,0</b>    | <b>4,9</b>    |
| <b>Result before tax</b>            | <b>4,5</b> | <b>-1,0</b> | <b>2,4</b> | <b>-0,1</b> | <b>1,1</b> | <b>5,9</b>    | <b>-8,0</b>   | <b>-8,1</b>   |

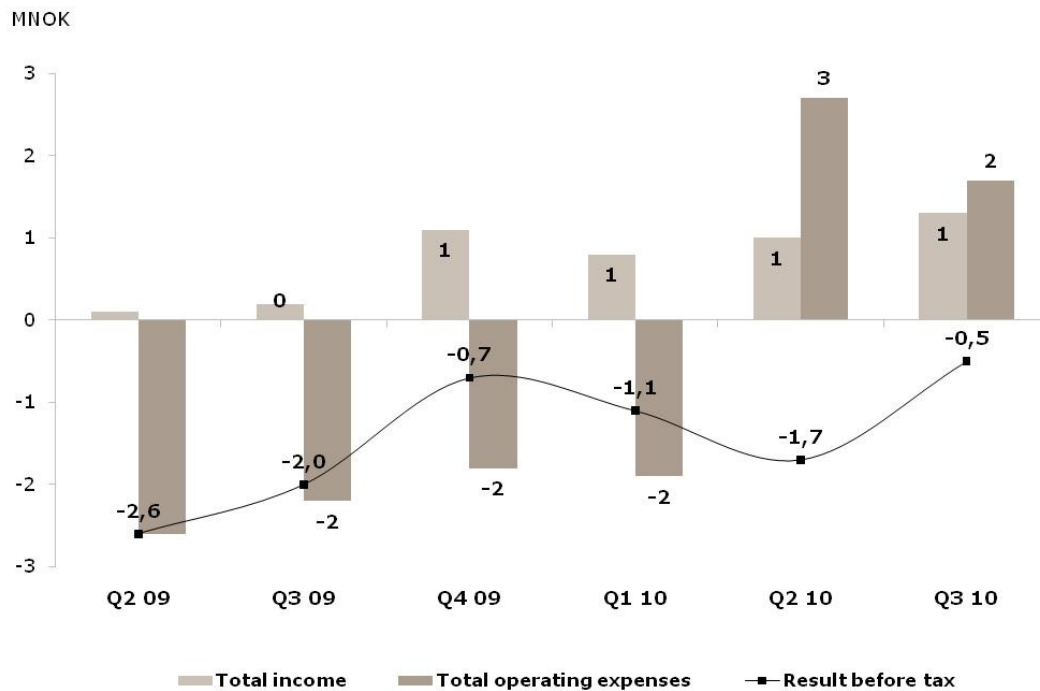


## SR-Fondsforvaltning AS

SR-Fondsforvaltning got approval from the Financial Supervisory Authority of Norway (Finanstilsynet) to manage securities funds in May 2009. On 1 September 2009, the company launched three mutual funds. These were well received in the market. At the end of Q3 10 the funds' total assets totalled NOK 444 million. An agreement has been signed to sell the company to Odin Forvaltning AS with accounting effect from 1 January 2011.

### Financial performance

| MNOK                            | Q3<br>2010  | Q2<br>2010  | Q1<br>2010  | Q4<br>2009  | Q3<br>2009  | 30.09<br>2010 | 30.09<br>2009 | 31.12<br>2009 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|
| Interest income                 | 0,1         | 0,0         | 0,0         | 0,0         | 0,0         | 0,1           | 0,1           | 0,1           |
| Other income                    | 1,2         | 1,0         | 0,8         | 1,1         | 0,2         | 2,9           | 0,2           | 1,3           |
| <b>Total income</b>             | <b>1,3</b>  | <b>1,0</b>  | <b>0,8</b>  | <b>1,1</b>  | <b>0,2</b>  | <b>3,0</b>    | <b>0,3</b>    | <b>1,4</b>    |
| Personal expenses               | 1,1         | 1,7         | 1,1         | 1,1         | 0,6         | 3,9           | 3,4           | 4,4           |
| Other expenses                  | 0,6         | 1,0         | 0,8         | 0,8         | 1,6         | 2,4           | 1,5           | 2,3           |
| <b>Total operating expenses</b> | <b>1,7</b>  | <b>2,7</b>  | <b>1,9</b>  | <b>1,8</b>  | <b>2,2</b>  | <b>6,3</b>    | <b>4,9</b>    | <b>6,7</b>    |
| <b>Result before tax</b>        | <b>-0,5</b> | <b>-1,7</b> | <b>-1,1</b> | <b>-0,7</b> | <b>-2,0</b> | <b>-3,3</b>   | <b>-4,6</b>   | <b>-5,3</b>   |



