



1. QUARTER 2011

SPARÉBANK 1 SR-BANK GROUP

## **Chief Executive, CEO**

Arne Austreid

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SpareBank 1 SR-Bank Switchboard: +47 915 02002

### **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**

Preliminary results and 4 <sup>th</sup> quarter 2010	3 February 2011
Supervisory Board meeting	24 March 2011
Ex dividend day	25 March 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

### 1<sup>st</sup> quarter 2011

- Group profit before tax: NOK 336 million (NOK 395 million)
- Group profit after tax: NOK 265 million (NOK 298 million)
- Return on equity after tax: 11.2 % (14.8 %)
- Impairment losses on loans and guarantees: NOK 51 million (NOK 69 million)
- Net interest income: NOK 424 million (NOK 437 million)
- Net commission and other income: NOK 281 million (NOK 260 million)
- Net return on investment securities: NOK 128 million (NOK 79 million)
- Core capital ratio (Tier 1): 10.2 % (9.4 %)

(Comparable figures for 2010 in parentheses)

### Income statement

MNOK	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Net interest income	424	442	436	427	437	1.742	1.676
Net commission and other income	281	283	264	294	260	1.101	998
Net return on investment securities	128	183	137	172	79	571	705
<b>Total income</b>	<b>833</b>	<b>908</b>	<b>837</b>	<b>893</b>	<b>776</b>	<b>3.414</b>	<b>3.379</b>
<b>Total operating expenses</b>	<b>446</b>	<b>423</b>	<b>408</b>	<b>423</b>	<b>312</b>	<b>1.566</b>	<b>1.579</b>
<b>Operating profit before losses</b>	<b>387</b>	<b>485</b>	<b>429</b>	<b>470</b>	<b>464</b>	<b>1.848</b>	<b>1.800</b>
Losses on loans and guarantees	51	71	43	51	69	234	368
<b>Operating profit before tax and minority interests</b>	<b>336</b>	<b>414</b>	<b>386</b>	<b>419</b>	<b>395</b>	<b>1.614</b>	<b>1.432</b>
Tax expense	71	33	86	81	97	297	321
<b>Profit after tax from continuing operations</b>	<b>265</b>	<b>381</b>	<b>300</b>	<b>338</b>	<b>298</b>	<b>1.317</b>	<b>1.111</b>
Attributable to majority interests	265	381	300	338	298	1.317	1.109
Attributable to minority interests	0	0	0	0	0	0	2

### Key figures

	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Return on equity <sup>1)</sup>	11,2 %	16,9 %	14,3 %	16,5 %	14,8 %	15,5 %	17,5 %
Cost ratio <sup>2)</sup>	53,5 %	46,6 %	48,7 %	47,4 %	40,2 %	45,9 %	46,7 %
Deposit-to-loan ratio	59,8 %	57,4 %	55,5 %	58,0 %	55,3 %	57,4 %	58,1 %
Growth in loans	8,6 %	13,2 %	8,0 %	-0,7 %	-1,6 %	13,2 %	-6,6 %
Growth in loans including SpareBank 1 Boligkreditt and Næringskreditt	12,5 %	11,6 %	6,6 %	6,0 %	5,8 %	11,6 %	5,3 %
Growth in deposits	17,5 %	11,8 %	3,7 %	3,1 %	-0,9 %	11,8 %	2,4 %
Average total assets, MNOK	133.916	133.557	128.799	127.627	124.888	128.830	124.283
Total assets, MNOK	132.555	134.778	129.524	128.653	126.508	134.778	124.909
Impairment losses ratio <sup>3)</sup>	0,19	0,28	0,17	0,21	0,29	0,23	0,38
Capital adequacy ratio	11,8	12,4	11,6	11,5	11,6	12,4	11,9
Core capital ratio	10,2	10,2	9,3	9,1	9,4	10,2	9,6
Market price	57,00	57,00	53,00	46,10	48,80	57,00	50,00
Earnings per EC (group) <sup>4)</sup>	1,32	1,94	1,56	1,76	1,55	6,84	6,88

<sup>1)</sup> Net profit as a percentage of average equity.

<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.

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

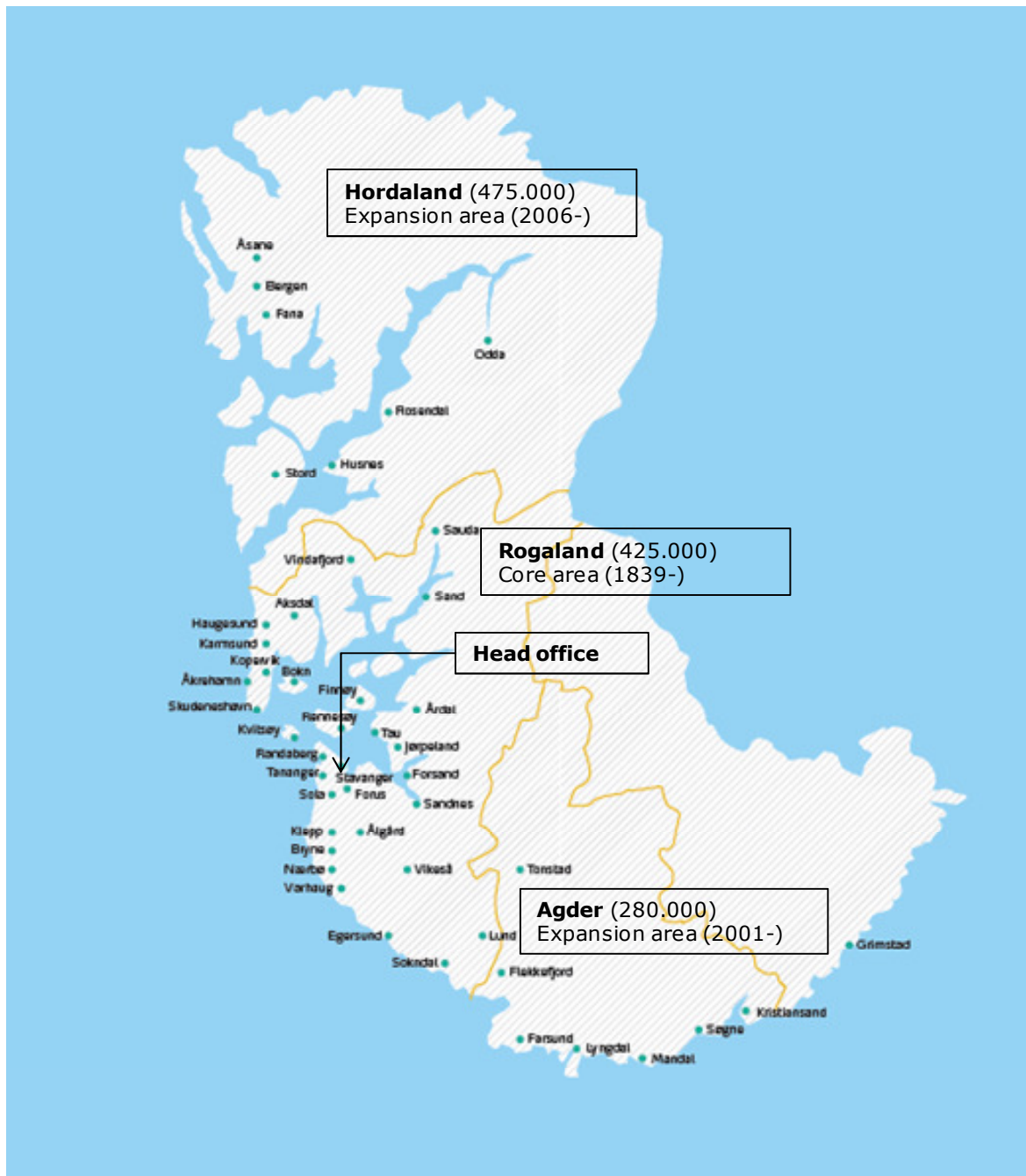


Figure 1.2.1: Operating areas

SpareBank 1 SR-Bank is located in the South-Western part of Norway and is the second largest of the Norwegian-owned banks (after DnBNOR) with assets on-balance sheet totalling NOK 133 billion as at 31 March 2011. Head office is in Stavanger. The group's market areas are the counties of Rogaland, Agder and Hordaland. The Group has about 1 175 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 Market, Corporate Market and Capital Market.

### *Retail Market*

SpareBank 1 SR-Bank is the leading retail customer bank in Rogaland, with about 260,000 customers and a market share of about 40 per cent.

