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### **Information on the Internet**

SpareBank 1 SR-Bank's homepage

[www.sr-bank.no](http://www.sr-bank.no)

Information of Equity Certificate in general:

[www.egenkapitalbevis.no](http://www.egenkapitalbevis.no)

### **Financial Calendar 2010**

Preliminary results	4. February
First Quarter	29. April
Second Quarter	11. August
Third Quarter	28. October

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# 1. SpareBank 1 SR-Bank

## 1.1 Financial highlights

### 1<sup>st</sup> quarter 2009

- Group profit before tax: NOK 395 million (NOK 114 million)
- Group profit after tax: NOK 298 million (NOK 81 million)
- Return on equity after tax: 14.8 % (5.3 %)
- Losses on loans and guarantees: NOK 69 million (NOK 132 million)
- Net interest income: NOK 437 million (NOK 349 million)
- Net commission and other income: NOK 260 million (NOK 208 million)
- Net return on investment securities: NOK 79 million (NOK 58 million)
- The core capital ratio: 9.4 % (6.6 %)

(Figures for 1<sup>st</sup> quarter 2009 are shown in parentheses)

### Income statement

MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Net interest income	437	455	465	407	349	1 676	1 644	1 340
Net commission and other income	260	285	262	243	208	998	796	895
Net return on investment securities	79	209	237	201	58	705	42	388
<b>Total income</b>	<b>776</b>	<b>949</b>	<b>964</b>	<b>851</b>	<b>615</b>	<b>3 379</b>	<b>2 482</b>	<b>2 623</b>
<b>Total operating expenses</b>	<b>312</b>	<b>438</b>	<b>376</b>	<b>396</b>	<b>369</b>	<b>1 579</b>	<b>1 453</b>	<b>1 357</b>
<b>Operating profit before losses</b>	<b>464</b>	<b>511</b>	<b>588</b>	<b>455</b>	<b>246</b>	<b>1 800</b>	<b>1 029</b>	<b>1 266</b>
Losses on loans and guarantees	69	74	85	77	132	368	386	10
<b>Operating profit before tax and minority interests</b>	<b>395</b>	<b>437</b>	<b>503</b>	<b>378</b>	<b>114</b>	<b>1 432</b>	<b>643</b>	<b>1 256</b>
Tax expense	97	107	104	77	33	321	163	249
<b>Profit after tax from continuing operations</b>	<b>298</b>	<b>330</b>	<b>399</b>	<b>301</b>	<b>81</b>	<b>1 111</b>	<b>480</b>	<b>1 007</b>
Attributable to majority interests	298	330	399	301	79	1 109	469	994
Attributable to minority interests	0	0	0	0	2	2	11	13

### Key figures

	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Return on equity <sup>1)</sup>	14,8 %	18,2 %	25,2 %	19,9 %	5,3 %	17,5 %	8,0 %	19,4 %
Cost ratio <sup>2)</sup>	40,2 %	46,2 %	39,0 %	46,5 %	60,0 %	46,7 %	58,5 %	51,7 %
Deposit-to-loan ratio	55,3 %	58,1 %	57,9 %	55,9 %	54,9 %	58,1 %	53,0 %	56,9 %
Growth in loans	-1,6 %	-6,6 %	-3,3 %	6,0 %	9,00 %	-6,6 %	13,2 %	14,0 %
Growth in loans incl Boligkreditt	5,8 %	5,3 %	8,8 %	12,6 %	15,80 %	5,3 %	20,2 %	19,8 %
Growth in deposits	-0,9 %	2,4 %	-0,3 %	-6,2 %	2,50 %	2,4 %	5,5 %	18,0 %
Average total assets, MNOK	124 888	123 755	124 508	124 703	123 744	124 283	110 244	94 246
Total assets, MNOK	126 508	124 909	122 081	125 357	123 731	124 909	125 858	103 249
Impairment losses ratio <sup>3)</sup>	0,28	0,38	0,41	0,43	0,53	0,38	0,41	0,01
Capital adequacy ratio	11,6	11,9	9,3	9,5	9,0	11,9	9,8	9,8
Core capital ratio	9,4	9,6	6,9	7,0	6,6	9,6	6,4	7,4
Market price	48,80	50,00	44,00	32,90	23,50	50,00	27,08	55,21
Book equity per EC (including dividends) (group) *	41,47	42,07	40,51			42,07	37,23	37,64
Earnings per EC (group) <sup>4)</sup>	1,55	1,95	2,50	1,88	0,50	6,88	3,00	6,54

<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

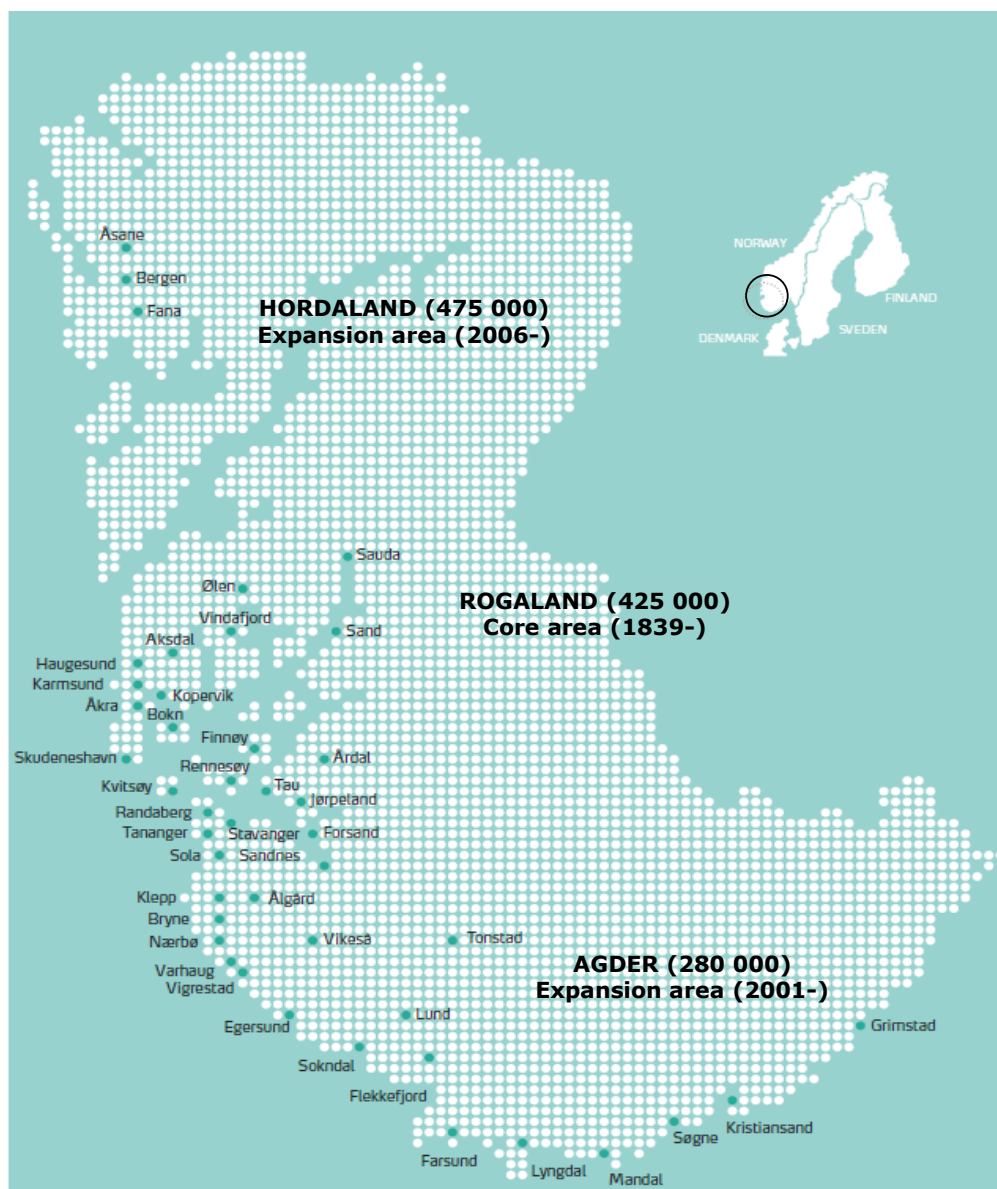
<sup>3)</sup> Net losses expressed as a percentage of average gross lending year to date, annualized

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

\* Key figure not calculated in previous quarterly periods

SpareBank 1 SR-Bank does not have any forward cover contracts or other circumstances that can dilute earning per EC (equity certificate).

## **1.2 Business description: leading financial institution in Rogaland, Hordaland and Agder (population in parenthesis)**



SpareBank 1 SR-Bank is located in the South-Western part of Norway and is the second largest of the Norwegian-based banks (after DnB NOR) with assets totalling NOK 127 billion at the end of 1<sup>st</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. The bank 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 division.

### **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 in 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**

<i>MNOK</i>	<b>Retail market</b>		<b>Corporate market</b>		<b>Capital market</b>	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Operating contribution before tax	202	171	130	-4	39	29
Gross loans to customers excl. SpareBank 1 Boligkreditt	47 521	48 010	44 332	45 491	-	-
Deposits from customers	25 468	24 787	28 024	29 388	-	-

### **Organization**

Figure 1.2.1 illustrates the organizational structure of SpareBank 1 SR-Bank. The Supervisory Board is the Bank's highest 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 interest groups. In the case of a savings bank that has issued equity capital certificates, between one-fifth and two-fifths of the Supervisory Board's members must be elected by the holders of equity capital certificates.

### **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 savings banks in Norway), and the Norwegian Confederation of Trade Unions (LO). SpareBank 1 Alliance structure is shown in figure 1.2.2.

Figure 1.2.1 SpareBank 1 SR-Bank organizational chart

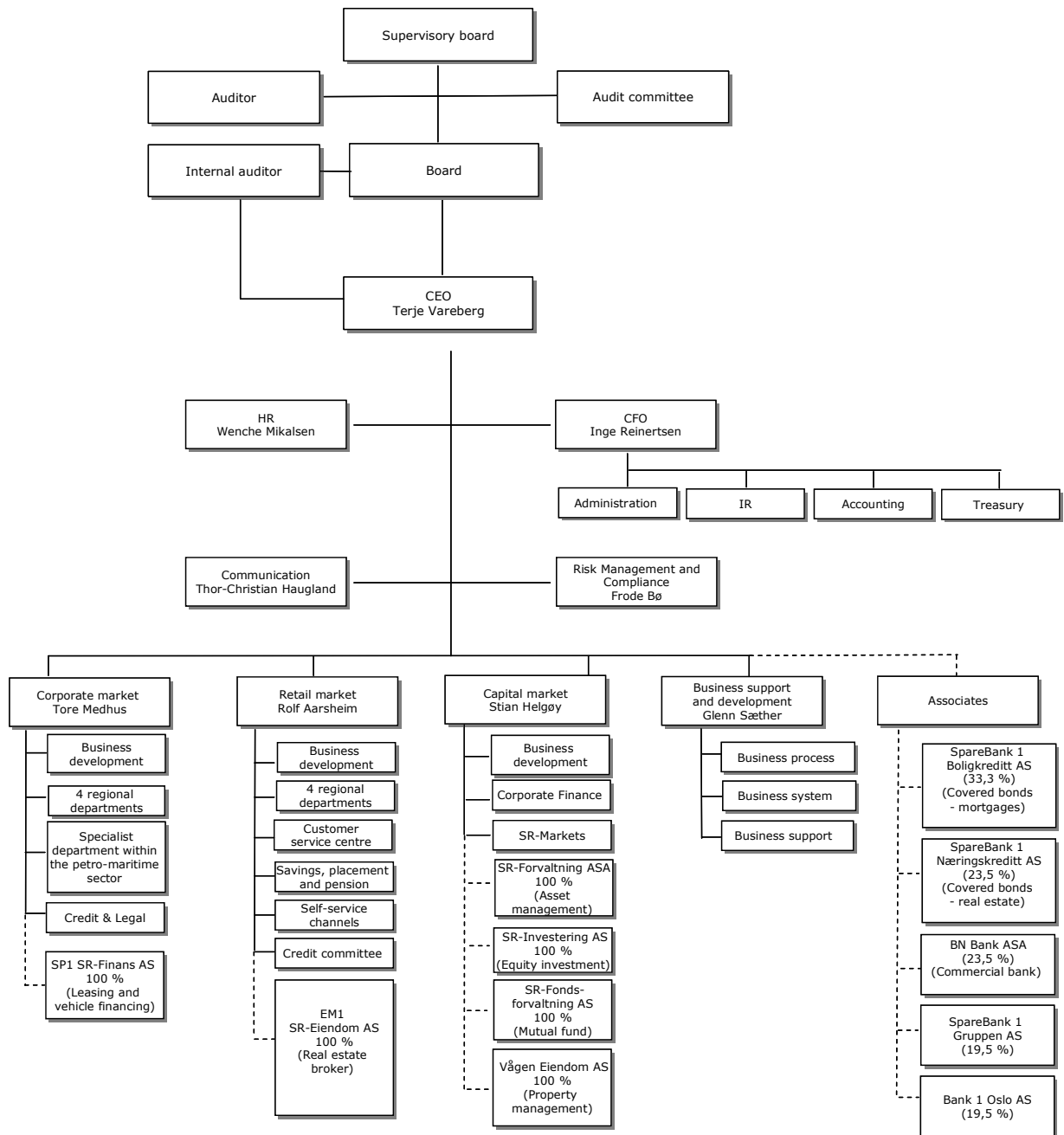
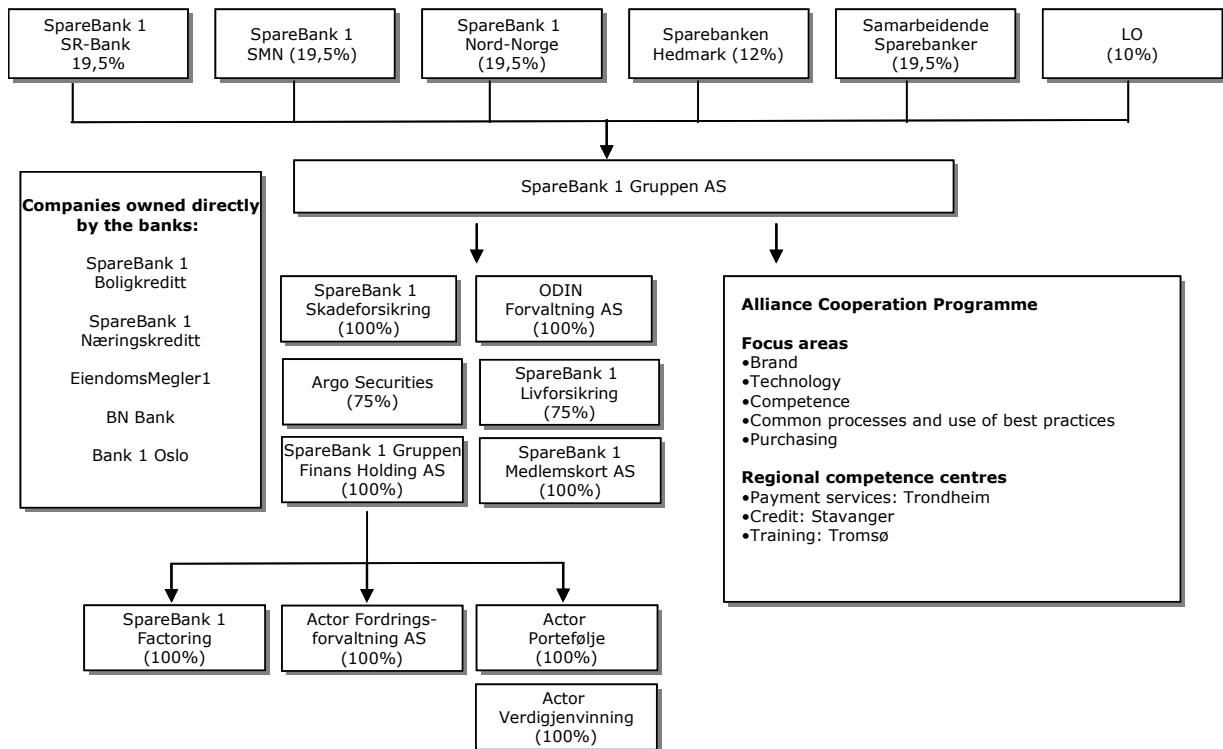