## 4. Norwegian and regional economy

The downturn in Norwegian economy in 2008 and 2009 was moderate compared to most other industrialised countries. GDP for mainland Norway fell moderately by 1.5 per cent in 2009 and unemployment rose slightly to 3.3 per cent. GDP is expected to rise modestly in 2010 and forward, and unemployment is expected to remain at low levels, see table 4.1.

|  | 2010    | 2011    | 2012    | 2013    |
|--|---------|---------|---------|---------|
| CPI                                      | 2¼ (-¼) | 1¼ (-¼) | 2 (-¼)  | 2¼ (0)  |
| CPI-ATE                                  | 1½ (0)  | 1¼ (-½) | 2 (-¼)  | 2¼ (0)  |
| CPIXE <sup>1)</sup>                      | 1¾ (0)  | 1½ (-½) | 2 (-¼)  | 2¼ (0)  |
| Annual wage growth                       | 3½ (0)  | 3¾ (-¼) | 4¼ (-¼) | 4½ (-¼) |
| Mainland demand                          | 1¾ (0)  | 4 (0)   | 3¼ (0)  | 2¼ (¼)  |
| GDP mainland Norway                      | 1¾ (0)  | 3 (¼)   | 3 (¼)   | 2¾ (0)  |
| Output gap mainland Norway <sup>2)</sup> | -¾ (0)  | -¼ (0)  | ¼ (¼)   | ½ (¼)   |
| Employment                               | 0 (¼)   | 1 (¼)   | 1¼ (¼)  | ¾ (¼)   |
| LFS unemployment (rate)                  | 3 (0)   | 2¾ (-¼) | 2½ (-¼) | 2½ (0)  |

1) CPIXE: CPI adjusted for tax changes and excluding temporary changes in energy prices. See *Staff Memo 7/2008* and *Staff Memo 3/2009* from Norges Bank for a description of the CPIXE

2) The output gap measures the percentage deviation between mainland GDP and projected potential mainland GDP

Table 4.1: *Projections for macroeconomic aggregates in Norges Bank's Monetary Policy Report 3/10. Percentages change from previous year (unless otherwise stated). Change from report 2/10 in brackets. (Source: Norges Bank)*

The Norwegian state finances are very solid. Revenues from the petroleum sector have been important in the past and will contribute to increase the Petroleum Fund going forward, see figure 4.2.

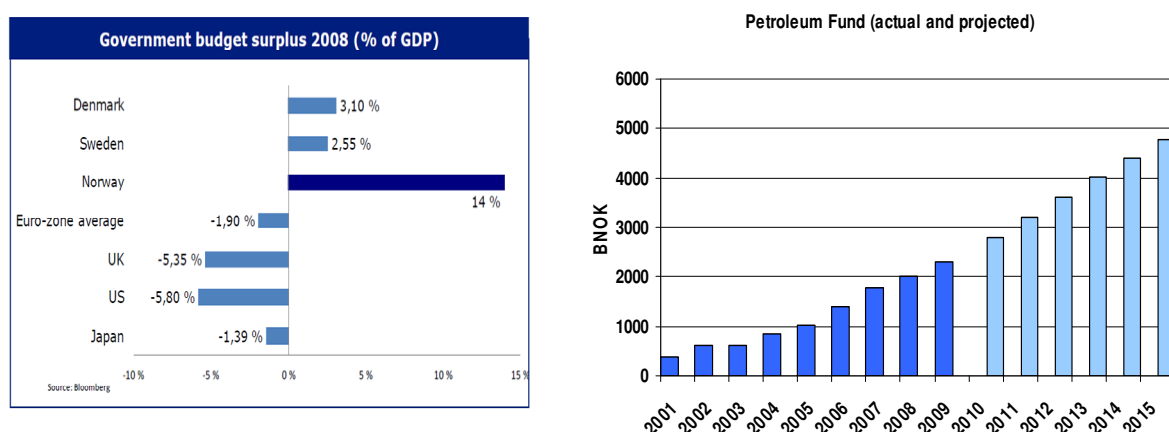


Figure 4.2: *Government budget surplus 2008 and Petroleum Fund*

SpareBank 1 SR-Bank is situated in the South-Western part of Norway. The majority of the bank's customers are in the county of Rogaland, and market shares are increasing in the