### *Corporate Market*

SpareBank 1 SR-Bank service about 17,000 customers in the business sector and public sector. These also include small businesses, agricultural customers, societies and associations. About 40 per cent of all businesses in the bank's traditional market list SpareBank 1 SR-Bank as their main bank.

### *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 serves primarily the group's customers and selected customer in a separate market area and in the country as a whole.

### **Segment operating contribution**

<i>MNOK</i>	<b>Retail market</b>		<b>Corporate market</b>		<b>Capital market</b>	
	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010
Operating contribution before tax	179	202	133	130	41	39
Gross loans to customers excl. SpareBank 1 Boligkreditt and Næringskreditt	53.122	47.521	46.584	44.332	-	-
Deposits from customers	28.917	25.468	33.893	28.024	-	-

### *Vision and strategy*

#### **The purpose of SpareBank 1 SR-Bank**

SpareBank 1 SR-Bank's purpose is to create values for the region of which we are a part.

#### **Vision**

"Recommended by the customer"

#### **Strategy**

SpareBank 1 SR-Bank is to be the most attractive supplier of financial services in the West and South of Norway based on:

- Good customer experiences
- A strong team feeling and professionalism
- Local roots and decision-making powers
- Financial strength, profitability and market trust

## Legal and organizational structure

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.

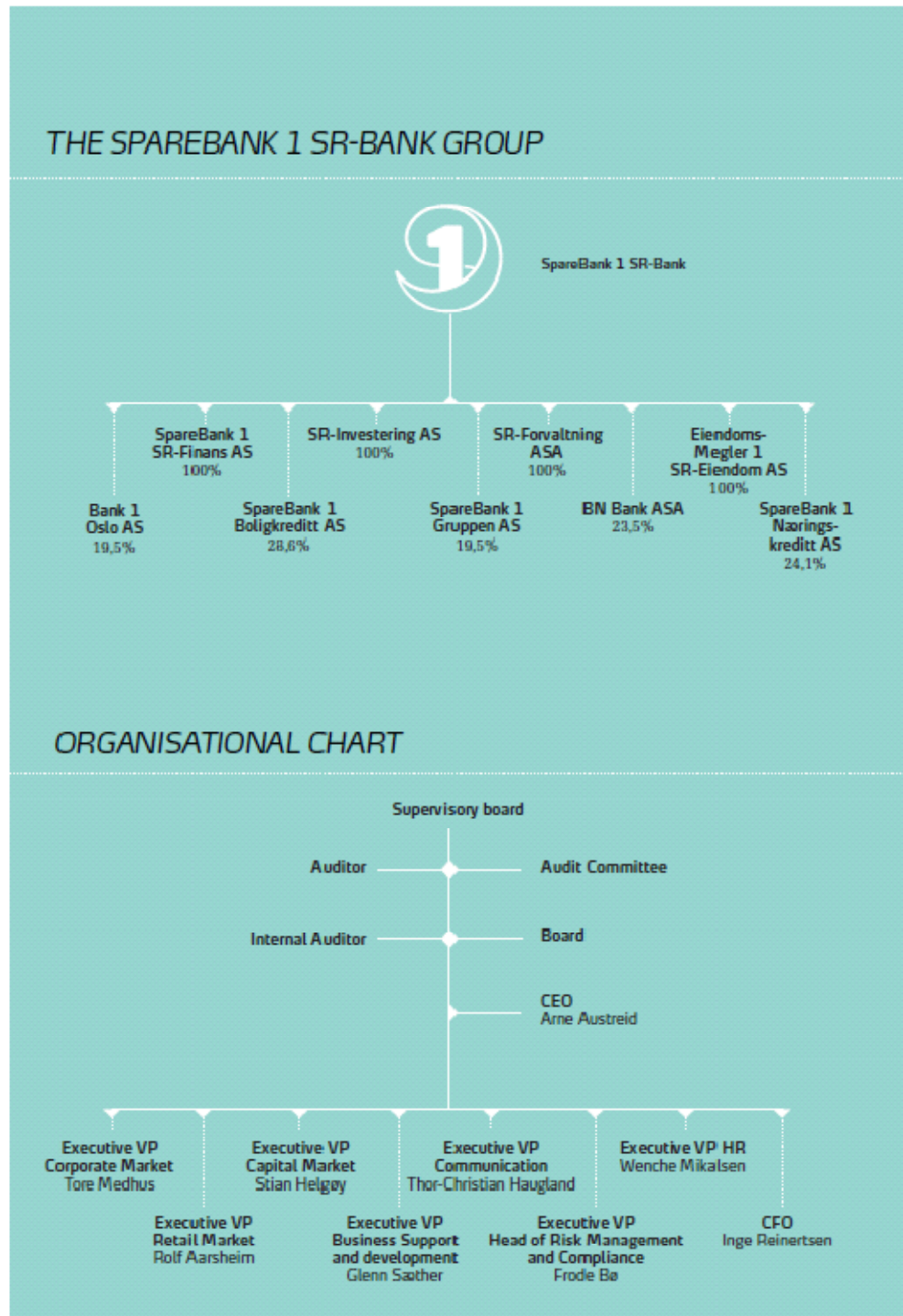


Figure 1.2.2: The legal and organizational structure of SpareBank 1 SR-Bank

### The SpareBank 1 Alliance

SpareBank 1 SR-Bank is one of the founding partners of the SpareBank 1 Gruppen (Alliance) in 1996. The purpose of the SpareBank 1 Alliance is for SpareBank 1 banks to develop, procure and supply competitive financial services and products and to exploit economies of scale in the form of lower costs and higher quality, so that customers get the best advice and the best services on competitive terms. The member banks in the alliance work in part through common projects and in part through the jointly owned holding company SpareBank 1 Gruppen AS. In addition to SpareBank 1 SR-Bank, SpareBank 1 Gruppen AS is owned by Sparebanken Nord-Norge, Sparebanken 1 SMN, and Sparebanken Hedmark, Samarbeidende Sparebanker AS (14 local savings banks in southern Norway) and the Norwegian Confederation of Trade Unions (LO) and affiliated trade unions.

SpareBank 1 Gruppen AS owns all of the shares in SpareBank 1 Livsforsikring AS (life insurance), SpareBank 1 Skadeforsikring AS (non-life insurance), ODIN Forvaltning AS (asset management), SpareBank 1 Medlemskort (membership cards) and SpareBank 1 Gruppen Finans Holding AS. The company also owns 76.75 per cent of Argo Securities AS. The banks that are part of SpareBank 1 Alliance also own SpareBank 1 Boligkreditt AS, EiendomsMegler 1 (chain), Alliansesamarbeidet SpareBank 1 Utvikling DA, Bank 1 Oslo AS, SpareBank1 Næringskreditt AS and BN Bank ASA. The SpareBank 1 Alliance structure is shown in figure 1.2.3.