Figure 1.2.2 Structure of SpareBank 1 Alliance



### 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 (5 October 2009):**

- Long-term deposit, senior unsecured and issuer ratings confirmed at A1, negative outlook
- Subordinate ratings confirmed at A2, negative outlook
- Preferred stock ratings confirmed at A3, negative 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'

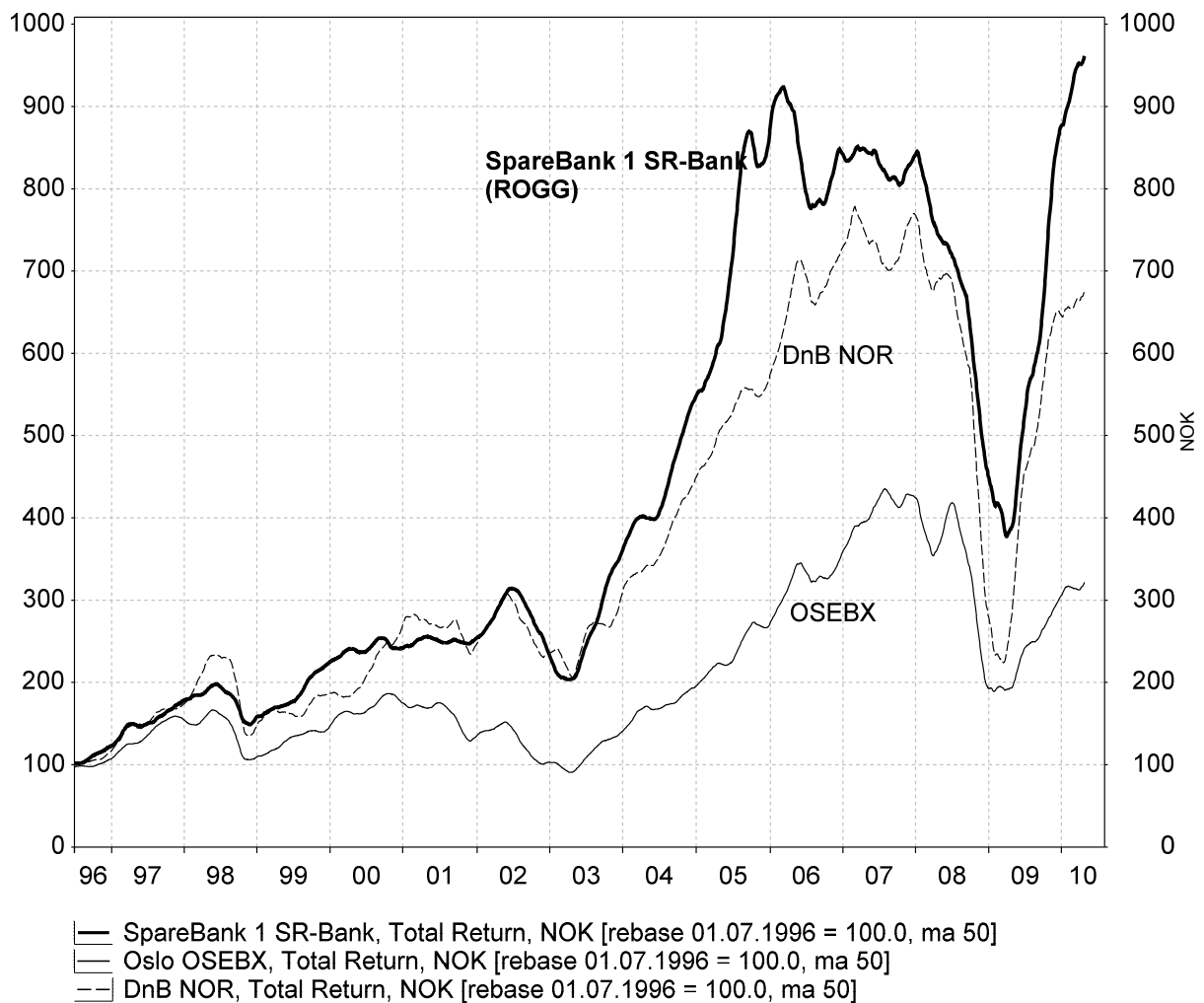


## 1.4 Equity certificate capital

### ECs and the stock market

SpareBank 1 SR-Bank's equity instrument (EC) was listed on the Oslo stock exchange in 1994. The ticker is ROGG. The development in ROGG, Oslo stock exchange benchmark index (OSEBX) and DnB NOR (the largest bank in Norway) is shown in figure 1.4.1.

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



ROGG was at NOK 50.55 per 31.03.2010. There were 120.93 million equity certificates outstanding at the end of first quarter.

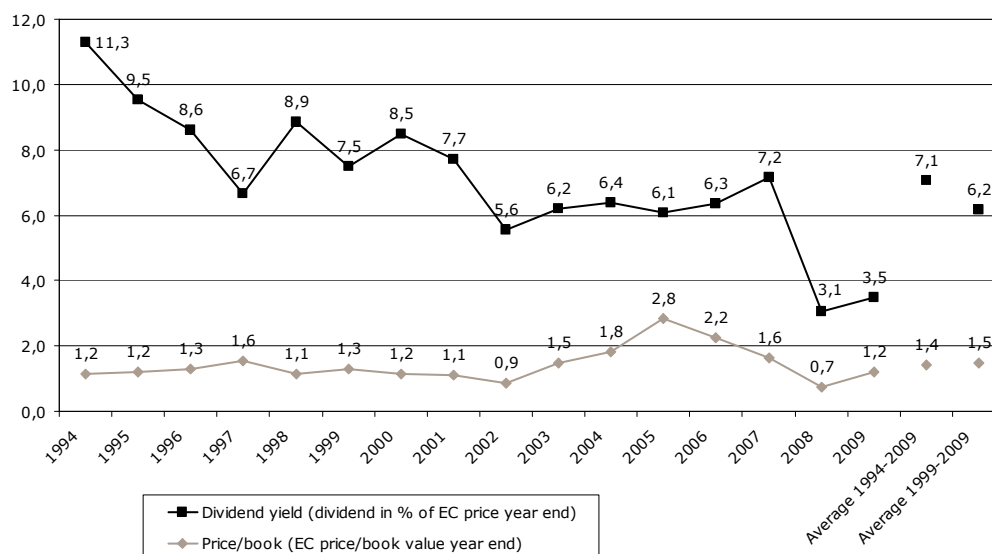
Financial analysts with coverage of ROGG:

ABG Sundal Collier, Jan Erik Gjerland, tlf +47 22 01 60 54

Argo, Geir Kristiansen, tlf + 47 24 14 74 75  
 Carnegie, Thomas Svendsen, tlf + 47 22 00 93 54  
 DnB NOR, Geir Grønseth and Odd Weidel, tlf +47 22 94 89 92 and + 47 22 94 89 49  
 First, Nils Christian Øyen, tlf + 47 23 23 82 48  
 Fondsinans, Bengt Kirkøen, tlf + 47 21 01 31 00  
 Pareto, Haakon Bønes and Søren Clausen, tlf + 47 24 13 21 18 and +47 24 13 21 49

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

(For 2009 the Board's dividend proposal of NOK 1.75 per EC is illustrated)



### 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 equity certificate holders through competitive returns in the form of dividends and equity certificate appreciation.

The profit for the year will be divided between equity certificate 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 equity certificate 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 equity certificate holders."

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

### *History and capital structure*

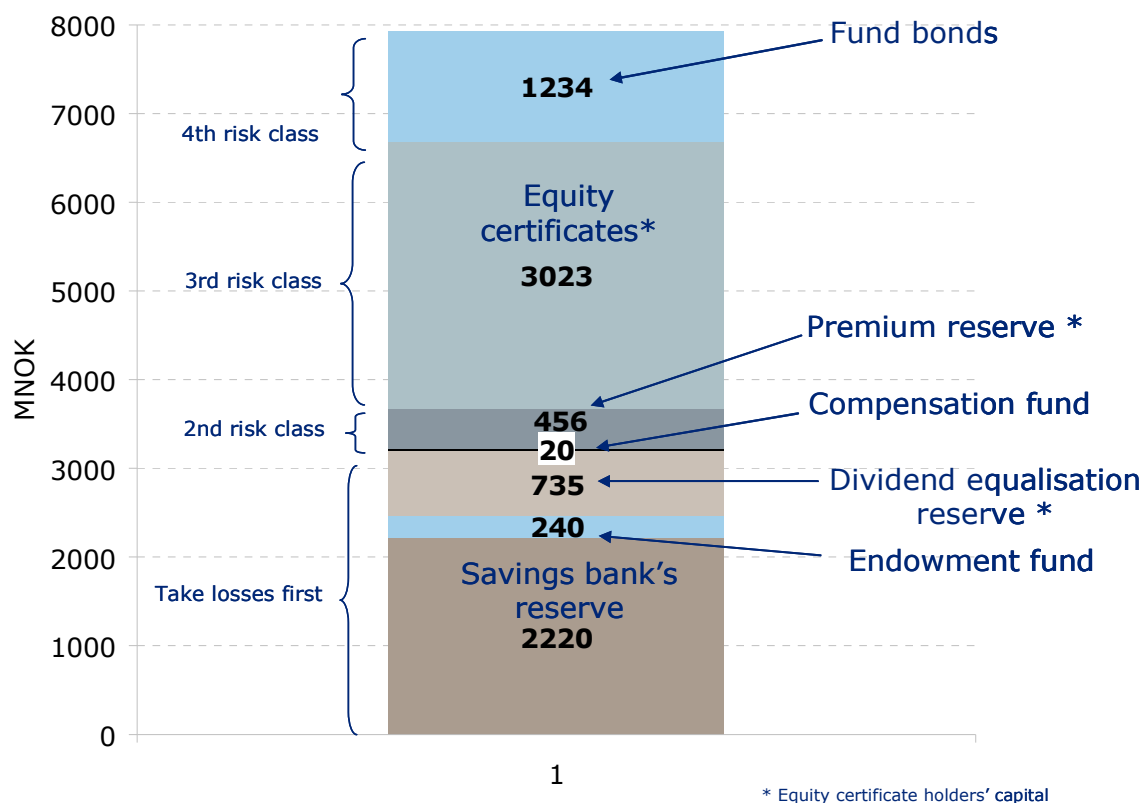
The history of Norwegian savings banks goes back to 1820s when the first savings banks were founded as self-owned foundations. The roots of SpareBank 1 SR-Bank go back to 1839. Due to the organizational form, the savings banks equity capital comprised of donations and retained earnings until 1987 when 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 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 62.9 per cent by the end 1st quarter 2010 (taken into account the proposed dividend). 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 1994-2009 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 mergers and acquisitions in the sector.

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 23 per cent by year-end 2009), while the share of future profit is 63 per cent.

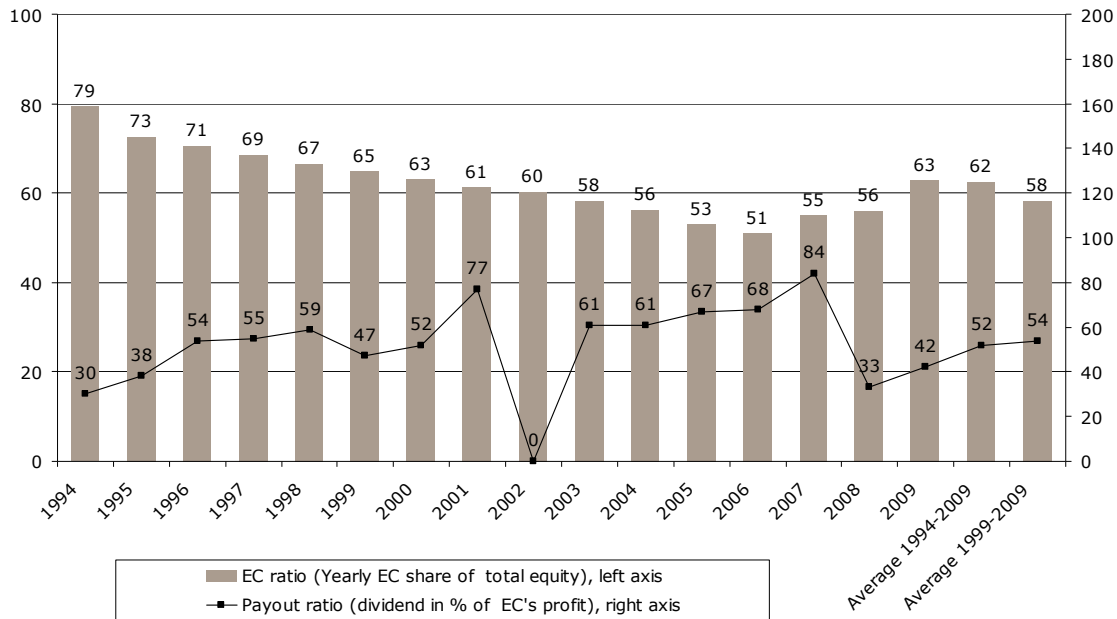
**Figure 1.4.3 Capital structure. Favourable priority for equity certificate holders, per 31.03.10**



**Table 1.4.1 Calculation of EC holder's share of the bank's equity capital (EC ratio)**

MNOK	31.03.10	31.12.09
Equity certificates	3 020	3 014
Dividend equalisation reserve	735	759
Premium reserve	456	458
<b>A. The equity certificate owners' capital</b>	<b>4 211</b>	<b>4 231</b>
Savings bank's reserve	2 220	2 241
Compensation fund	20	20
Endowment fund	240	240
<b>B. The savings bank's reserve</b>	<b>2 480</b>	<b>2 501</b>
Fund for unrealised gains	127	127
<b>Equity excl proposed dividend</b>	<b>6 818</b>	<b>6 859</b>
<b>Equity certificate ratio (A/(A+B))</b>	<b>62,9 %</b>	<b>62,9 %</b>

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



**Table 1.4.2. 20 largest EC holders. 31.03.2010**

20 largest EC holders per 31.03.10	Number	Stake
Gjensidige Forsikring	20 713 065	17.1%
Odin Norge	2 608 493	2.2%
Odin Norden	2 360 925	2.0%
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	1 622 428	1.3%
Bank of New York, U.K.	1 261 780	1.0%
Lærdal AS	1 222 915	1.0%
Grunnfond Invest AS	1 040 000	0.9%
Verdipapirfondet Nordea Norge	898 740	0.7%
Westco AS	886 552	0.7%
Bjergsted Investering AS	839 497	0.7%
The Northern Trust, U.K.	771 310	0.6%
Skandinaviska Enskilda Banken AB	706 000	0.6%
Solvang Shipping AS	701 034	0.6%
Forsand Kommune	682 230	0.6%
Tveteraas Finans AS	673 587	0.6%
Leif Inge Slethei AS	672 772	0.6%
<b>Total 20 largest holders</b>	<b>44 841 477</b>	<b>37.1%</b>

## 2. Financial results and balance sheet

### Income statement

MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Interest income	1 122	1 107	1 122	1 272	1 514	5 015	7 415	5 100
Interest expense	685	652	657	865	1 165	3 339	5 771	3 760
<b>Net interest income</b>	<b>437</b>	<b>455</b>	<b>465</b>	<b>407</b>	<b>349</b>	<b>1 676</b>	<b>1 644</b>	<b>1 340</b>
Commission income	207	219	201	177	163	760	634	675
Commission expenses	-20	-20	-24	-20	-23	-87	-80	-81
Other operating income	73	86	85	86	68	325	242	301
<b>Net commission and other income</b>	<b>260</b>	<b>285</b>	<b>262</b>	<b>243</b>	<b>208</b>	<b>998</b>	<b>796</b>	<b>895</b>
Dividend income	0	17	1	2	3	23	15	12
Income from investment in associates	49	128	98	71	1	298	261	234
Net gains/losses on financial instruments	30	64	138	128	54	384	-234	142
<b>Net return on investment securities</b>	<b>79</b>	<b>209</b>	<b>237</b>	<b>201</b>	<b>58</b>	<b>705</b>	<b>42</b>	<b>388</b>
<b>Total income</b>	<b>776</b>	<b>949</b>	<b>964</b>	<b>851</b>	<b>615</b>	<b>3 379</b>	<b>2 482</b>	<b>2 623</b>
Personnel expenses	153	223	218	227	213	881	776	751
Administrative expenses	81	92	83	88	83	346	390	339
Other operating expenses	78	123	75	81	73	352	287	267
<b>Total operating expenses</b>	<b>312</b>	<b>438</b>	<b>376</b>	<b>396</b>	<b>369</b>	<b>1 579</b>	<b>1 453</b>	<b>1 357</b>
<b>Operating profit before losses</b>	<b>464</b>	<b>511</b>	<b>588</b>	<b>455</b>	<b>246</b>	<b>1 800</b>	<b>1 029</b>	<b>1 266</b>
Losses on loans and guarantees	69	74	85	77	132	368	386	10
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Tax expense	97	107	104	77	33	321	163	249
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Attributable to majority interests	298	330	399	301	79	1 109	469	994
Attributable to minority interests	0	0	0	0	2	2	11	13