expansion areas of Agder and Hordaland. The bank's market area is within the strongest part of Norwegian economy outside of Oslo (by regional GDP per capita) and petroleum investments (which is important for the region) is expected to stay at high levels, see figure 4.3 and 4.4.

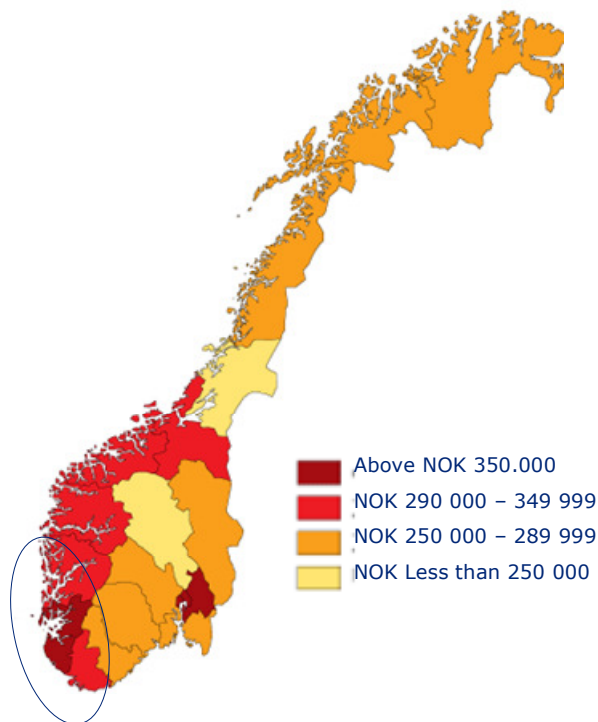


Figure 4.3: *Regional GDP per capita (2006)*

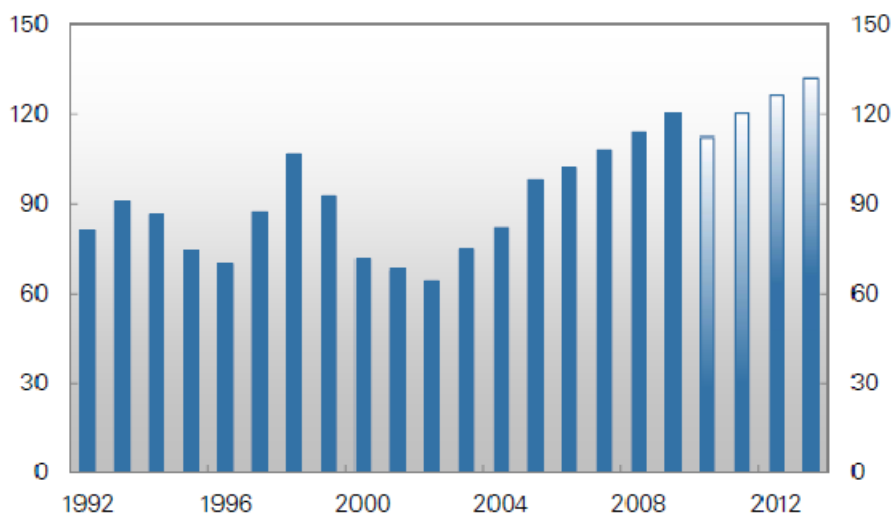


Figure 4.4: *Petroleum investments. Fixed 2007 prices. In billions of NOK. 2005-2013 (projections 2010-2013)* (Source: Norges Bank, MPR 2/10)

House prices in the market area saw a drop in the latter part of 2008 due to the financial disturbance, but have risen again for the last two years. The projection going forward is a fairly mild increase in house prices due to quite low new-building activity, a rising population and low levels of unemployment and interest rates.