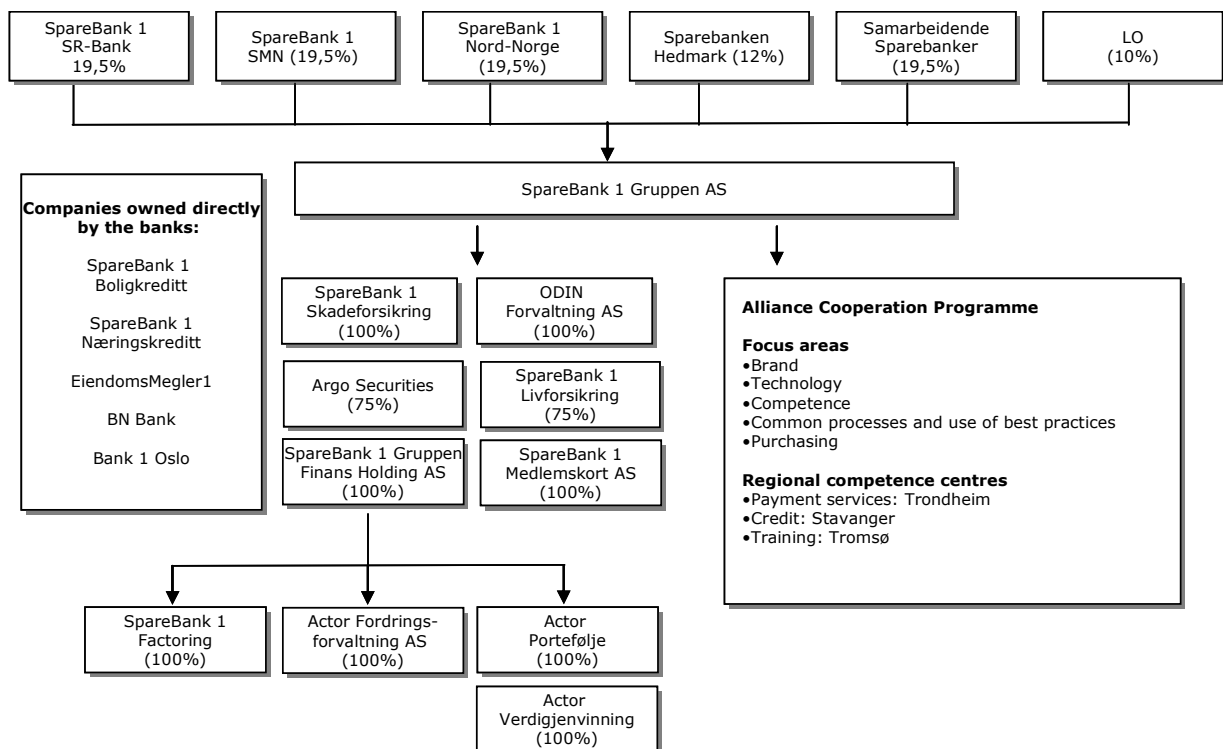


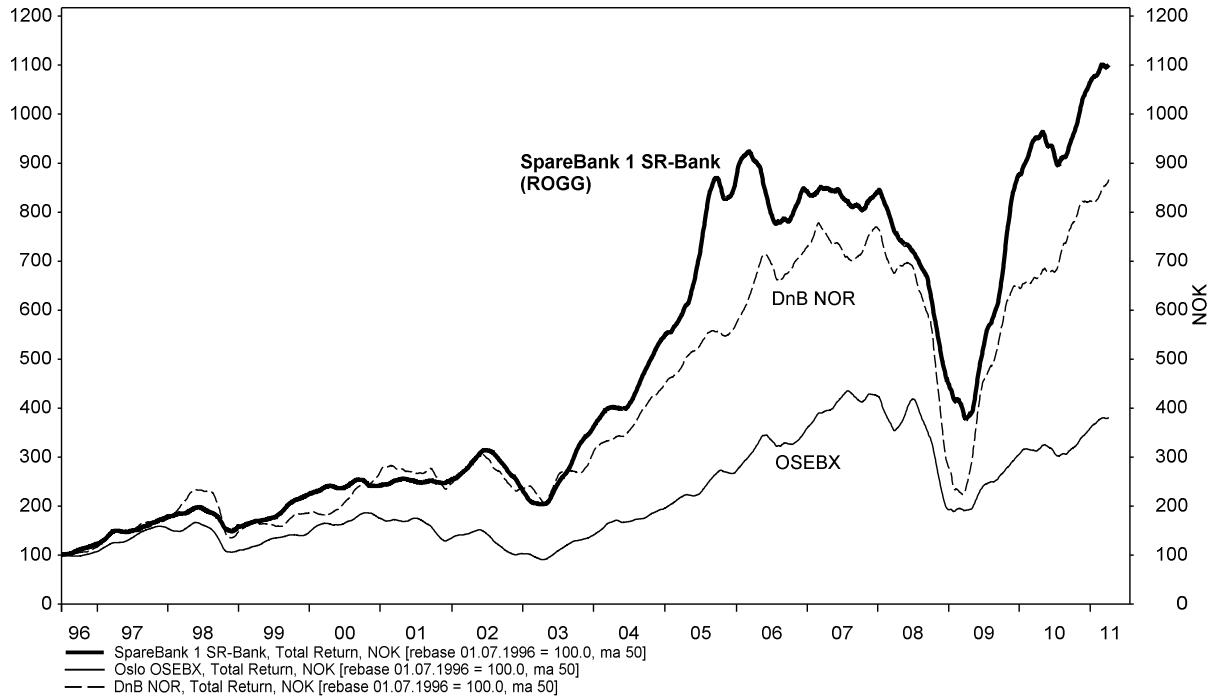
Figure 1.2.3: Structure of SpareBank 1 Alliance



### 1.3 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.



Source: Reuters EcoWin, SR-Markets

Figure 1.4.1: Total return (dividend reinvested) ROGG, OSEBX and DnB NOR. 1996-Q1 2011.

ROGG was at NOK 57,00 per 31.03.2011. There were 127.31 million ECs outstanding at the end of first quarter. The number of EC's was increased from 120.93 million in November 2010 due to the acquisition of Kvinnherad Sparebank.

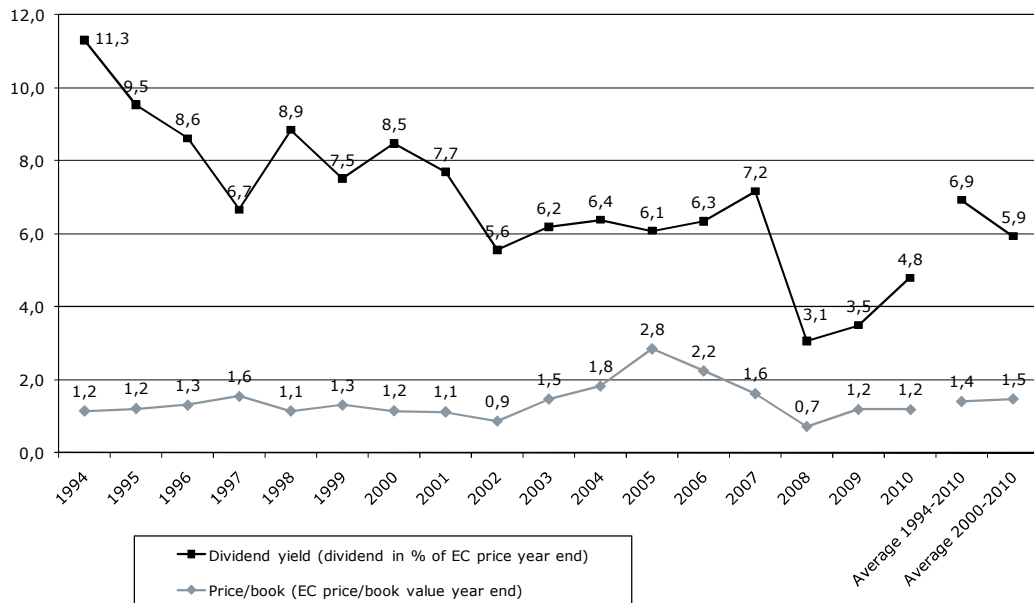


Figure 1.4.2 Dividend yield and price/book. 1994-2010.

### *Investor relations policy*

It is crucial to the bank that accurate, relevant and timely information about the bank's development and result inspires confidence in the investor market. Information is conveyed to the market through quarterly investor presentations, websites, press releases and accounting reports. Regular presentations are also held for international partners, lenders and investors, mainly in the European market.

It is in SpareBank 1 SR-Bank's own interest to publish current financial analyses of the highest possible quality. All analysts, irrespective of their recommendations and viewpoints regarding the bank's equity certificates (ROGG) are treated equally. As of today the following financial analysts have official coverage of ROGG:

Arctic Securities, Fridtjof Berents: +47 21 01 32 21, [fridtjof.berents@articsec.no](mailto:fridtjof.berents@articsec.no)  
Argo Securities, Nils Christian Øyen: +47 24 14 74 00, [nils.oyen@argosec.no](mailto:nils.oyen@argosec.no)  
Carnegie, Thomas Svendsen: +47 22 00 93 54, [ts@carnegie.no](mailto:ts@carnegie.no)  
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Keefe, Bruyette & Woods, Ronny Rehn: +44 207 663 3214, [rrehn@kbw.com](mailto:rrehn@kbw.com)

### *Dividend policy*

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

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 have most 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 1<sup>st</sup> quarter 2011. 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 amongst 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 31 per cent by the end of 1<sup>st</sup> quarter 2011), while the share of future profit is 63.2 per cent.