### Key figures

	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Return on equity <sup>1)</sup>	14,8 %	18,2 %	25,2 %	19,9 %	5,3 %	17,5 %	8,0 %	19,4 %
Cost ratio <sup>2)</sup>	40,2 %	46,2 %	39,0 %	46,5 %	60,0 %	46,7 %	58,5 %	51,7 %
Gross loans to customers	96 481	93 473	92 849	97 473	98 040	93 473	100 071	88 428
Gross loans to customers incl. SpareBank 1 Boligkreditt	120 352	118 227	116 750	115 516	113 758	118 227	112 297	93 418
Deposits from customers	53 323	54 336	53 725	54 448	53 791	54 336	53 050	50 276
Deposit-to-loan ratio	55,3 %	58,1 %	57,9 %	55,9 %	54,9 %	58,1 %	53,0 %	56,9 %
Growth in loans	-1,6 %	-6,6 %	-3,3 %	6,0 %	9,0 %	-6,6 %	13,2 %	14,0 %
Growth in loans incl Boligkreditt	5,8 %	5,3 %	8,8 %	12,6 %	15,80 %	5,3 %	20,2 %	19,8 %
Growth in deposits	-0,9 %	2,4 %	-0,3 %	-6,2 %	2,50 %	2,4 %	5,5 %	18,0 %
Average total assets	124 888	123 755	124 508	124 703	123 744	124 283	110 244	94 246
Total assets	126 508	124 909	122 081	125 357	123 731	124 909	125 858	103 249
Impairment losses ratio <sup>3)</sup>	0,28	0,38	0,41	0,43	0,53	0,38	0,41	0,01
Non-performing commitments as a percentage of gross loans	0,54	0,42	0,53	0,68	0,80	0,42	0,35	0,10
Other doubtful commitments as a percentage of gross loans	0,80	0,81	0,51	0,72	0,61	0,81	1,26	0,73
Capital adequacy ratio	11,6	11,9	9,3	9,5	9,0	11,9	9,8	9,8
Core capital ratio	9,4	9,6	6,9	7,0	6,6	9,6	6,4	7,4
Core capital	8 196	8 130	5 632	5 609	5 494	8 130	5 667	5 167
Net equity and subordinated loan capital	10 112	10 029	7 568	7 696	7 517	10 029	8 621	6 874
Minimum subordinated capital requirement	7 001	6 768	6 545	6 459	6 706	6 768	7 041	5 626
Number of branches	51	51	53	53	53	51	53	54
Man-years (permanent)	1 083	1 093	1 094	1 109	1 117	1 093	1 117	1 021
Equity certificate ratio	62,9 %	62,9 %	56,6 %	56,6 %	56,2 %	62,9 %	56,1 %	54,9 %
Market price	48,80	50,00	44,00	32,90	23,50	50,00	27,08	55,21
Market capitalisation	5 902	6 047	3 955	2 957	2 112	6 047	2 434	4 702
Book equity per EC (including dividends) (group) *	41,47	42,07	40,51			42,07	37,23	37,64
Earnings per EC (group) <sup>4)</sup>	1,55	1,95	2,50	1,88	0,50	6,88	3,00	6,54
Dividends per EC	n.a.	n.a.	n.a.	n.a.	n.a.	1,75	0,83	3,96
Price / Earnings per EC	7,87	6,41	4,40	4,38	11,75	7,27	9,03	8,44
Price / Book equity (group) *	1,18	1,19	1,09			1,19	0,73	1,47

<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

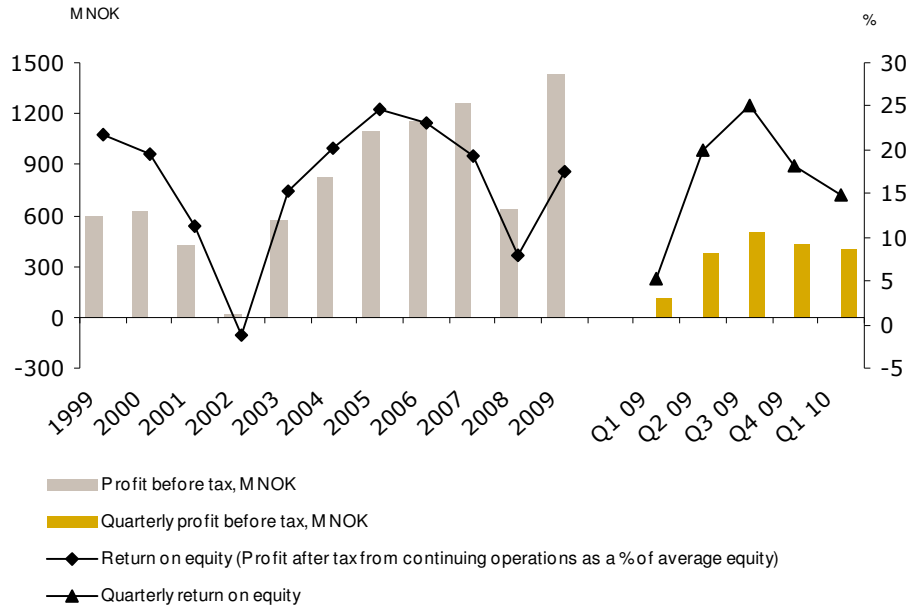
<sup>3)</sup> Net losses expressed as a percentage of average gross lending year to date, annualized

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

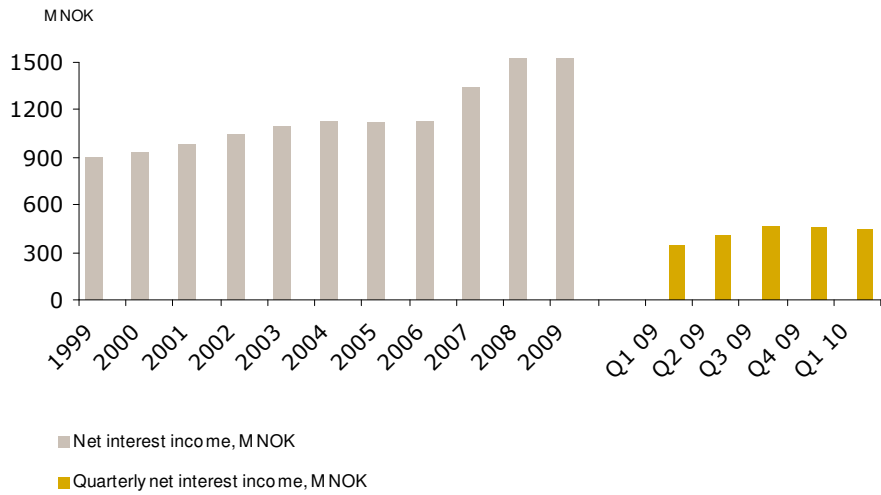
\* Key figure not calculated in previous periods

SpareBank 1 SR-Bank does not have any forward cover contracts or other circumstances that can dilute earning per EC (equity certificate).

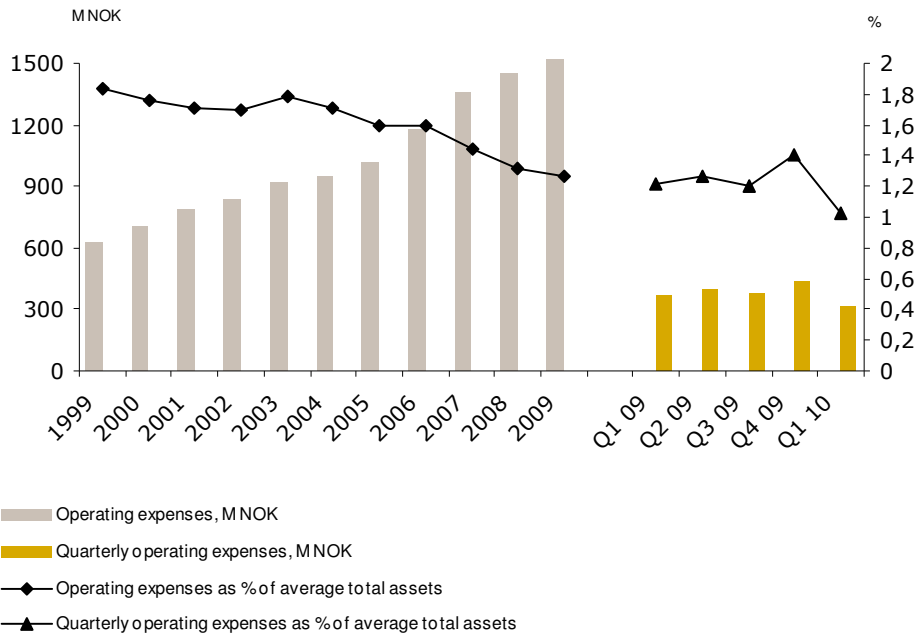
### Result before tax and return on equity



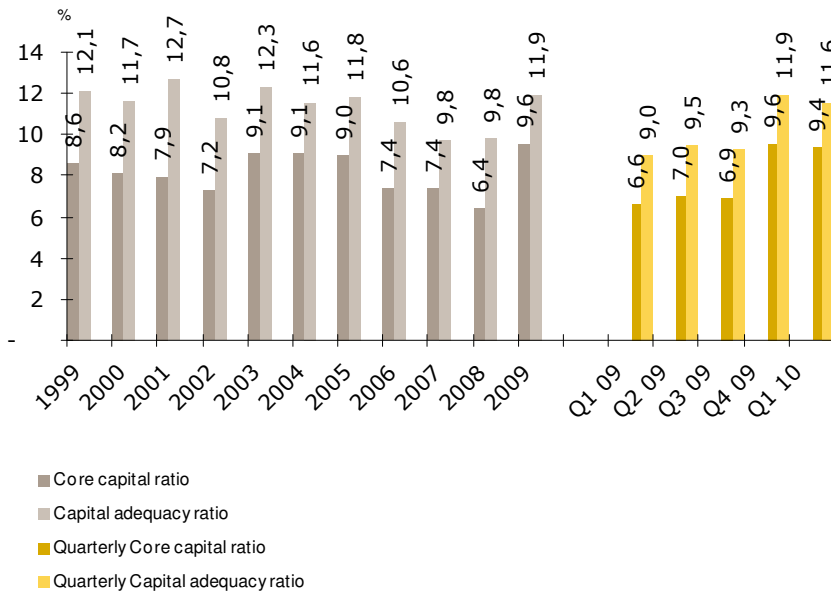
### Net interest income and interest margin



### Operating expenses



### Core capital and capital adequacy ratio

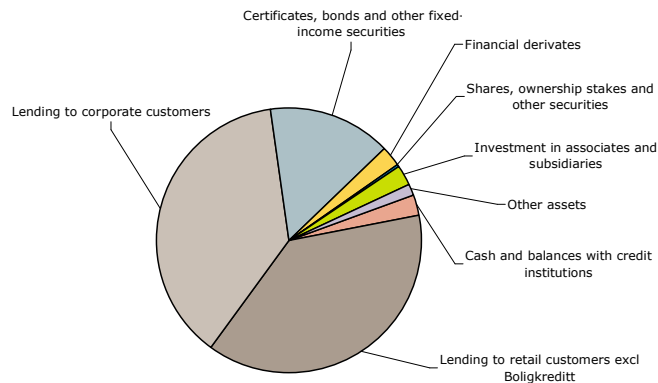




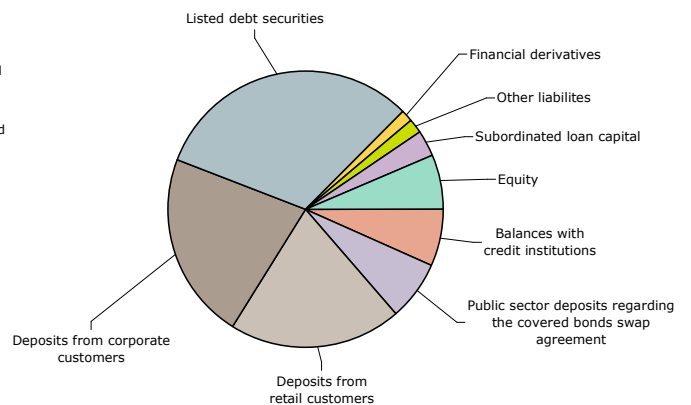
## Balance sheet

MNOK	31 March 2010	31 Dec. 2009	30 Sept. 2009	30 June 2009	31 March 2009	31 Dec. 2008
Agriculture and forestry	3 134	3 176	3 089	3 010	2 979	2 951
Fishing	50	51	50	49	110	105
Fishfarming	432	532	252	187	612	659
Oil/gas exploitation	2 517	2 124	2 761	3 261	2 725	2 772
Production of food	148	147	232	164	231	125
Graphic business	445	428	62	63	519	533
Industry	2 110	2 064	2 024	2 021	1 836	1 810
Shipyard	471	377	237	611	1 416	1 144
Power and water supply	417	373	416	309	354	181
Building and construction	1 952	1 953	1 941	2 087	2 092	2 196
Commodity trade	2 726	2 555	2 460	2 396	2 839	2 765
Hotels and restaurants	331	325	313	305	245	234
Shipping	4 571	4 578	5 167	4 727	4 571	4 638
Transportation	1 721	1 064	713	1 311	1 118	1 123
Real estate	21 099	21 610	21 286	21 507	20 575	20 263
Business services and management	4 326	4 495	5 477	5 179	4 989	4 826
Social and private services and management	1 018	1 037	1 055	1 034	1 148	1 159
Finance	151	192	333	318	331	228
Central and local government	240	268	244	245	216	251
Retail customers	48 252	45 847	44 438	48 313	48 612	51 528
Unallocated (excess value fixed interest loans and amort. lending fees)	163	102	65	146	176	139
Accrued interests corporate sector and retail customers	207	175	234	230	346	441
<b>Gross loans</b>	<b>96 481</b>	<b>93 473</b>	<b>92 849</b>	<b>97 473</b>	<b>98 040</b>	<b>100 071</b>
SpareBank 1 Boligkreditt	23 871	24 754	23 901	18 043	15 718	12 226
<b>Gross loans incl SpareBank 1 Boligkreditt</b>	<b>120 352</b>	<b>118 227</b>	<b>116 750</b>	<b>115 516</b>	<b>113 758</b>	<b>112 297</b>

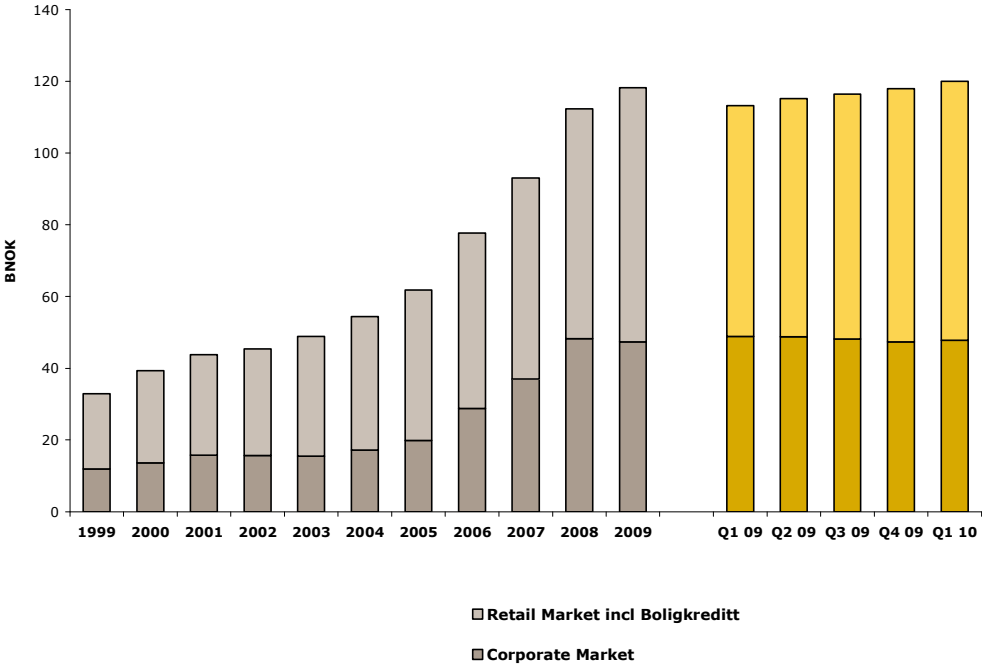
Total assets 31.03.10



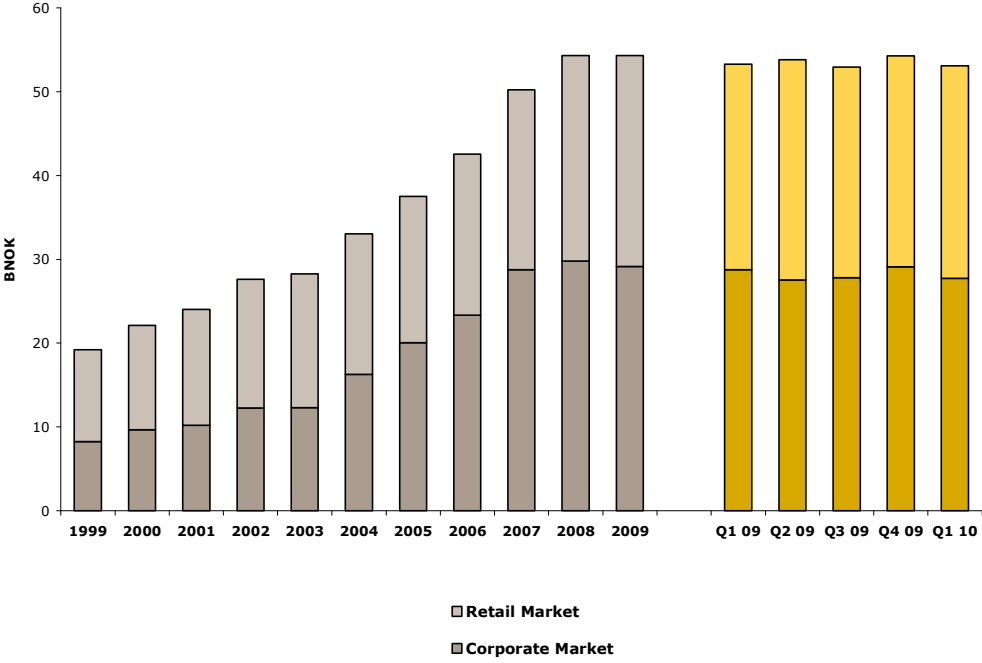
Total liabilities and equity 31.03.10



**Lending volume**



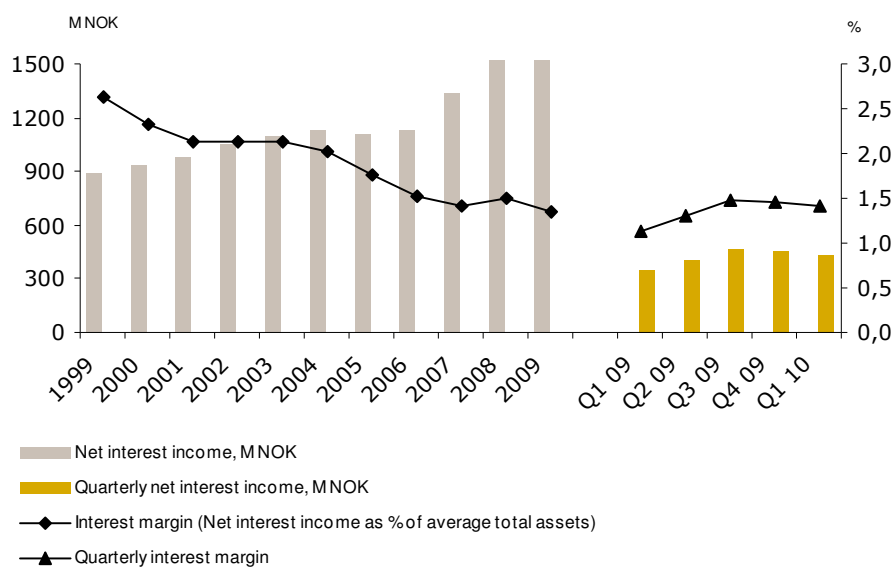
**Deposit volume**



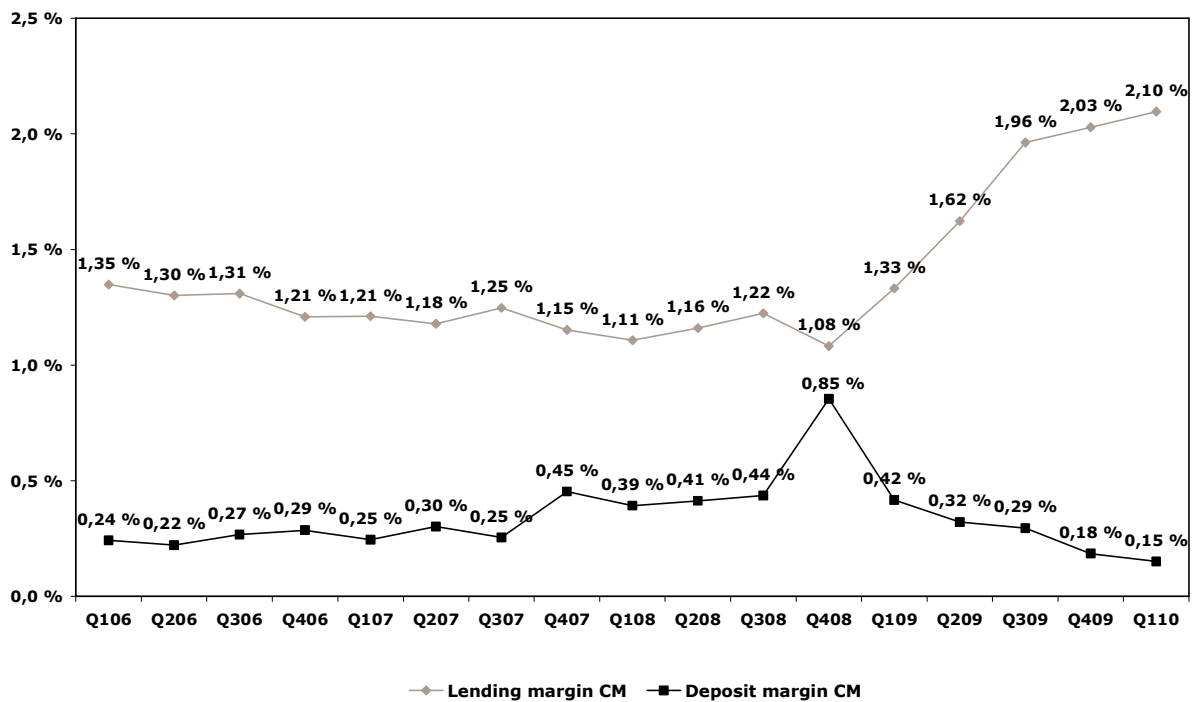
## 2.1 Net interest income

MNOK	Q1	Q4	Q3	Q2	Q1	Full year		
	2010	2009	2009	2009	2009	2009	2008	2007
Interest income	1 122	1 107	1 122	1 272	1 514	5 015	7 415	5 100
Interest expense	685	652	657	865	1 165	3 339	5 771	3 760
<b>Net interest income</b>	<b>437</b>	<b>455</b>	<b>465</b>	<b>407</b>	<b>349</b>	<b>1 676</b>	<b>1 644</b>	<b>1 340</b>
<b>As % of average total assets</b>	<b>1,42 %</b>	<b>1,46 %</b>	<b>1,48 %</b>	<b>1,31 %</b>	<b>1,14 %</b>	<b>1,35 %</b>	<b>1,49 %</b>	<b>1,42 %</b>

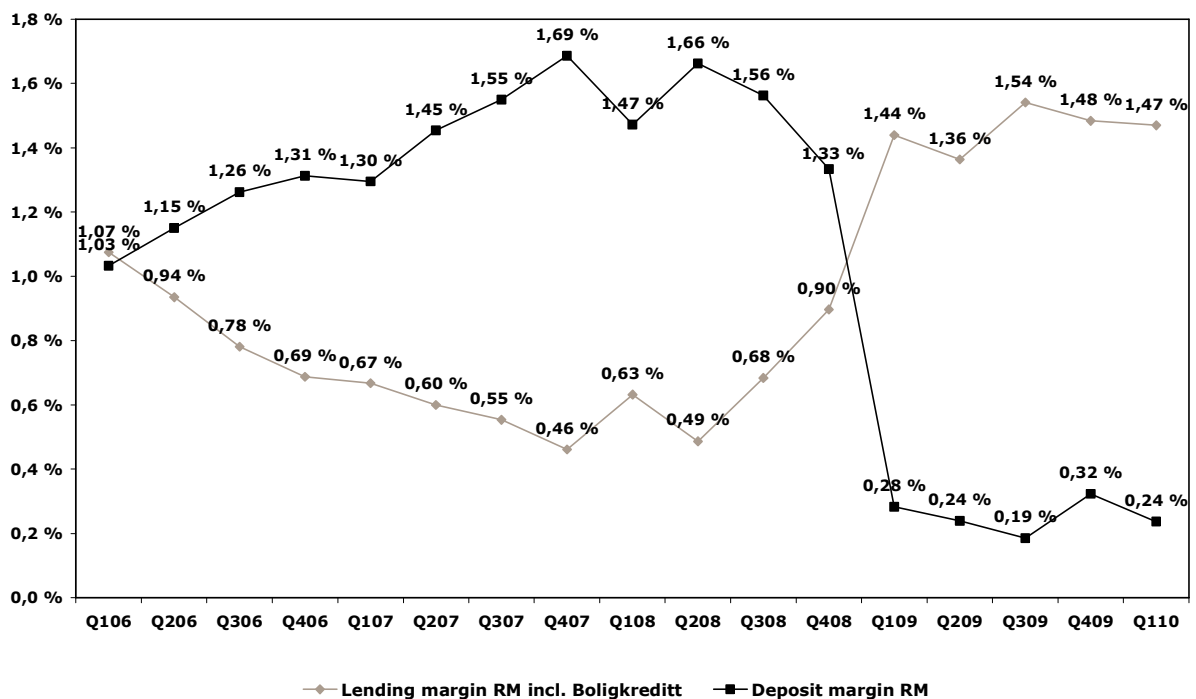
Net interest income and interest margin



## Margin<sup>1</sup> – Corporate Market



## Margin – Retail Market incl. SpareBank 1 Boligkredditt



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

## 2.2 Net other operating income

MNOK	Q1	Q4	Q3	Q2	Q1	Full year		
	2010	2009	2009	2009	2009	2009	2008	2007
Net commission and other income	260	285	262	243	208	998	796	895
Net return on investment securities	79	209	237	201	58	705	42	388
<b>Net other operating income</b>	<b>339</b>	<b>494</b>	<b>499</b>	<b>444</b>	<b>266</b>	<b>1 703</b>	<b>838</b>	<b>1 283</b>
<b>As % of total income</b>	<b>44 %</b>	<b>52 %</b>	<b>52 %</b>	<b>52 %</b>	<b>43 %</b>	<b>50 %</b>	<b>34 %</b>	<b>49 %</b>

### Net commission and other income

MNOK	Q1	Q4	Q3	Q2	Q1	Full year		
	2010	2009	2009	2009	2009	2009	2008	2007
Payment facilities	48	45	53	46	44	188	188	200
Savings/placements	32	32	32	28	24	116	133	217
Insurance products	27	34	26	25	24	109	96	96
Commission income real estate (EM1)	72	79	83	86	67	315	232	275
SpareBank 1 Boligkreditt	53	57	43	24	22	146	32	8
Guarantee commission	12	10	11	14	12	47	42	46
Salesprofit, building	-	8	-	-	-	8	7	22
Arrangement fees	9	15	8	15	6	44	36	5
Vågen Eiendom	4	3	3	3	3	13	13	9
Other	3	2	3	2	5	12	17	17
<b>Net commission and other income</b>	<b>260</b>	<b>285</b>	<b>262</b>	<b>243</b>	<b>208</b>	<b>998</b>	<b>796</b>	<b>895</b>
<b>As % of total income</b>	<b>34 %</b>	<b>30 %</b>	<b>27 %</b>	<b>29 %</b>	<b>34 %</b>	<b>30 %</b>	<b>32 %</b>	<b>34 %</b>

### Change in net commission and other income

MNOK	Per Q1		
	2010	Change	2009
<b>Net commission and other income</b>	<b>260</b>	<b>52</b>	<b>208</b>
Payment facilities		4	
Savings/placements		8	
Insurance products		3	
Commission income real estate (EM1)		5	
SpareBank 1 Boligkreditt		31	
Guarantee commission		-	
Salesprofit, building		-	
Arrangement fees		3	
Vågen Eiendom		1	
Other		-2	

## Net return on investment securities

MNOK	Q1	Q4	Q3	Q2	Q1	Full year		
	2010	2009	2009	2009	2009	2009	2008	2007
Dividend	0	17	1	2	3	23	15	12
Investment income, associates	49	128	98	71	1	298	261	234
Securities gains/losses	21	8	103	66	17	194	-338	57
- of which capital change in shares and certificates	7	1	36	39	-4	72	-166	89
- of which capital change in certificates and bonds	15	7	67	27	21	122	-172	-32
Currency/interest gains/losses	9	56	35	62	37	190	104	85
- of which currency customer- and own-account trading	37	45	30	36	36	147	161	90
- of which IFRS-effects	-28	11	5	26	1	43	-57	-5
<b>Net return on investment securities</b>	<b>79</b>	<b>209</b>	<b>237</b>	<b>201</b>	<b>58</b>	<b>705</b>	<b>42</b>	<b>388</b>
<b>As % of total income</b>	<b>10 %</b>	<b>22 %</b>	<b>25 %</b>	<b>24 %</b>	<b>9 %</b>	<b>21 %</b>	<b>2 %</b>	<b>15 %</b>

## Change in net return on investment securities

MNOK	Per Q1		
	2010	Change	2009
<b>Net return on investment securities</b>	<b>79</b>	<b>21</b>	<b>58</b>
Dividend		-3	
Investment income, associates		48	
Securities gains/losses		4	
- of which capital change in shares and certificates		11	
- of which capital change in certificates and bonds		-6	
Currency/interest gains/losses		-28	
- of which currency customer- and own-account trading		1	
- of which IFRS-effects		-29	

## 2.3 Operating expenses

MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Wages	161	157	157	165	154	633	554	568
Pension expenses*	-43	34	29	29	27	119	89	72
Other personnel expenses	35	33	32	32	32	129	132	111
<b>Total personnel expenses**</b>	<b>153</b>	<b>224</b>	<b>218</b>	<b>227</b>	<b>213</b>	<b>881</b>	<b>776</b>	<b>751</b>
IT expenses	44	50	45	46	39	180	177	169
Marketing expenses	17	17	11	15	20	63	98	72
Other administrative expenses	20	24	28	26	25	103	115	99
Write-offs	19	17	19	17	17	70	64	52
Expenses real property	8	46	5	9	10	70	33	25
Other operating expenses	51	59	50	56	45	211	190	189
<b>Other expenses</b>	<b>159</b>	<b>215</b>	<b>158</b>	<b>169</b>	<b>156</b>	<b>697</b>	<b>677</b>	<b>606</b>
<b>Total operating expenses</b>	<b>312</b>	<b>438</b>	<b>376</b>	<b>396</b>	<b>369</b>	<b>1 579</b>	<b>1 453</b>	<b>1 357</b>

\* Ordinary pension expenses 1st quarter 2010 would amount to NOK 35 million before the reversal of provisions of contractual pension (AFP)

\*\* Reversal of provisions for contractual pension (AFP) of NOK 78 million in Q1 2010 has impact on net operating expenses, where before the reversal the expenses would amount to NOK 231 million