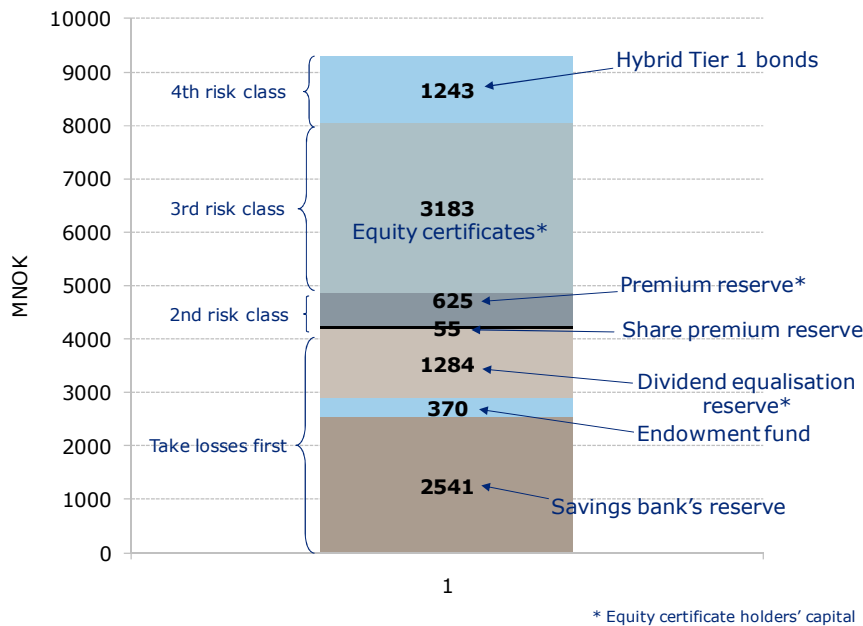


Figure 1.4.3: Capital structure per 31.03.2011

MNOK	31.03.11	31.12.10
Equity certificates	3.180	3.180
Dividend equalisation reserve	1.284	1.175
Premium reserve	625	625
<b>A. The equity certificate owners' capital</b>	<b>5.089</b>	<b>4.980</b>
Savings bank's reserve	2.541	2.469
Compensation fund	55	55
Endowment fund	370	380
<b>B. The savings bank's reserve</b>	<b>2.966</b>	<b>2.904</b>
Fund for unrealised gains	43	43
<b>Equity excl proposed dividend</b>	<b>8.098</b>	<b>7.927</b>
<b>Equity certificate ratio (A/(A+B))</b>	<b>63,2 %</b>	<b>63,2 %</b>

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

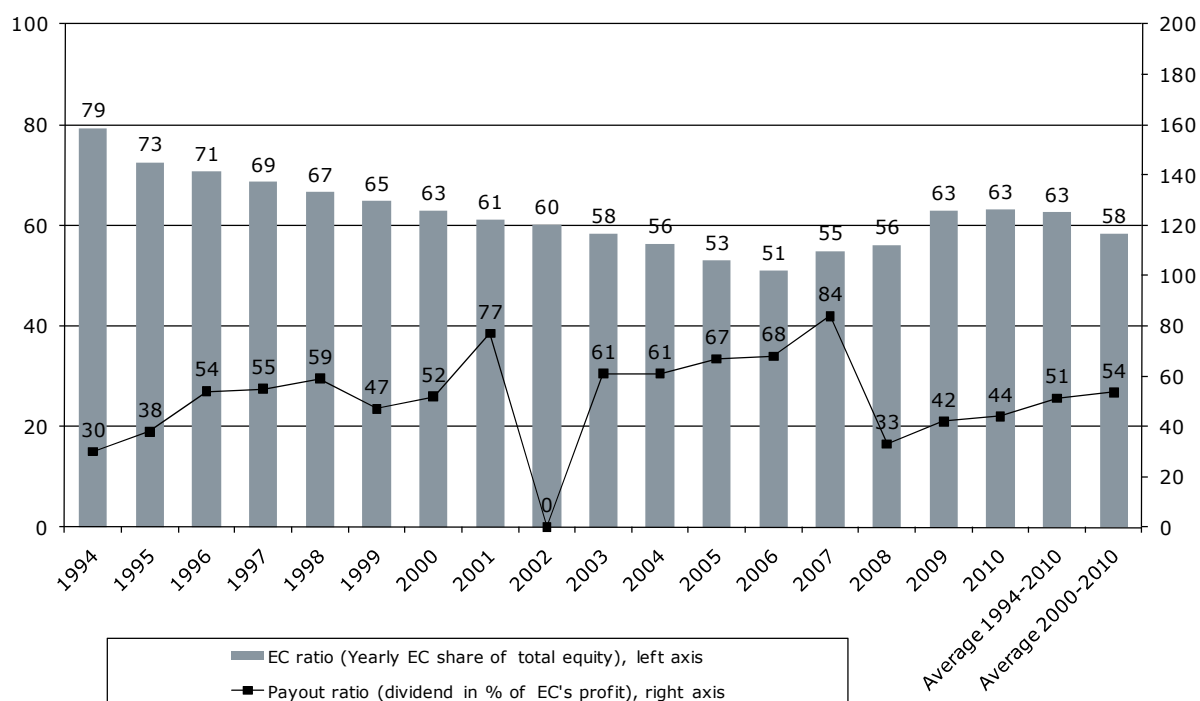


Figure 1.4.4: EC ratio and payout ratio. 1994-2010

### Ownership structure

SpareBank 1 SR-Bank aims to ensure good liquidity in its equity certificates and achieve a good diversity of holders who represent customers, regional investors, as well as Norwegian and international investors. The 20 largest equity capital holders owned 40.6 per cent of the issued certificates as at 31.03.2011.

<b>20 largest EC holders per 31.03.11</b>	<b>Number</b>	<b>Stake</b>
Gjensidige Forsikring	20.713.065	16,3%
SpareBank 1-stiftinga Kvinnherad	6.069.934	4,8%
Odin Norge	3.205.372	2,5%
Odin Norden	3.065.553	2,4%
Clipper AS	1.685.357	1,3%
Frank Mohn AS	1.666.142	1,3%
Trygve Stangeland	1.632.048	1,3%
Bank of New York, U.S.A.	1.618.227	1,3%
JPMorgan Chase Bank, U.K.	1.598.223	1,3%
Skandinaviska Enskilda Banken	1.507.080	1,2%
SHB Stockholm Clients Account, Sverige	1.258.000	1,0%
Trygves Holding AS	1.070.939	0,8%
Varma Mutual Pension Insurance, Finland	1.062.534	0,8%
Køhlergruppen AS	1.000.000	0,8%
Westco AS	885.352	0,7%
Forsand kommune	769.230	0,6%
The Northern Trust, U.K.	732.800	0,6%
Bjergsted Investering AS	720.055	0,6%
Nordisk Finans Invest AS	716.834	0,6%
Solvang Shipping AS	701.034	0,6%

Table 1.4.2: 20 largest EC holders per 31.03.2011

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

On 25 November 2010 the Supervisory Board of SpareBank 1 SR-Bank unanimously passed the board's recommendation to restructure the bank as a public share corporation (ASA) in line with the summons published in the announcement to the stock exchange on 5 November.

The strong development of the bank over the course of several years has been decisive for providing the region with the required capital. A continued profitable and healthy bank, with good access to both equity and debt capital, will be of great importance for continued growth and development in the region.

An application for restructuring was therefore submitted to the Financial Supervisory Authority (FSA) as advisory authority in December 2010. The FSA advised in March 2011 the Ministry of Finance to grant SpareBank 1 SR-Bank such a permission. The Ministry of Finance is expected to make their conclusion within 6 months. A precondition for the conversion is that the Ministry of Finance grants permission to carry out the conversion on reasonable terms, and that SpareBank 1 SR-Bank is granted tax relief when converting to a limited liability savings bank. The Supervisory Board will pass further resolutions if and when permission to carry out the conversion is granted.

## **1.4 Credit ratings**

	<b>Moody's</b>		<b>Fitch</b>	
	Long-term	Short-term	Long-term	Short-term
SpareBank 1 SR-Bank	A1	P-1	A-	F2

## 2. Financial results and balance sheet

### Income statement

MNOK	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Interest income	1.257	1.282	1.231	1.185	1.122	4.820	5.015
Interest expense	833	840	795	758	685	3.078	3.339
<b>Net interest income</b>	<b>424</b>	<b>442</b>	<b>436</b>	<b>427</b>	<b>437</b>	<b>1.742</b>	<b>1.676</b>
Commission income	202	194	189	206	207	796	760
Commission expenses	-19	-15	-20	-16	-20	-71	-87
Other operating income	98	104	95	104	73	376	325
<b>Net commission and other income</b>	<b>281</b>	<b>283</b>	<b>264</b>	<b>294</b>	<b>260</b>	<b>1.101</b>	<b>998</b>
Dividend income	6	0	1	46	0	47	23
Income from investment in associates	51	94	70	54	49	267	298
Net gains/losses on financial instruments	71	89	66	72	30	257	384
<b>Net return on investment securities</b>	<b>128</b>	<b>183</b>	<b>137</b>	<b>172</b>	<b>79</b>	<b>571</b>	<b>705</b>
<b>Total income</b>	<b>833</b>	<b>908</b>	<b>837</b>	<b>893</b>	<b>776</b>	<b>3.414</b>	<b>3.379</b>
Personnel expenses	255	223	250	244	153	870	881
Administrative expenses	100	109	82	90	81	362	346
Other operating expenses	91	91	76	89	78	334	352
<b>Total operating expenses</b>	<b>446</b>	<b>423</b>	<b>408</b>	<b>423</b>	<b>312</b>	<b>1.566</b>	<b>1.579</b>
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### Key figures