## Change in operating expenses

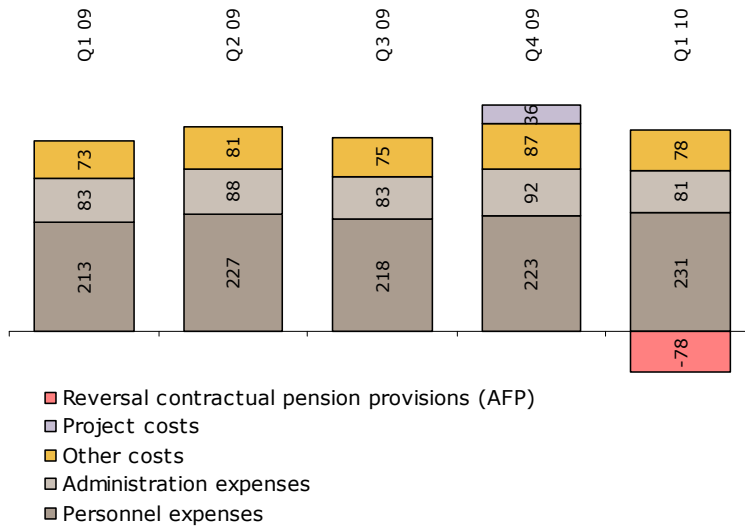
MNOK	Per Q1		
	2010	Change	2009
<b>Total</b>	<b>312</b>	<b>-57</b>	<b>369</b>
Reversal of provisions for contractual pension (AFP)		-78	
Personnel expenses		18	
IT expenses		5	
Marketing expenses		-3	
Other administrative expenses		-5	
Write-offs		2	
Expenses real property		-2	
Other operating expenses		6	

## Cost/income ratio

MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Operating expenses	390	438	376	396	369	1 579	1 453	1 357
Cost/income ratio*	50 %	46 %	39 %	47 %	60 %	47 %	59 %	52 %
Growth in expenses last 12 months	6 %	9 %	7 %	7 %	6 %	9 %	7 %	15 %

\* 50 per cent corrected for reversal of provisions for contractual pension (AFP) of NOK 78 million in Q1 2010

## Development in operating expenses

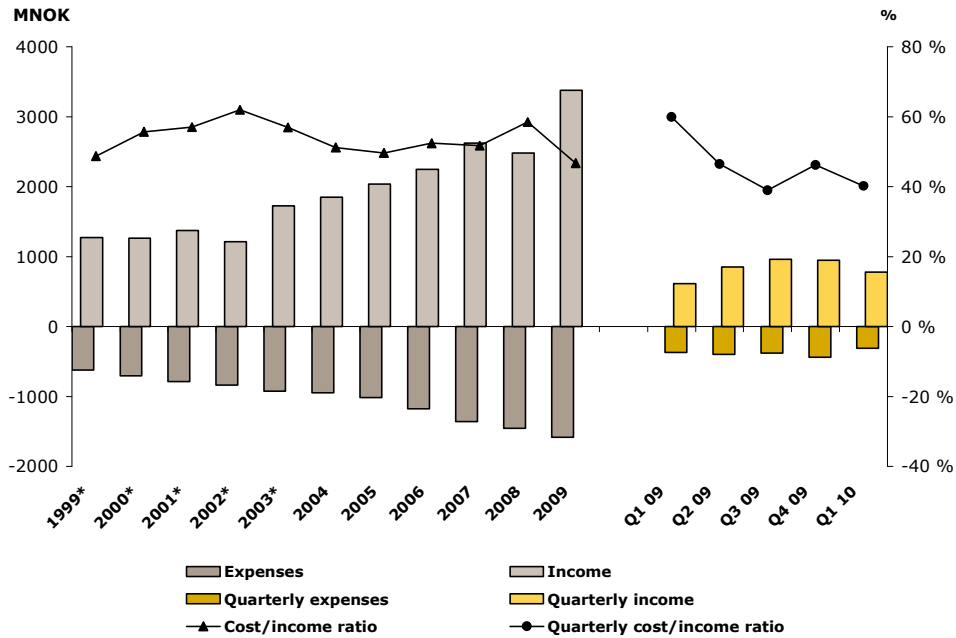


## Changes in personnel expenses

	Q1 09	Change in MNOK	Q1 10
<b>Group</b>	<b>213</b>	<b>18</b>	<b>231</b>
Parent bank		6	<i>Increase in pension provisions</i>
EiendomsMegler 1		8	<i>Change in accruals, higher level of activity, acquisitions</i>
SR-Forvaltning		2	<i>Amended terms for buy-out employees</i>
SR-Fondsforvaltning		1	<i>New subsidiary</i>
Vågen Eiendomsmegling		1	<i>New subsidiary (previously associated)</i>

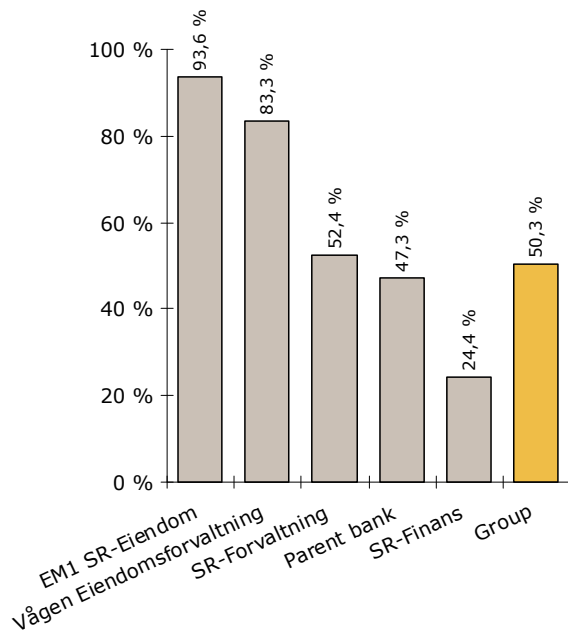


## Development cost/income ratio



\* In accordance with the Generally Accepted Accounting Principles in Norway

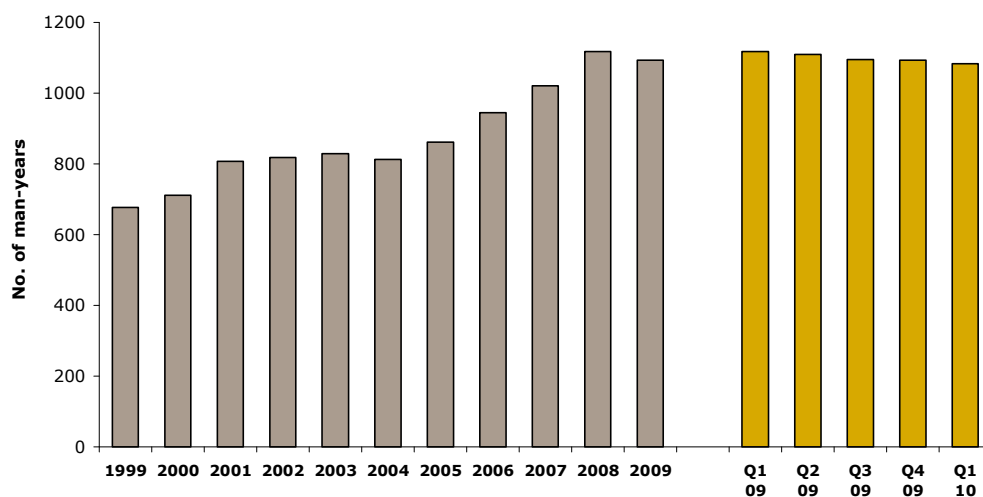
## Cost ratio as a total for the Group, the Parent bank and the individual subsidiary



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

<i>No. of man-years</i>	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09
SpareBank 1 SR-Bank	854	867	870	883	889
EiendomsMegler 1 SR-Eiendom AS	168	164	164	161	162
SR-Forvaltning ASA	10	11	10	11	11
SR-Finans AS	30	32	33	34	36
Other	22	19	18	20	20
<b>Total</b>	<b>1 083</b>	<b>1 093</b>	<b>1 094</b>	<b>1 109</b>	<b>1 117</b>

**Man-labour years 1999-1<sup>st</sup> quarter 2010 (permanent employees, contracted staff not included)**



## 2.5 Losses on loans and loss provisions

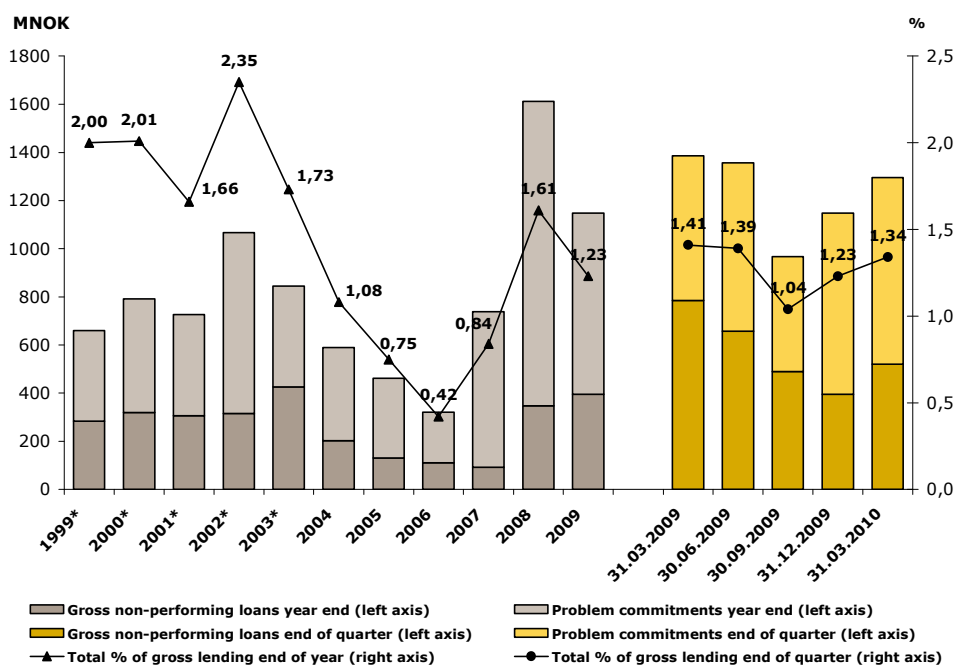
### Losses on loans and guarantees

MNOK	31 March 2010	31 Dec. 2009	30 Sept. 2009	30 June 2009	31 March 2009	31 Dec. 2008
Change in individual individual impairment losses provisions for the period	16	-12	-56	60	80	228
Change in collective impairment loss provisions for the period	11	91	78	28	-	98
Amortised cost	-	17	3	-	-4	23
Actual loan losses on commitments for which provisions have been made	37	227	229	83	56	38
Actual loan losses on commitments for which no provision has been made	7	63	43	39	-	5
Recoveries on commitments previously written-off	-2	-18	-3	-1	-	-6
<b>The period's net losses/(reversals) on loans and advances</b>	<b>69</b>	<b>368</b>	<b>294</b>	<b>209</b>	<b>132</b>	<b>386</b>

### Provisions for impairment losses on loans and guarantees

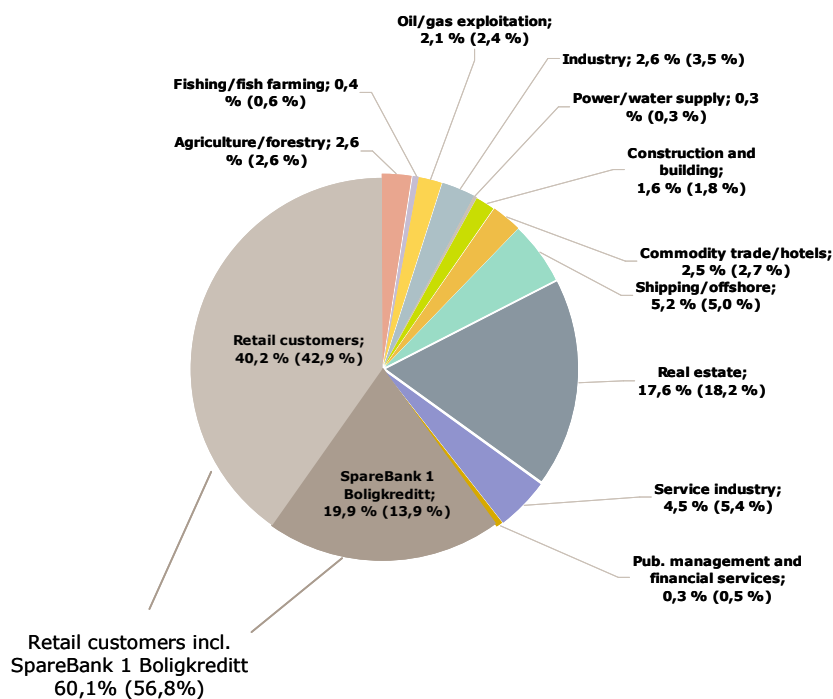
MNOK	31 March 2010	31 Dec. 2009	30 Sept. 2009	30 June 2009	31 March 2009	31 Dec. 2008
Provisions for individual impairment losses at start of period	337	349	349	349	349	105
Increases in previous provisions for individual impairment losses	76	99	152	116	134	4
Reversal of provisions from previous periods	-61	-127	-120	-120	-26	-30
New provisions for individual impairment losses	39	226	141	146	29	292
Amortised cost	-5	16	5	-11	-13	16
Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-37	-226	-229	-82	-56	-38
<b>Provisions for individual impairment losses at the end of period</b>	<b>349</b>	<b>337</b>	<b>298</b>	<b>398</b>	<b>417</b>	<b>349</b>

### Non-performing loans and problem commitments



## 2.6 Loans

MNOK	31 March 2010	31 Dec. 2009	30 Sept. 2009	30 June 2009	31 March 2009	31 Dec. 2008
Agriculture and forestry	3 134	3 176	3 089	3 045	3 015	2 951
Fishing	50	51	50	49	110	105
Fishfarming	432	532	252	187	612	659
Oil/gas exploitation	2 517	2 124	2 761	3 261	2 727	2 772
Production of food	148	147	232	166	231	125
Graphic business	445	428	62	63	519	533
Industry	2 110	2 064	2 024	2 025	1 841	1 810
Shipyard	471	377	237	611	1 416	1 144
Power and water supply	417	373	416	309	354	181
Building and construction	1 952	1 953	1 941	2 099	2 103	2 196
Commodity trade	2 726	2 555	2 460	2 398	2 840	2 765
Hotels and restaurants	331	325	313	305	245	234
Shipping	4 571	4 578	5 167	4 727	4 571	4 638
Transportation	1 721	1 064	713	1 311	1 118	1 123
Real estate	21 099	21 610	21 286	21 507	20 577	20 263
Business services and management	4 326	4 495	5 477	5 203	5 012	4 826
Social and private services and management	1 018	1 037	1 055	1 042	1 154	1 159
Finance	151	192	333	318	331	228
Central and local government	240	268	244	245	216	251
Retail customers	48 252	45 847	44 438	66 260	64 244	51 528
Unallocated (excess value fixed interest loans and amort. lending fees)	163	102	65	146	176	139
Accrued interests corporate sector and retail customers	207	175	234	230	346	441
<b>Gross loans</b>	<b>96 481</b>	<b>93 473</b>	<b>92 849</b>	<b>115 507</b>	<b>113 758</b>	<b>100 071</b>
SpareBank 1 Boligkredditt	23 871	24 754	23 901	18 043	15 718	12 226
<b>Gross loans incl SpareBank 1 Boligkredditt</b>	<b>120 352</b>	<b>118 227</b>	<b>116 750</b>	<b>133 550</b>	<b>129 476</b>	<b>112 297</b>

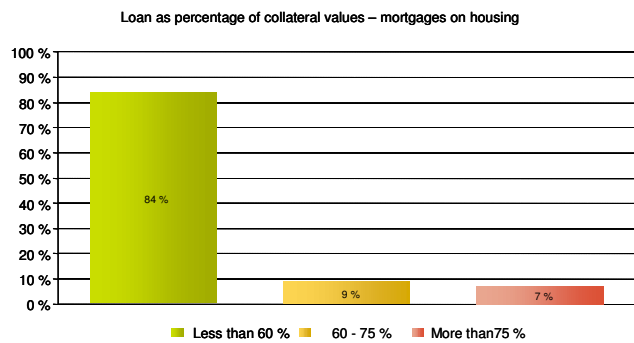


(Figures for corresponding period in 2009 are showed in parentheses)

## 2.7 Risk profile

### Loan to Value ratio – LTV

Collateral security is very good for housing properties



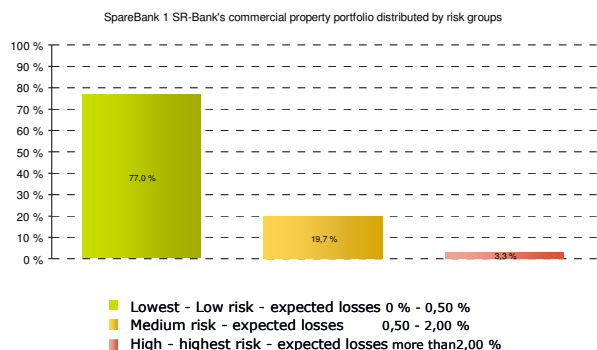
- The figure shows average moderate lending seen in light of value of security lodged
- Excluding portfolios transferred to SpareBank1 Boligkreditt AS, 79% of the portfolio secured by way of mortgages on housing would be under 60%

LTV is calculated on the basis of the market value of the collateral. In the case of loans that exceed 60 per cent of the market value of the collateral, the excess is distributed among the other intervals.