	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Return on equity <sup>1)</sup>	11,2 %	16,9 %	14,3 %	16,5 %	14,8 %	15,5 %	17,5 %
Cost ratio <sup>2)</sup>	53,5 %	46,6 %	48,7 %	47,4 %	40,2 %	45,9 %	46,7 %
Net interest margin	1,28 %	1,31 %	1,30 %	1,30 %	1,42 %	1,35 %	1,35 %
Gross loans to customers	104.771	105.792	100.289	96.812	96.481	105.792	93.473
Gross loans to customers including SpareBank 1 Boligkreditt and N	135.433	131.953	124.398	122.426	120.352	131.953	118.227
Deposits from customers	62.662	60.770	55.703	56.137	53.323	60.770	54.336
Deposit-to-loan ratio	59,8 %	57,4 %	55,5 %	58,0 %	55,3 %	57,4 %	58,1 %
Growth in loans	8,6 %	13,2 %	8,0 %	-0,7 %	-1,6 %	13,2 %	-6,6 %
Growth in loans including SpareBank 1 Boligkreditt and Næringskred	12,5 %	11,6 %	6,6 %	6,0 %	5,8 %	11,6 %	5,3 %
Growth in deposits	17,5 %	11,8 %	3,7 %	3,1 %	-0,9 %	11,8 %	2,4 %
Average total assets	133.916	133.557	128.799	127.627	124.888	128.830	124.283
Total assets	132.555	134.778	129.524	128.653	126.508	134.778	124.909
Impairment losses ratio <sup>3)</sup>	0,19	0,28	0,17	0,21	0,29	0,23	0,38
Non-performing commitments as a percentage of gross loans	0,4	0,42	0,54	0,36	0,54	0,42	0,42
Other doubtful commitments as a percentage of gross loans	1,01	0,72	0,94	1,01	0,80	0,72	0,81
Capital adequacy ratio	11,8	12,4	11,6	11,5	11,6	12,4	11,9
Core capital ratio	10,2	10,2	9,3	9,1	9,4	10,2	9,6
Core capital	9.734	9.442	8.433	8.243	8.196	9.442	8.130
Net equity and subordinated loan capital	11.235	11.482	10.450	10.352	10.112	11.482	10.029
Minimum subordinated capital requirement	7.611	7.400	7.241	7.226	7.001	7.400	6.768
Number of branches	54	54	49	50	51	54	51
Man-years (permanent)	1.175	1.163	1.112	1.093	1.083	1.163	1.093
Equity certificate ratio	63,2 %	63,2 %	63,2 %	63,1 %	62,9 %	63,2 %	62,9 %
Market price	57,00	57,00	53,00	46,10	48,80	57,00	50,00
Market capitalisation	7.257	7.257	6.409	5.575	5.902	7.257	6.047
Book equity per EC (including dividends) (group)	47,17	47,45	44,19	42,44	41,47	47,45	42,07
Earnings per EC (group) <sup>4)</sup>	1,32	1,94	1,56	1,76	1,55	6,84	6,88
Dividends per EC	n.a.	n.a.	n.a.	n.a.	n.a.	2,75	1,75
Price / Earnings per EC	10,80	7,35	8,49	6,55	7,87	8,33	7,27
Price / Book equity (group)	1,21	1,20	1,20	1,09	1,18	1,20	1,19

<sup>1)</sup> Net profit as a percentage of average equity.

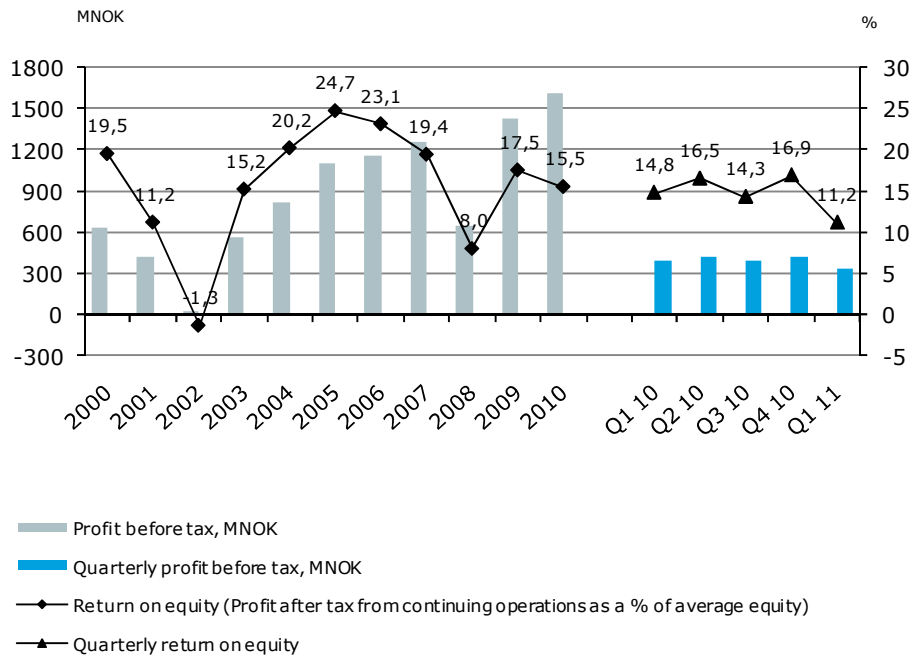
<sup>2)</sup> Total operating expenses as a percentage of total operating income

<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.

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

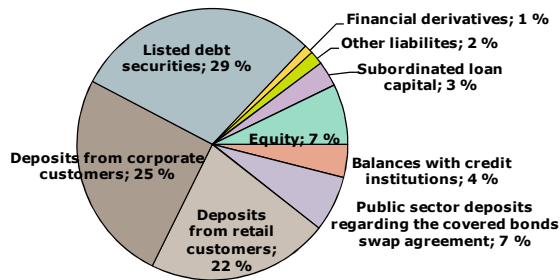
### Result before tax and return on equity



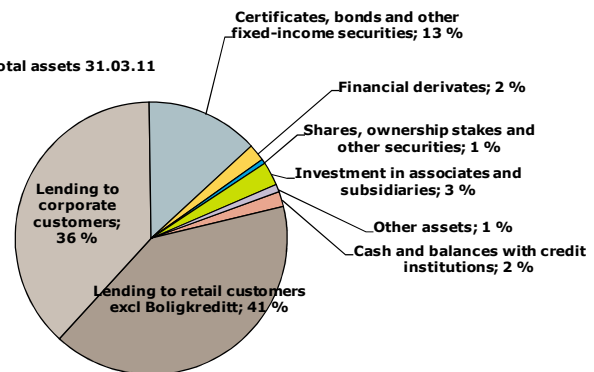
## Balance sheet

MNOK	31 March 2011	31 Dec. 2010	30 Sept. 2010	30 June 2010	31 March 2010
Cash and balances with central banks	936	1.235	2.497	2.624	1.404
Balances with credit institutions	1.445	1.273	1.145	3.484	1.646
Net loans to customers	103.973	105.033	99.543	96.098	95.809
Certificates, bonds and other fixed-income securities	17.827	18.742	16.868	17.311	19.187
Financial derivatives	2.724	3.241	3.897	3.643	3.016
Shares, ownership stakes and other securities	712	661	514	493	445
Investment in associates	3.745	3.518	3.507	3.451	3.385
Business available for sale	93	93	23	23	23
Other assets	1.100	982	1.530	1.526	1.593
<b>Total assets</b>	<b>132.555</b>	<b>134.778</b>	<b>129.524</b>	<b>128.653</b>	<b>126.508</b>
Balances with credit institutions	5.221	7.359	9.022	7.982	8.516
Public sector deposits regarding the covered bonds swap agreement	8.832	8.832	8.832	8.832	8.832
Deposits from customers	62.662	60.770	55.703	56.137	53.323
Listed debt securities	39.007	40.307	39.093	38.891	39.896
Financial derivatives	1.400	2.212	2.075	2.057	1.969
Other liabilities	1.878	1.752	2.135	2.300	1.923
Subordinated loan capital	4.015	4.144	4.093	4.197	3.961
<b>Total liabilities</b>	<b>123.015</b>	<b>125.376</b>	<b>120.953</b>	<b>120.396</b>	<b>118.420</b>
Equity certificates	3.183	3.183	3.023	3.023	3.023
Holding of own equity certificates	-3	-3	-3	-3	-3
Premium reserve	625	625	456	456	456
Dividend equalisation reserve	1.284	1.175	669	652	735
Proposed dividend	-	336	-	-	-
Savings bank's reserve	2.541	2.477	2.182	2.171	2.220
Compensation fund	55	55	20	20	20
Endowment fund	370	372	214	221	240
Fund for unrealised gains	43	43	127	127	127
Other equity	1.177	1.139	947	954	972
Profit/loss at period end	265	-	936	636	298
<b>Total equity</b>	<b>9.540</b>	<b>9.402</b>	<b>8.571</b>	<b>8.257</b>	<b>8.088</b>
<b>Total liabilities and equity</b>	<b>132.555</b>	<b>134.778</b>	<b>129.524</b>	<b>128.653</b>	<b>126.508</b>

Total liabilities and equity 31.03.11

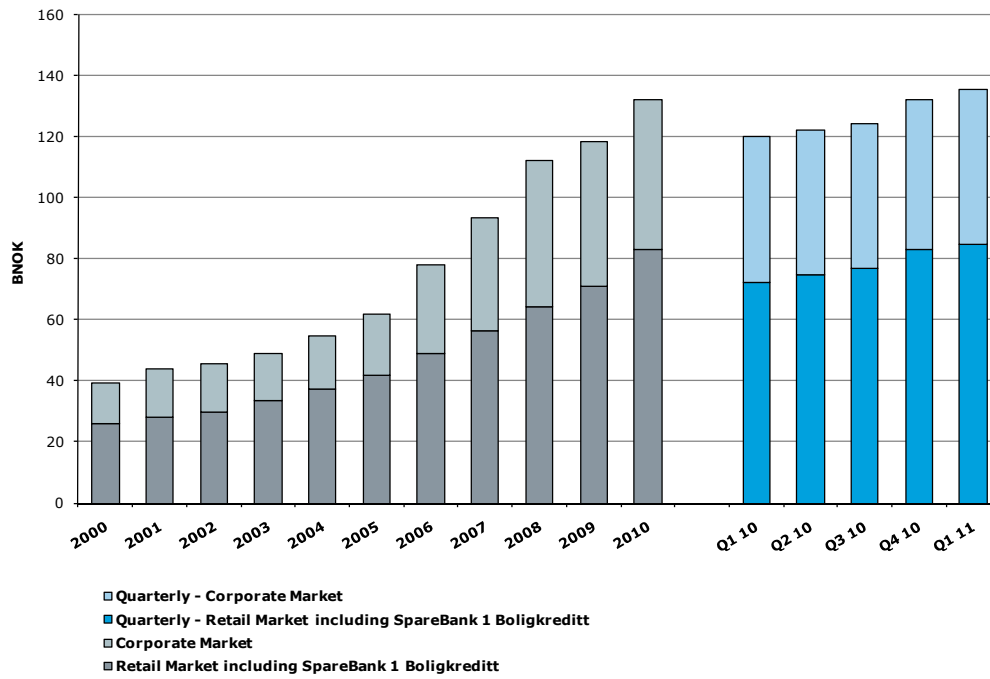


Total assets 31.03.11

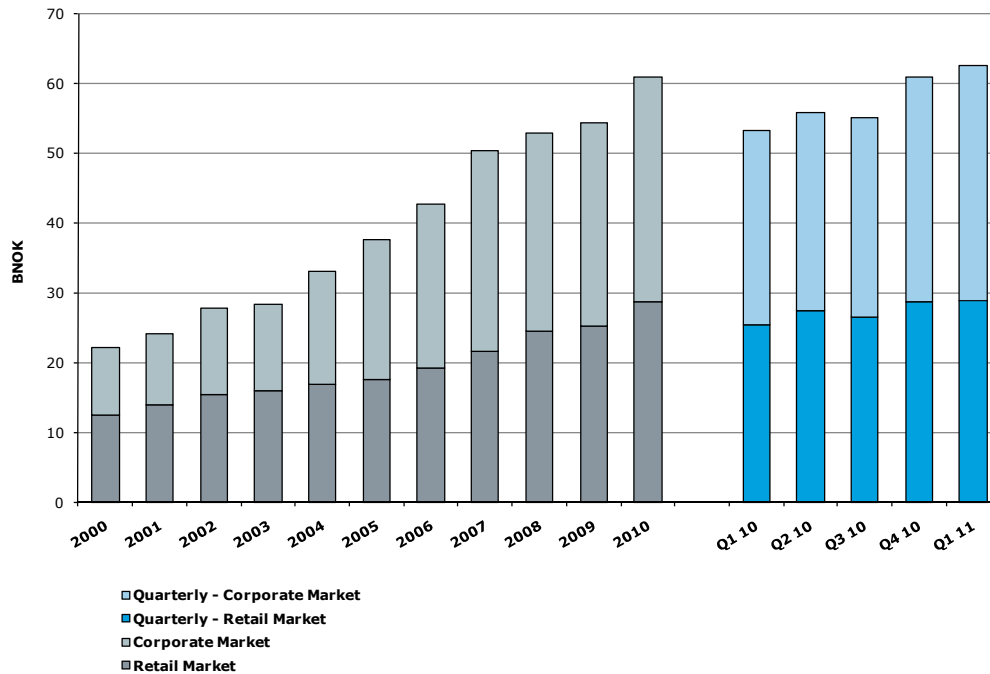




## Lending volume



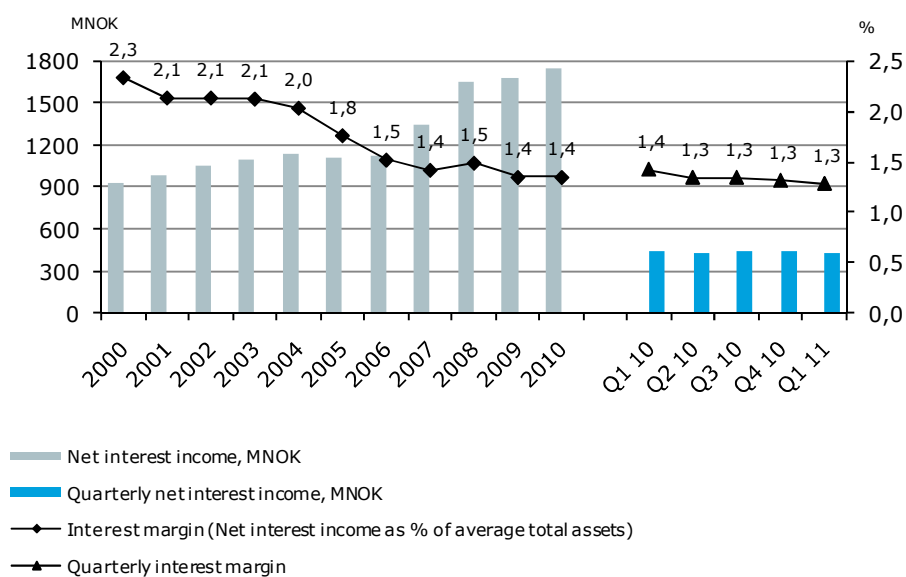
## Deposit volume



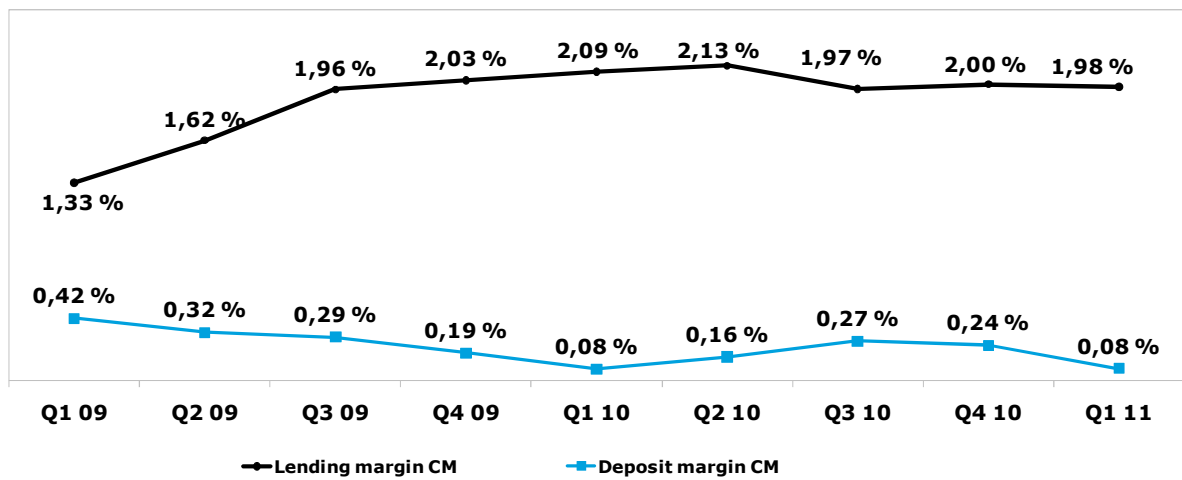
## 2.1 Net interest income

MNOK	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Interest income	1.257	1.282	1.231	1.185	1.122	4.820	5.015
Interest expense	833	840	795	758	685	3.078	3.339
<b>Net interest income</b>	<b>424</b>	<b>442</b>	<b>436</b>	<b>427</b>	<b>437</b>	<b>1.742</b>	<b>1.676</b>
<b>As % of average total assets</b>	<b>1,28 %</b>	<b>1,31 %</b>	<b>1,34 %</b>	<b>1,34 %</b>	<b>1,42 %</b>	<b>1,35 %</b>	<b>1,35 %</b>