The figures include the portfolio transferred to Boligkreditt.

### Commercial property portfolio

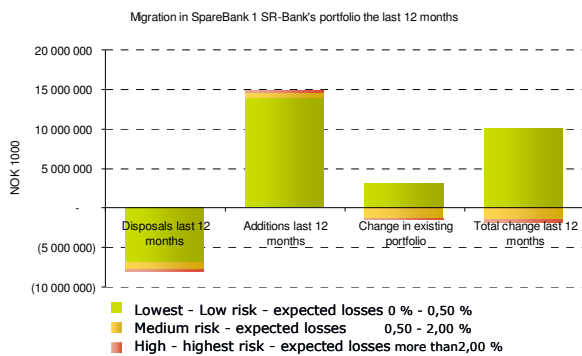
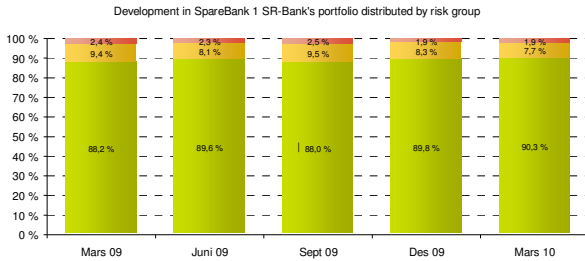
The portfolio is dominated by commitments with low risk



- The corporate market portfolio is satisfactorily spread over various sectors. Property is the largest single sector, accounting for 14% of total exposure (EAD), including retail market customers
- The commercial property portfolio is dominated by commitments with low risk. These account for 77% of the loan exposure, while only 3% of the exposure is classified as high risk.
- As regards interest risk, 65% of the portfolio is hedged, and of this 78% of the interest rate hedge contracts are for more than 5 years
- 63% of the portfolio has leases that expire later than 2015, while only 2% is vacant. The tenants are financially strong.
- In general, the outlook for the commercial property portfolio is good, but the risk is expected to increase for properties linked to exposed industries.

# SpareBank1 SR-Bank's Risk Profile

## Moderate risk profile, credit quality continues to improve



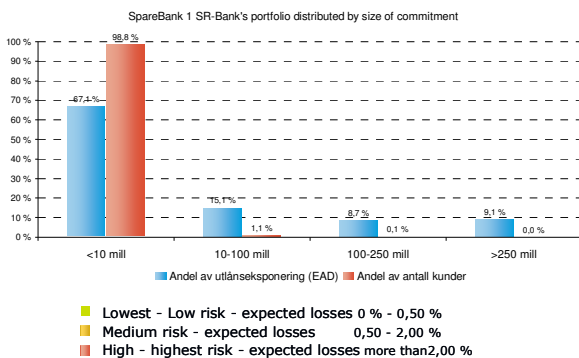
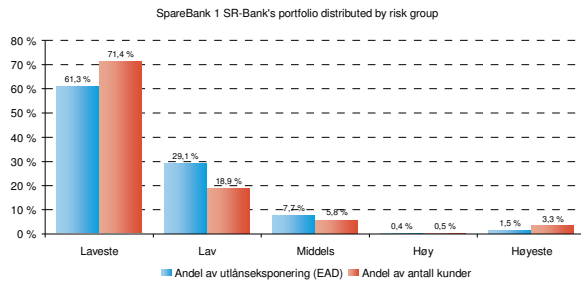
- The group has a moderate risk profile
- The positive development in the credit quality that started in the second half of 2009 continued in Q1 2010
- The downturn in the Norwegian economy has been limited, and low interest rates have contributed to a higher activity level and rising housing prices. At the same time, unemployment has stayed low.
- These trends contribute to the sound credit quality in the group's portfolio

Measurements of risk exposure are based on a long-term average throughout the business cycle. This implies greater stability in default estimates. The bank decided to change the long-term average in the corporate market portfolio with effect from the turn of the year. The effect of this has been incorporated in all data.

Figures include the portfolio transferred to Boligkreditt.

# SpareBank1 SR-Bank's Risk Profile

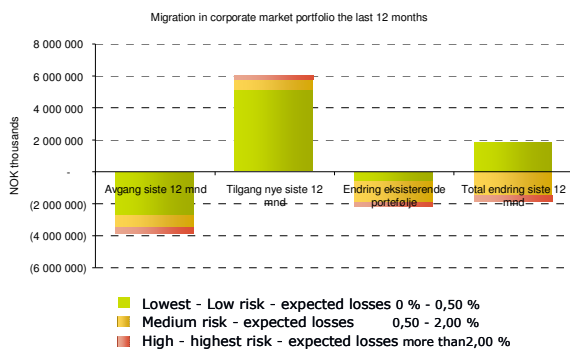
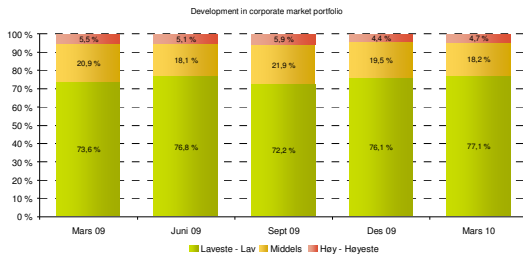
## High share of commitments with low risk



- The figure on the upper left shows that 90% of the loan exposure, corresponding to 90% of the customers, satisfies the criteria for low or lowest risk. Expected losses in this part of the portfolio are 0.05%.
- Exposure to high or highest risk makes up 2% of the loan exposure or 4% of the customers. Expected losses in this part of the portfolio are just under 4%.
- The figure on the lower left shows that 99% of the customers, equal to 67% of the loan exposure, refer to commitments that are less than NOK 10 million. About 100 customers have an exposure that exceeds NOK 100 million. These account for 18% of the total loan exposure.
- In general, the large-customer portfolio has a lower default probability than the average portfolio.

# Corporate market portfolio – Risk Profile

The quality has improved, but growth in lending is still low

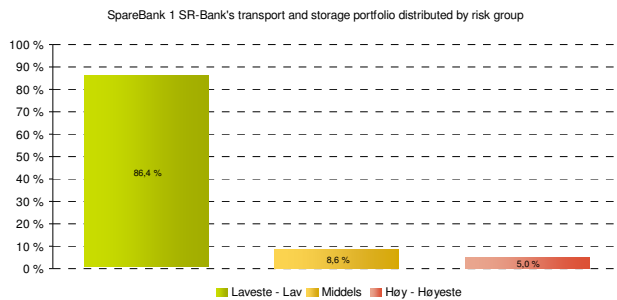


- The portfolio quality is considered good
- The credit quality improved in the second half of 2009 and this trend continued in Q1 2010
- The positive development is due to market prospects being upgraded and constant internal focus on risk-reducing measures
- Growth in lending remains low because of the low level of investment willingness and credit demand from trade and industry

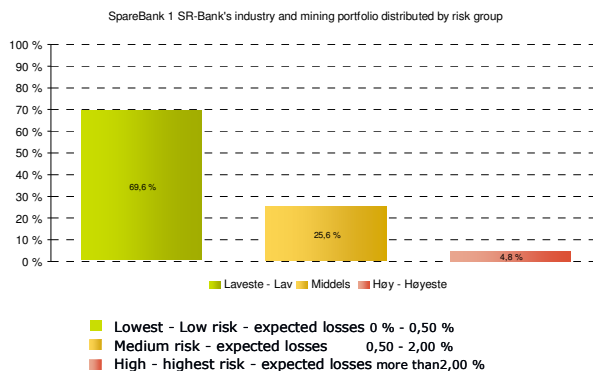
Measurements of risk exposure are based on a long-term average throughout the business cycle. This implies greater stability in default estimates. The bank decided to change the long-term average in the corporate market portfolio with effect from the turn of the year. The effect of this has been incorporated in all data.

## The portfolio of other central sectors

The portfolio is dominated by commitments with low risk



- The group has a satisfactory spread over the various sectors. Transport and storage (shipping) and industry and mining (incl. petroleum) have, as is the case for other sectors, a moderate risk profile
- The group has a significant shipping exposure to offshore service vessels. Most of the vessels financed are engaged in North Sea activities and overall the contract coverage is good



- Exposure to chemical carriers and product tankers is moderate. The portfolio comprises a relatively young fleet of vessels built at well-renowned yards
- To a limited extent the group is exposed to gas tankers, mainly LNG vessels on long charters. The group has limited exposure to dry cargo carriers, container vessels, ro-ro vessels and tankers
- The group's petroleum service portfolio is considered relatively robust. Most commitments involve operating or maintenance companies rather than newbuildings, where orders have dried up of late

For further information regarding risk capital management can be found in Basel II-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.

Figure 2.8 Methods

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

Table 2.8.1 Capital

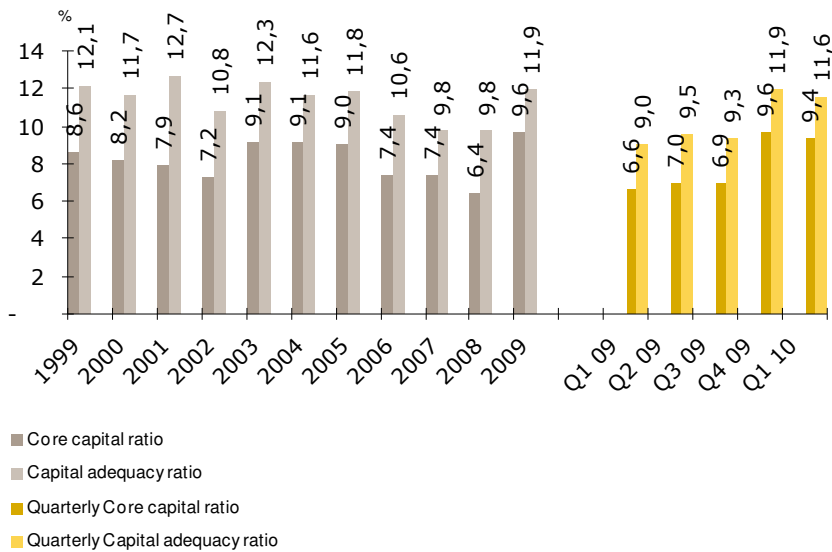
	31 March 2010	31 Dec. 2009	30 Sept. 2009	30 June 2009	31 March 2009	31 Dec. 2008
<i>MNOK</i>						
Equity capital certificates	3 023	3 023	2 247	2 247	2 247	1 872
- Own equity capital certificates	-3	-9	-9	-9	-9	-7
Premium reserve	456	478	42	42	42	92
Equalisation reserve	735	759	443	474	514	838
Allocated to dividend	-	212	-	-	-	75
Savings bank's reserve	2 220	2 241	2 005	2 032	2 066	2 066
Compensation fund	20	-	-	-	-	-
Endowment fund	240	240	82	83	112	122
Reserve for unrealised gains	127	127	69	69	69	69
Other equity	972	1 002	832	828	825	827
<b>Total book equity</b>	<b>7 790</b>	<b>8 073</b>	<b>5 711</b>	<b>5 766</b>	<b>5 866</b>	<b>5 954</b>
Deferred taxes, goodwill and other intangible assets	-54	-42	-43	-42	-25	-23
Fund for unrealized gains, available for sale	-1	-1	-1	-1	-1	-1
Deduction for allocated dividends	-	-212	-	-	-	-75
50% deduction for subordinated capital in other financial institutions	-17	-17	-17	-17	-17	-17
50% deduction for expected losses on IRB, net of write-downs	-335	-337	-341	-288	-328	-188
50 %Capital adequacy reserve	-570	-552	-499	-480	-545	-547
Share of non-performing, non-amortized estimate deviations	-	-	-	-	-	38
Year-to-date profit included in core capital (50%)	149	-	389	190	39	-
Hybrids	1 234	1 218	433	480	505	526
<b>Total core capital</b>	<b>8 196</b>	<b>8 130</b>	<b>5 632</b>	<b>5 609</b>	<b>5 494</b>	<b>5 667</b>
<i>Supplementary capital in excess of core capital</i>						
Perpetual subordinated capital	779	760	764	814	835	872
Non-perpetual subordinated capital	2 059	2 045	2 029	2 058	2 078	2 834
50% deduction for subordinated capital in other financial institutions	-17	-17	-17	-17	-17	-17
50% deduction for expected losses on IRB, net of write-downs	-335	-337	-341	-288	-328	-188
50 % capital adequacy reserve	-570	-552	-499	-480	-545	-547
<b>Total supplementary capital</b>	<b>1 916</b>	<b>1 899</b>	<b>1 936</b>	<b>2 087</b>	<b>2 023</b>	<b>2 954</b>
<b>Net subordinated capital</b>	<b>10 112</b>	<b>10 029</b>	<b>7 568</b>	<b>7 696</b>	<b>7 517</b>	<b>8 621</b>



Table 2.8.2 Capital requirements

<i>MNOK</i>	31 March 2010	31 Dec. 2009	30 Sept. 2009	30 June 2009	31 March 2009	31 Dec. 2008
Specialized Lending exposure	1 988	2 045	2 000	1 826	2 319	2 299
Other corporations exposure	1 905	1 755	1 923	1 760	1 437	1 368
SME exposure	33	33	33	32	33	32
Retail mortgage exposure	653	614	568	577	516	516
Other retail exposure	63	93	99	121	92	48
Equity investments	-	-	-	-	-	-
<b>Total credit risk IRB</b>	<b>4 642</b>	<b>4 540</b>	<b>4 623</b>	<b>4 316</b>	<b>4 397</b>	<b>4 263</b>
Debt risk	85	82	95	88	103	101
Equity risk	47	47	48	36	49	50
Currency risk	-	-	-	7	-	-
Operational risk	374	320	320	320	319	306
Transitional arrangements	255	264	46	382	-	657
Exposures calculated using the standardised approach	1 692	1 605	1 495	1 389	1 928	1 754
Deductions	-94	-91	-82	-79	-90	-90
<b>Minimum requirements subordinated capital</b>	<b>7 001</b>	<b>6 767</b>	<b>6 545</b>	<b>6 459</b>	<b>6 706</b>	<b>7 041</b>
<b>Capital adequacy ratio</b>	<b>11,55 %</b>	<b>11,86 %</b>	<b>9,25 %</b>	<b>9,53 %</b>	<b>8,97 %</b>	<b>9,80 %</b>
Core capital ratio	9,37 %	9,61 %	6,88 %	6,95 %	6,55 %	6,44 %
Supplementary capital ratio	2,19 %	2,26 %	2,38 %	2,59 %	2,42 %	3,37 %

Core capital and capital adequacy ratio



### 3. Business areas

#### 3.1 Business segments - Financial performance

##### Extracts from income statement, first quarter

	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		SR-Finans		Other*		Total	
	Q1 10	Q1 09	Q1 10	Q1 09	Q1 10	Q1 09	Q1 10	Q1 09	Q1 10	Q1 09	Q1 10	Q1 09	Q1 10	Q1 09
<i>MNOK</i>														
Net interest income	249	225	170	117	4	3	1	1	42	47	-29	-44	437	349
Net commission and other income	80	72	38	41	36	30	72	67	-3	-3	36	1	260	208
Net return on investment securities	0	0	0	0	5	5	0	0	0	0	74	53	79	58
Operating expenses	125	123	40	40	6	9	69	61	10	9	62	127	312	369
Operating contribution before losses	204	174	168	117	39	29	5	7	29	35	19	-116	464	246
Losses on loans and guarantees	2	3	38	121	0	0	0	0	19	8	10	0	69	132
<b>Operating contribution before tax</b>	<b>202</b>	<b>171</b>	<b>130</b>	<b>-4</b>	<b>39</b>	<b>29</b>	<b>5</b>	<b>7</b>	<b>10</b>	<b>27</b>	<b>9</b>	<b>-116</b>	<b>395</b>	<b>114</b>
<b>Gross loans to customers excl. Boligkreditt</b>	<b>47 521 48 010</b>	<b>44 332 45 491</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5 077</b>	<b>4 989</b>	<b>-449</b>	<b>-450</b>	<b>96 481</b>	<b>98 040</b>
<b>Deposits from customers</b>	<b>25 468 24 787</b>	<b>28 024 29 388</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>-170</b>	<b>-384</b>	<b>53 323</b>	<b>53 791</b>