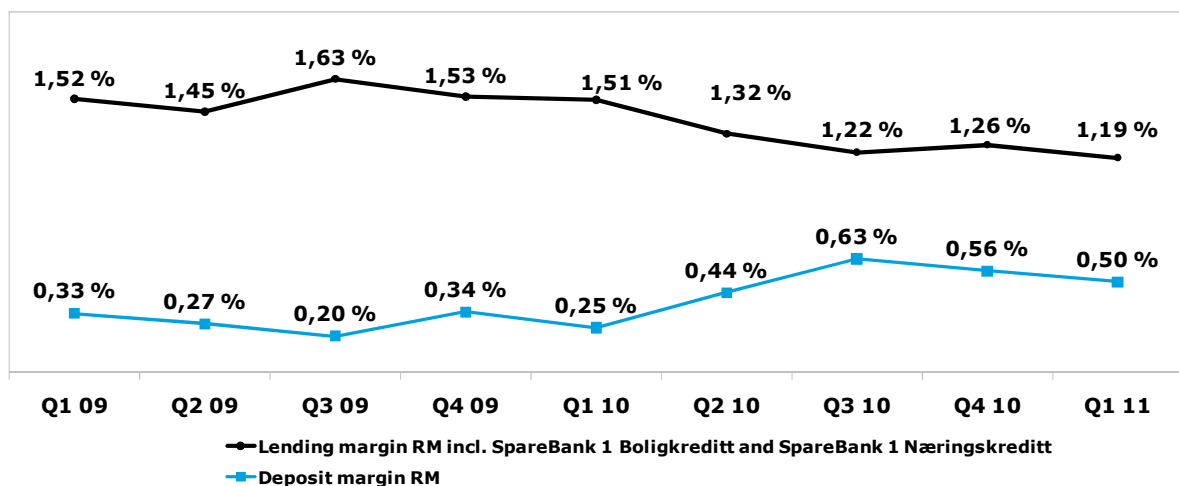
Net interest income and interest margin



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



## Lending and deposit margins – Retail Market



<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>	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Net commission and other income	281	283	264	294	260	1.101	998
Net return on investment securities	128	183	137	172	79	571	705
<b>Net other operating income</b>	<b>409</b>	<b>466</b>	<b>401</b>	<b>466</b>	<b>339</b>	<b>1.672</b>	<b>1.703</b>
<b>As % of total income</b>	<b>49 %</b>	<b>51 %</b>	<b>48 %</b>	<b>52 %</b>	<b>44 %</b>	<b>49 %</b>	<b>50 %</b>

## Net commission and other income

<i>MNOK</i>	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Payment facilities	48	50	53	50	48	200	188
Savings/placements	38	34	29	41	32	136	116
Insurance products	33	33	25	29	27	113	109
Commission income real estate (EM1)	94	87	93	109	76	365	328
Guarantee commission	19	15	17	13	12	57	47
Arrangement fees	12	12	6	9	9	35	44
Other	9	24	9	2	3	38	20
<b>Net commission and other income excl. SB1 Boligkreditt og SB1 Næringskreditt</b>	<b>253</b>	<b>254</b>	<b>232</b>	<b>252</b>	<b>207</b>	<b>944</b>	<b>852</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	28	29	32	43	53	157	146
<b>Net commission and other income excl. SB1 Boligkreditt og SB1 Næringskreditt</b>	<b>281</b>	<b>283</b>	<b>264</b>	<b>294</b>	<b>260</b>	<b>1.101</b>	<b>998</b>
<b>As % of total income</b>	<b>34 %</b>	<b>28 %</b>	<b>28 %</b>	<b>28 %</b>	<b>27 %</b>	<b>28 %</b>	<b>25 %</b>

## Change in net commission and other income

<i>MNOK</i>	Per Q1		
	2011	Change	2010
<b>Net commission and other income</b>	<b>281</b>	<b>21</b>	<b>260</b>
Payment facilities		1	
Savings/placements		7	
Insurance products		6	
Commission income real estate (EiendomsMegler 1 SR-Eiendom)		18	
Guarantee commission		6	
Arrangement fees		3	
Other		6	
Commission income SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt		-25	

## Net return on investment securities

<i>MNOK</i>	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Dividend	6	-	1	46	0	47	23
Investment income, associates	51	94	70	54	49	267	298
Securities gains/losses	17	53	32	41	21	146	194
- of which capital change in shares and certificates	28	71	12	45	7	135	72
- of which capital change in certificates and bonds	-11	-18	20	-5	15	11	122
Currency/interest gains/losses	54	36	35	31	9	111	190
- of which currency customer- and own-account trading	30	28	35	31	37	131	147
- of which IFRS-effects	24	8	-1	0	-28	-20	43
<b>Net return on investment securities</b>	<b>128</b>	<b>183</b>	<b>137</b>	<b>172</b>	<b>79</b>	<b>571</b>	<b>705</b>
<b>As % of total income</b>	<b>15 %</b>	<b>20 %</b>	<b>16 %</b>	<b>19 %</b>	<b>10 %</b>	<b>17 %</b>	<b>21 %</b>

## Change in net return on investment securities

<i>MNOK</i>	Per Q1		
	2011	Change	2010
<b>Net return on investment securities</b>	<b>128</b>	<b>49</b>	<b>79</b>
Dividend		6	
Investment income, associates		2	
Securities gains/losses		-4	
- of which capital change in shares and certificates		21	
- of which capital change in certificates and bonds		-26	
Currency/interest gains/losses		45	
- of which currency customer- and own-account trading		-7	
- of which IFRS-effects		52	

## 2.3 Operating expenses

<i>MNOK</i>	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Wages	182	165	173	173	161	672	633
Pension expenses	32	21	40	35	-43	53	119
Other personnel expenses	42	37	37	36	35	145	129
<b>Total personnel expenses*</b>	<b>256</b>	<b>223</b>	<b>250</b>	<b>244</b>	<b>153</b>	<b>870</b>	<b>881</b>
IT expenses	53	51	44	45	44	184	180
Marketing expenses	22	25	13	21	17	76	63
Other administrative expenses	25	33	25	24	20	102	103
Write-offs	19	20	17	16	19	72	70
Expenses real property	12	13	8	10	8	39	70
Other operating expenses	61	58	51	63	51	223	211
<b>Other expenses</b>	<b>191</b>	<b>200</b>	<b>158</b>	<b>179</b>	<b>159</b>	<b>696</b>	<b>697</b>
<b>Total operating expenses</b>	<b>446</b>	<b>423</b>	<b>408</b>	<b>423</b>	<b>312</b>	<b>1.566</b>	<b>1.579</b>