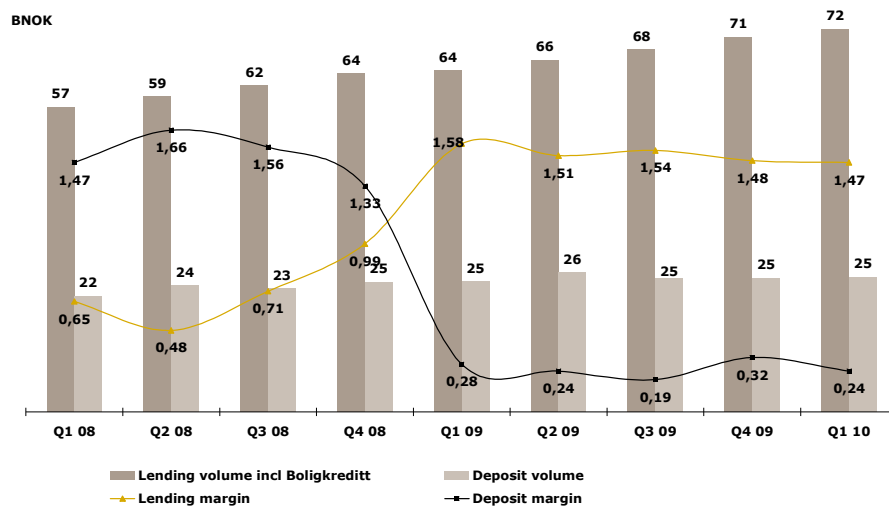
\* Includes SR-Forvaltning, SR-Investering, SR-Fondsforvaltning, Vågen Eiendom

## 3.2 Retail Market

### Financial performance in the retail market segment

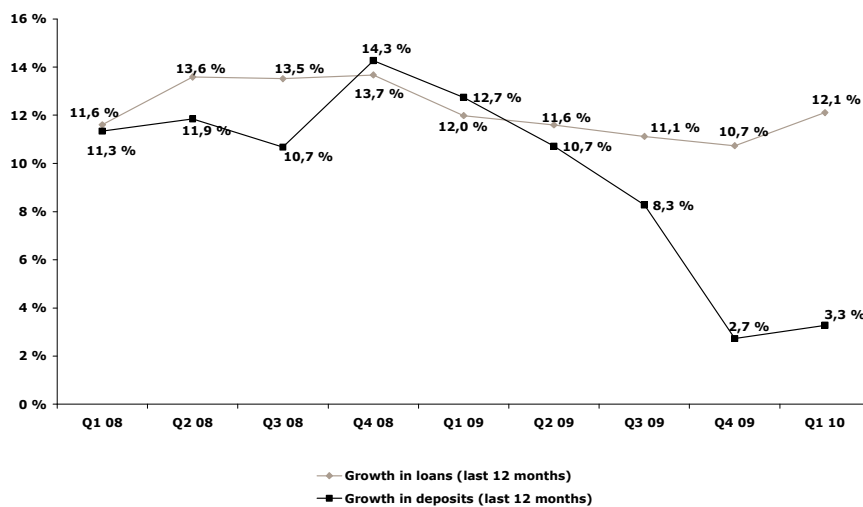
MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2 009	2008	2007
Net interest income	249	264	256	219	225	964	814	692
Net other operating income	80	89	87	75	72	323	356	440
Total income	329	354	343	295	296	1 287	1 169	1 132
Total operating expenses	125	140	128	103	123	493	488	418
<b>Operating contribution before losses</b>	<b>204</b>	<b>213</b>	<b>215</b>	<b>192</b>	<b>174</b>	<b>794</b>	<b>682</b>	<b>714</b>
Losses on loans and guarantees	2	-4	4	2	3	5	21	-16
<b>Operating contribution before tax</b>	<b>202</b>	<b>217</b>	<b>211</b>	<b>190</b>	<b>171</b>	<b>789</b>	<b>661</b>	<b>730</b>

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



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

### Growth in loans and deposits

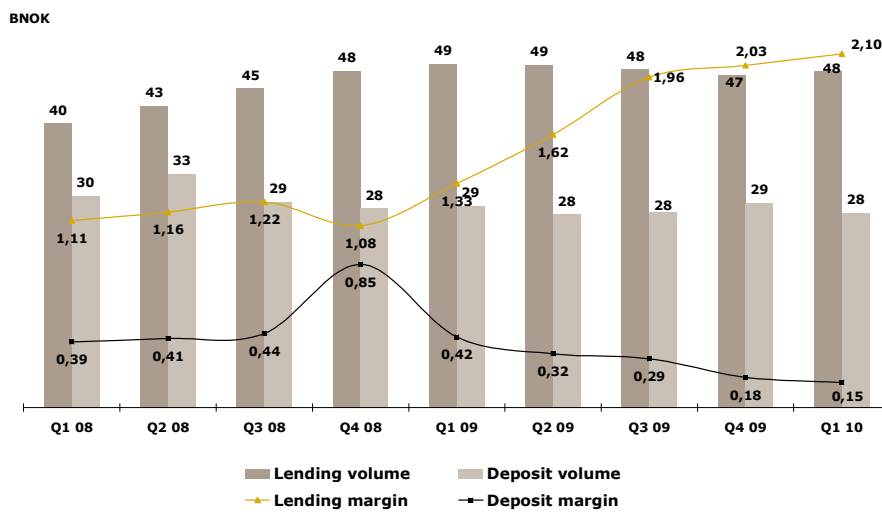


### 3.3 Corporate Market

#### Financial performance in the corporate market segment

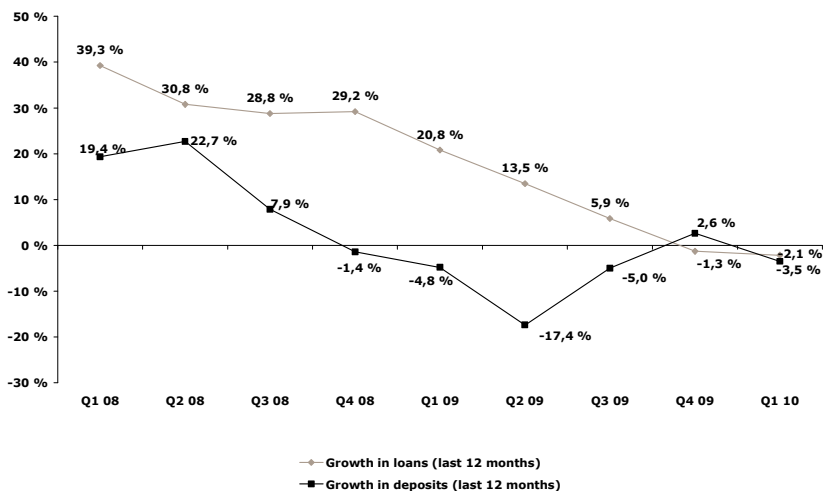
MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Net interest income	170	173	170	143	117	603	571	436
Net other operating income	38	37	33	41	41	152	203	158
Total income	208	210	204	185	157	755	774	594
Total operating expenses	40	46	40	32	40	158	147	126
<b>Operating contribution before losses</b>	<b>168</b>	<b>164</b>	<b>164</b>	<b>153</b>	<b>117</b>	<b>597</b>	<b>627</b>	<b>468</b>
Losses on loans and guarantees	38	61	27	38	121	248	246	25
<b>Operating contribution before tax</b>	<b>130</b>	<b>103</b>	<b>136</b>	<b>115</b>	<b>-4</b>	<b>349</b>	<b>381</b>	<b>443</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 segment

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

MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2 009	2008	2007
Net interest income	4	-2	9	5	3	14	-26	-22
Net other operating income	41	42	19	96	35	176	-42	98
Total income	45	40	28	100	38	190	-68	76
Total operating expenses	6	11	11	8	9	40	35	22
<b>Operating contribution before losses</b>	<b>39</b>	<b>28</b>	<b>17</b>	<b>92</b>	<b>29</b>	<b>150</b>	<b>-103</b>	<b>54</b>
Losses on loans and guarantees	0	0	0	10	0	0	0	0
<b>Operating contribution before tax</b>	<b>39</b>	<b>28</b>	<b>17</b>	<b>82</b>	<b>29</b>	<b>150</b>	<b>-103</b>	<b>54</b>

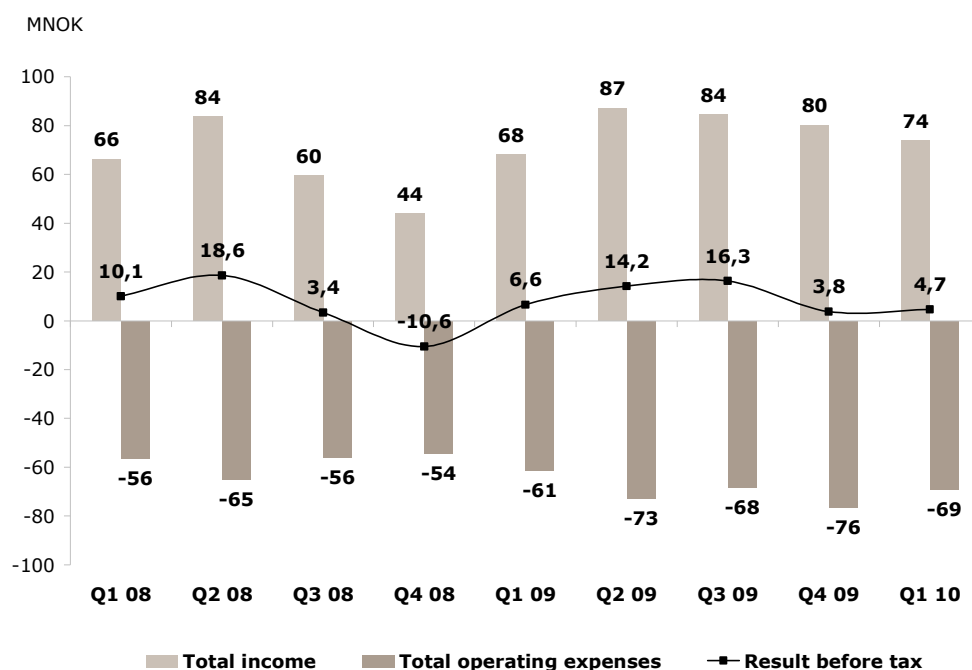
## 3.5 Subsidiaries

### 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. In 2009, the company sold 5 900 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	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Interest income	1,4	1,7	1,0	0,8	0,8	4,4	12,3	10,7
Other income	72,4	78,5	83,4	86,1	67,2	315,2	241,2	274,9
<b>Total income</b>	<b>73,8</b>	<b>80,2</b>	<b>84,4</b>	<b>86,9</b>	<b>68,0</b>	<b>319,5</b>	<b>253,5</b>	<b>285,6</b>
Personal expenses	42,1	46,1	42,1	40,6	33,0	161,0	117,2	141,3
Other expenses	27,0	30,2	26,0	32,1	28,4	117,6	114,8	107,5
<b>Total operating expenses</b>	<b>69,1</b>	<b>76,4</b>	<b>68,1</b>	<b>72,7</b>	<b>61,4</b>	<b>278,5</b>	<b>232,0</b>	<b>248,8</b>
<b>Result before tax</b>	<b>4,7</b>	<b>3,8</b>	<b>16,3</b>	<b>14,2</b>	<b>6,6</b>	<b>41,0</b>	<b>21,5</b>	<b>36,8</b>

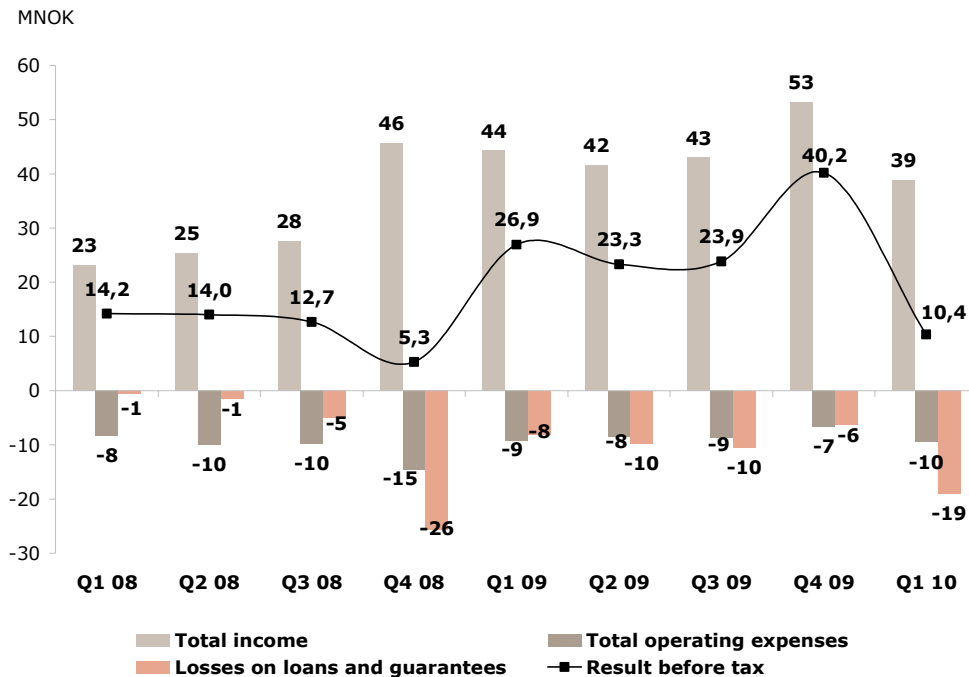


## SpareBank 1 SR-Finans AS

SpareBank 1 SR-Finans AS is the leading leasing company in Rogaland with approximately NOK 5.1 billion in total assets. Its main products are leasing to trade and industry and car loans to private customers. SpareBank 1 SR-Bank owns the company with a 100 per cent share.

### Financial performance

MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Interest income	41,5	57,1	45,8	44,2	47,1	194,2	123,3	77,8
Other income	-2,5	-4,0	-2,8	-2,6	-2,8	-12,1	-1,4	0,6
<b>Total income</b>	<b>38,9</b>	<b>53,2</b>	<b>43,0</b>	<b>41,6</b>	<b>44,3</b>	<b>182,1</b>	<b>121,9</b>	<b>78,4</b>
Personal expenses	6,4	3,9	5,7	5,4	6,4	21,0	29,9	20,2
Other expenses	3,1	2,8	3,0	3,1	3,0	12,1	12,9	11,5
<b>Total operating expenses</b>	<b>9,5</b>	<b>6,7</b>	<b>8,7</b>	<b>8,5</b>	<b>9,3</b>	<b>33,2</b>	<b>42,8</b>	<b>31,7</b>
<b>Ordinary operating profit</b>	<b>29,4</b>	<b>46,5</b>	<b>34,3</b>	<b>33,1</b>	<b>35,0</b>	<b>148,9</b>	<b>79,2</b>	<b>46,7</b>
Loss on loans, guarantees etc.	19,0	6,3	10,5	9,8	8,0	34,6	33,0	3,2
<b>Result before tax</b>	<b>10,4</b>	<b>40,2</b>	<b>23,9</b>	<b>23,3</b>	<b>26,9</b>	<b>114,3</b>	<b>46,2</b>	<b>43,5</b>

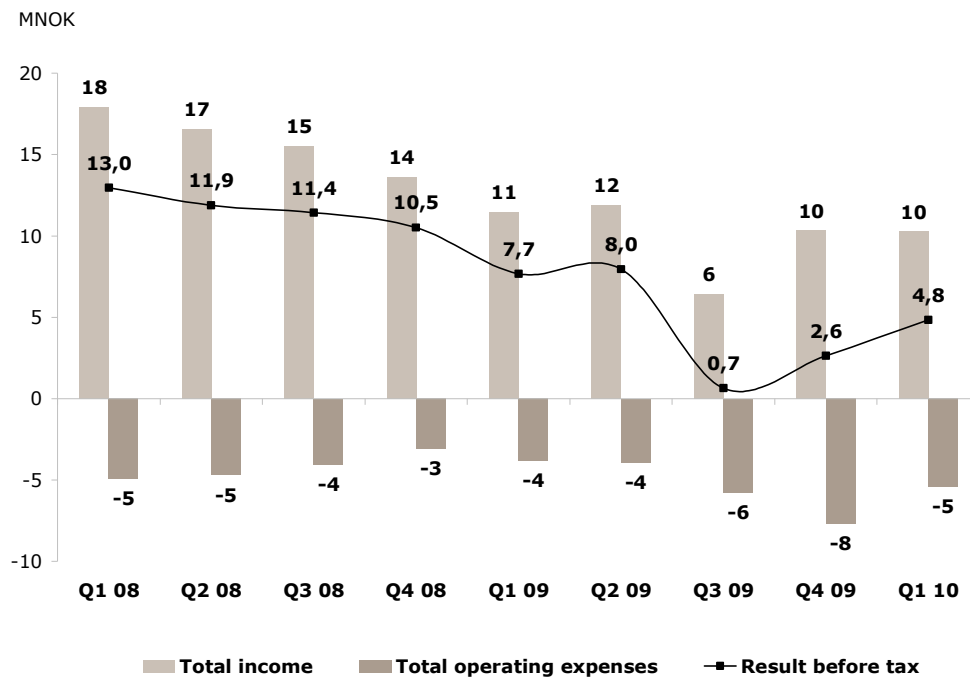


## SR-Forvaltning ASA

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, and 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. SpareBank 1 SR-Bank owns the company with a 100 per cent share.

### Financial performance

MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Interest income	0,2	0,2	0,1	0,1	0,3	0,7	2,3	1,7
Other income	10,1	10,1	6,3	11,8	11,2	39,4	61,2	68,2
<b>Total income</b>	<b>10,3</b>	<b>10,3</b>	<b>6,4</b>	<b>11,9</b>	<b>11,5</b>	<b>40,2</b>	<b>63,5</b>	<b>69,9</b>
Personal expenses	4,0	6,0	4,4	3,0	2,3	15,8	10,0	9,6
Other expenses	1,4	1,7	1,4	0,9	1,5	5,5	6,7	5,9
<b>Total operating expenses</b>	<b>5,4</b>	<b>7,7</b>	<b>5,8</b>	<b>3,9</b>	<b>3,8</b>	<b>21,2</b>	<b>16,7</b>	<b>15,5</b>
<b>Result before tax</b>	<b>4,8</b>	<b>2,7</b>	<b>0,7</b>	<b>7,9</b>	<b>7,7</b>	<b>18,9</b>	<b>46,8</b>	<b>54,4</b>



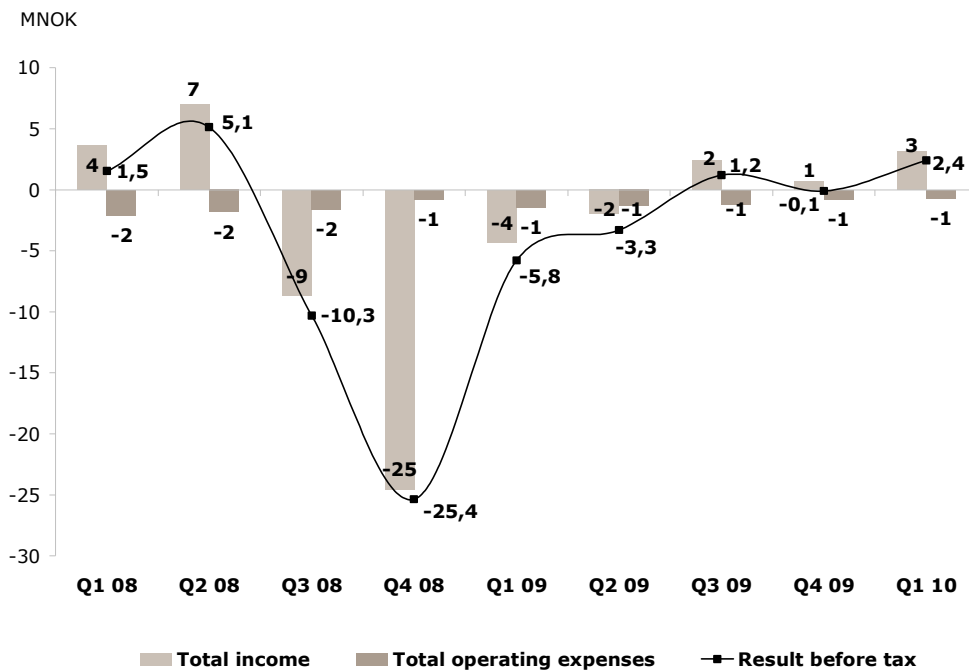


## SR-Investering AS

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. SpareBank 1 SR-Bank owns the company with a 100 per cent share.

### Financial performance

MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Interest income	0,3	0,3	0,3	0,3	0,4	1,3	2,5	3,0
Other income	-	0,6	-	-	-	0,6	-25,4	53,5
Net return on investment securities	2,8	-0,2	2,1	-2,3	-4,7	-5,2	0,3	
<b>Total income</b>	<b>3,1</b>	<b>0,7</b>	<b>2,4</b>	<b>-2,0</b>	<b>-4,3</b>	<b>-3,2</b>	<b>-22,7</b>	<b>56,5</b>
Personal expenses	0,6	0,6	1,1	1,1	1,3	4,2	5,3	5,9
Other expenses	0,1	0,2	0,1	0,2	0,1	0,7	1,1	0,7
<b>Total operating expenses</b>	<b>0,7</b>	<b>0,8</b>	<b>1,2</b>	<b>1,3</b>	<b>1,5</b>	<b>4,9</b>	<b>6,4</b>	<b>6,6</b>
<b>Result before tax</b>	<b>2,4</b>	<b>-0,1</b>	<b>1,1</b>	<b>-3,3</b>	<b>-5,8</b>	<b>-8,1</b>	<b>-29,0</b>	<b>49,8</b>

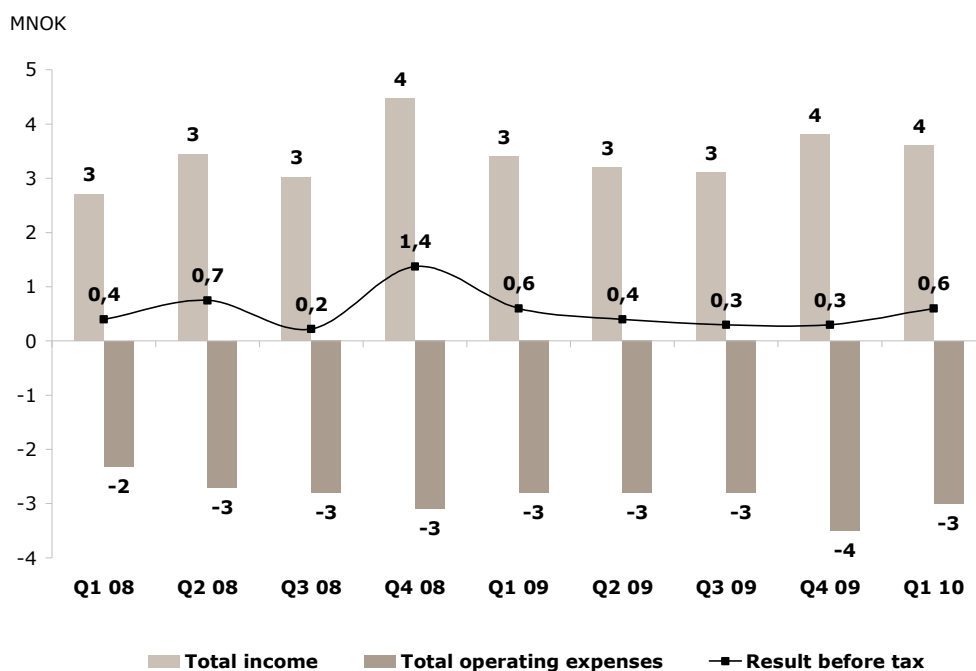


## Vågen Eiendom AS

Vågen Eiendom (Vågen Eiendomsforvaltning AS and Vågen Drift AS) and Vågen Eiendomsmegling AS is a competence centre for commercial properties. The objective is to create values for customers by way of active management, development and real estate broking. Vågen Eiendomsforvaltning AS and Vågen Drift AS returned a quarterly profit of NOK 0.6 million. Vågen Eiendomsmegling AS returned a quarterly loss of NOK 1.1 million. SpareBank 1 SR-Bank owns the company with a 100 per cent share.

### Financial performance Vågen Eiendom AS

MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Full year		
						2009	2008	2007
Interest income	0,0	0,1	0,0	0,0	0,0	0,1	0,2	0,1
Other income	3,6	3,7	3,0	3,1	3,4	13,3	12,9	9,1
<b>Total income</b>	<b>3,6</b>	<b>3,8</b>	<b>3,1</b>	<b>3,2</b>	<b>3,4</b>	<b>13,4</b>	<b>13,1</b>	<b>9,2</b>
Personal expenses	1,9	2,4	2,2	1,9	1,9	7,5	6,7	5,3
Other expenses	1,1	1,1	0,7	0,9	0,9	3,9	3,5	2,3
<b>Total operating expenses</b>	<b>3,0</b>	<b>3,5</b>	<b>2,8</b>	<b>2,8</b>	<b>2,8</b>	<b>11,5</b>	<b>10,2</b>	<b>7,6</b>
<b>Result before tax</b>	<b>0,6</b>	<b>0,3</b>	<b>0,3</b>	<b>0,4</b>	<b>0,6</b>	<b>1,9</b>	<b>2,9</b>	<b>1,5</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. Total assets rose by more than 20 per cent during Q1 2010. SpareBank 1 SR-Bank owns the company with a 100 per cent share.

### Financial performance

MNOK	Q1 10	Q4 09	Q3 09	Q2 09	Full year 2009
Interest income	0,0	0,0	0,0	0,1	0,1
Other income	0,8	1,1	0,2	0,0	1,3
<b>Total income</b>	<b>0,8</b>	<b>1,1</b>	<b>0,2</b>	<b>0,1</b>	<b>1,4</b>
Personal expenses	1,1	1,1	0,6	1,8	4,4
Other expenses	0,8	0,8	1,6	0,8	2,3
<b>Total operating expenses</b>	<b>1,9</b>	<b>1,8</b>	<b>2,2</b>	<b>2,6</b>	<b>6,7</b>
<b>Result before tax</b>	<b>-1,1</b>	<b>-0,7</b>	<b>-2,0</b>	<b>-2,6</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 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 unemployment is expected to remain at low levels, see table 4.1.

Table 4.1. Projections for macroeconomic aggregates in Norges Bank's Monetary Policy Report 1/10. Percentages change from previous year (unless otherwise stated). Change from report 3/09 in brackets.

	2010	2011	2012	2013
CPI	2½ (¾)	1¾ (-½)	2½ (0)	2½
CPI-ATE	1½ (-¼)	2 (-¼)	2½ (0)	2½
CPIXE <sup>1)</sup>	1¾ (0)	2 (-¼)	2½ (0)	2½
Annual wage growth	3¾ (-½)	4¼ (-¼)	4¾ (0)	4¾
Mainland demand	3 (-¼)	4¼ (0)	3¼ (½)	2¼
GDP mainland Norway	2¼ (-½)	2¾ (-½)	2½ (-¼)	2¼
Output gap mainland Norway <sup>2)</sup>	-¾ (-¼)	-¼ (-¼)	-¼ (-½)	0
Employment	0 (¼)	¾ (-¼)	1 (¼)	½
LFS unemployment (rate)	3¾ (0)	3¾ (¼)	3½ (0)	3½

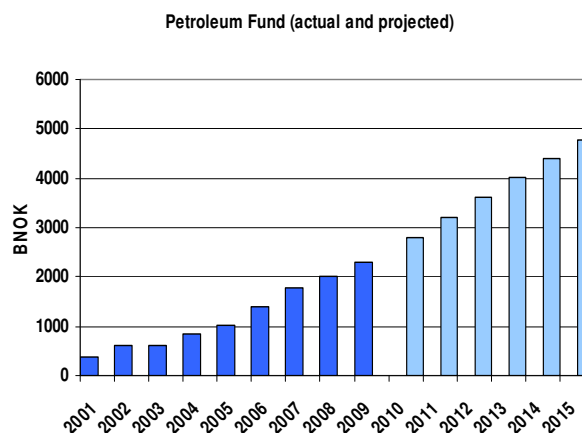
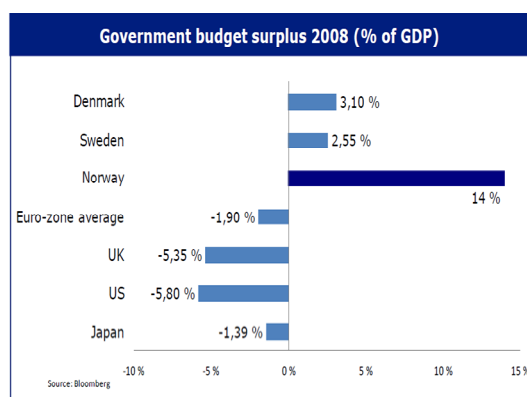
<sup>1)</sup> CPIXE: CPI adjusted for tax changes and excluding temporary changes in energy prices. See *Staff Memo 7/2008* and *Staff Memo 3/2009* from Norges Bank for a description of the CPIXE

<sup>2)</sup> The output gap measures the percentage deviation between mainland GDP and projected potential mainland GDP

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)

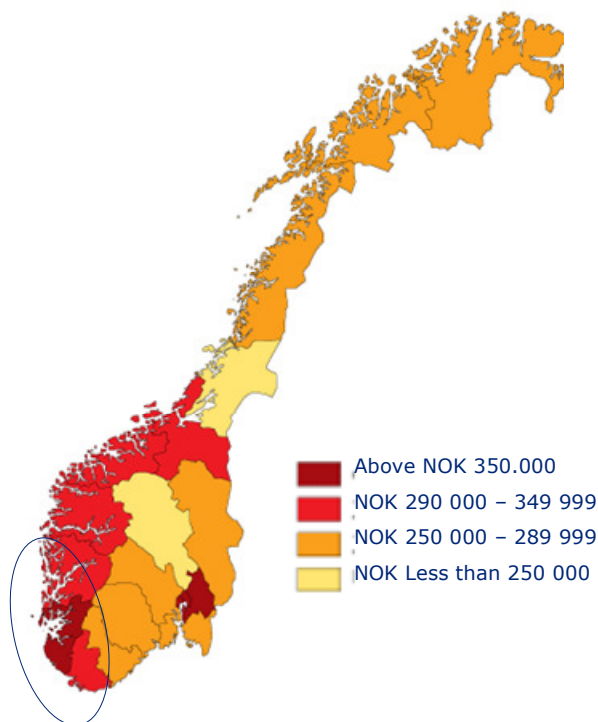
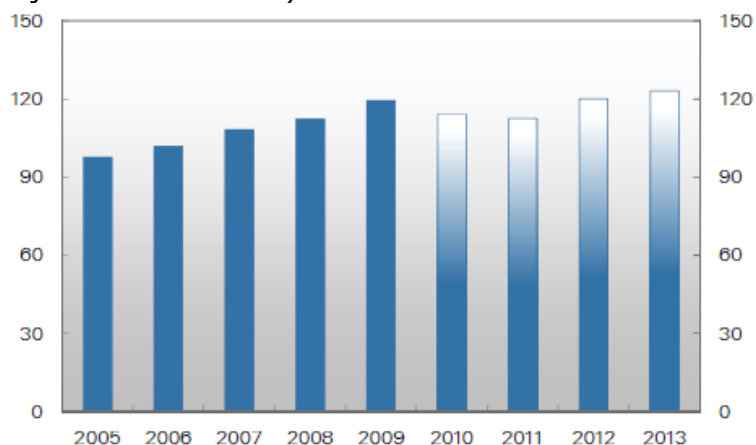


Figure 4.4. Petroleum investments. Constant 2007 prices. In billions of NOK. 2005-2013 (projections 2010-2013)



Source: Norges Bank, MPR 1/10

House prices in the market area have been fairly stable the last three years and unemployment rates have remained at low levels, see figure 4.5

Figur 4.5 Regional house prices and unemployment rates