## Change in operating expenses

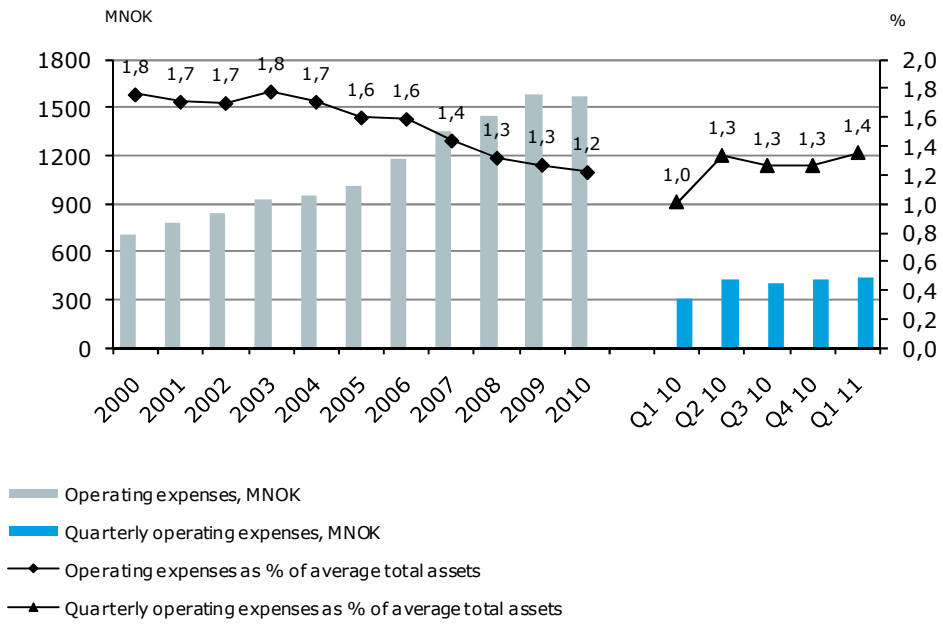
<i>MNOK</i>	Per Q1		
	2011	Change	2010
<b>Total</b>	<b>446</b>	<b>134</b>	<b>312</b>
Personnel expenses		103	
IT expenses		9	
Marketing expenses		5	
Other administrative expenses		5	
Write-offs		0	
Expenses real property		4	
Other operating expenses		10	

## Cost/income ratio\*

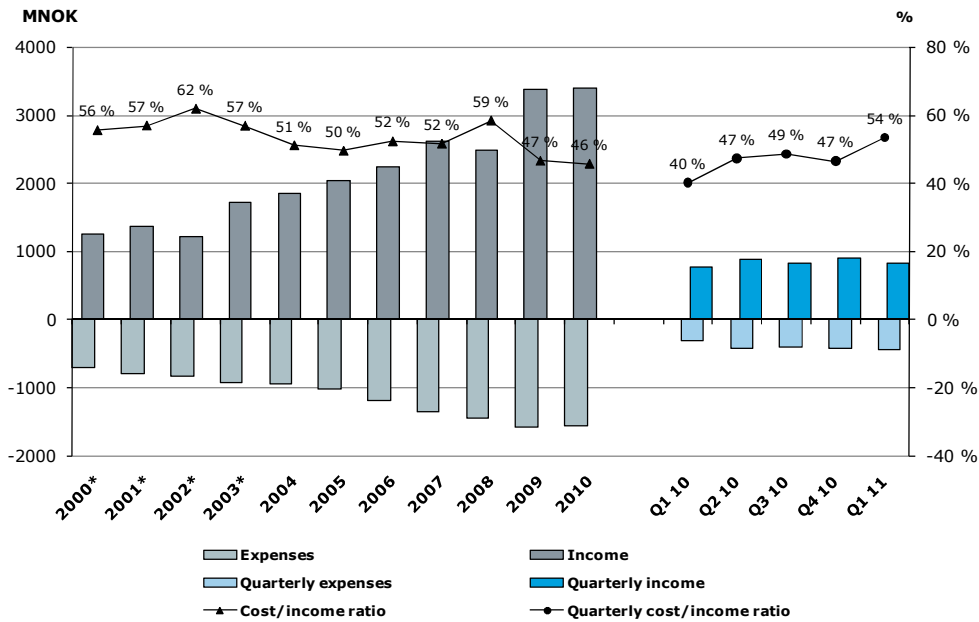
<i>MNOK</i>	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Operating expenses	446	423	408	423	312	1.566	1.579
Cost/income ratio	53,5 %	46,6 %	48,7 %	47,4 %	40,2 %	45,9 %	46,7 %
Growth in expenses last 12 months	42,9 %	-3,4 %	8,5 %	6,8 %	-15,5 %	-0,8 %	9,0 %

\* Figures from 2010 inclusive of net contractual pension (AFP) items of NOK 73 million

### Operating expenses

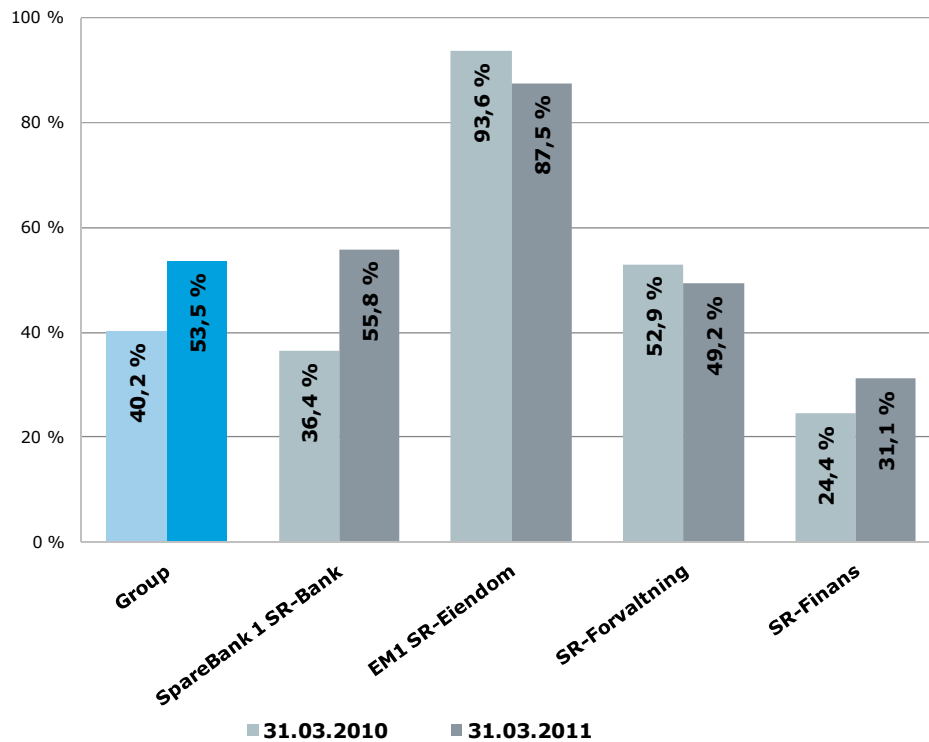


## Development cost/income ratio



\* 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

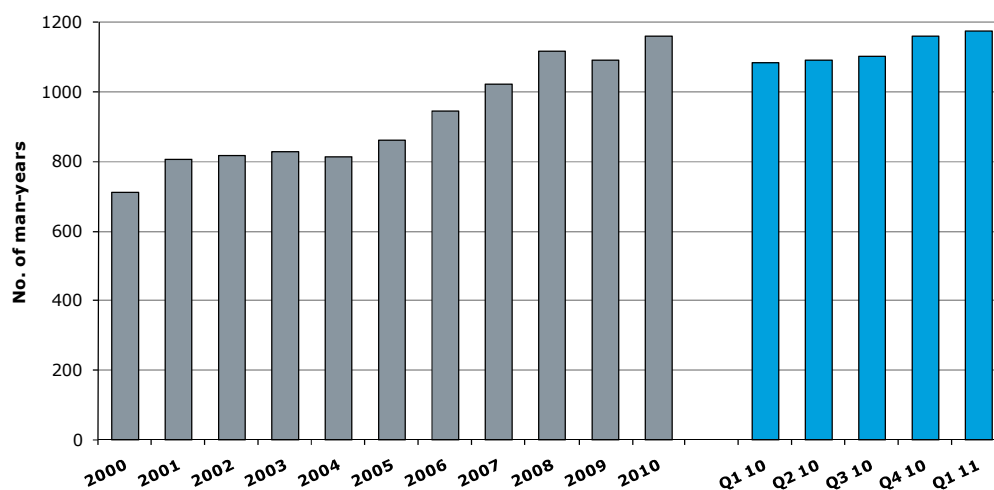




**Number of man-labour years (permanent employees, contracted staff not included)**

<i>No. of man-years</i>	<b>Q1 2011</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>
SpareBank 1 SR-Bank	933	930	876	863	854
EiendomsMegler 1 SR-Eiendom AS	195	184	181	167	168
SR-Forvaltning ASA	11	11	11	11	10
SR-Finans AS	33	33	29	28	30
Other	3	5	6	24	22
<b>Total</b>	<b>1.175</b>	<b>1.163</b>	<b>1.103</b>	<b>1.093</b>	<b>1.083</b>

**Man-labour years 2000-1<sup>st</sup> quarter 2011 (permanent employees, contracted staff not included)**



## 2.5 Losses on loans and loss provisions

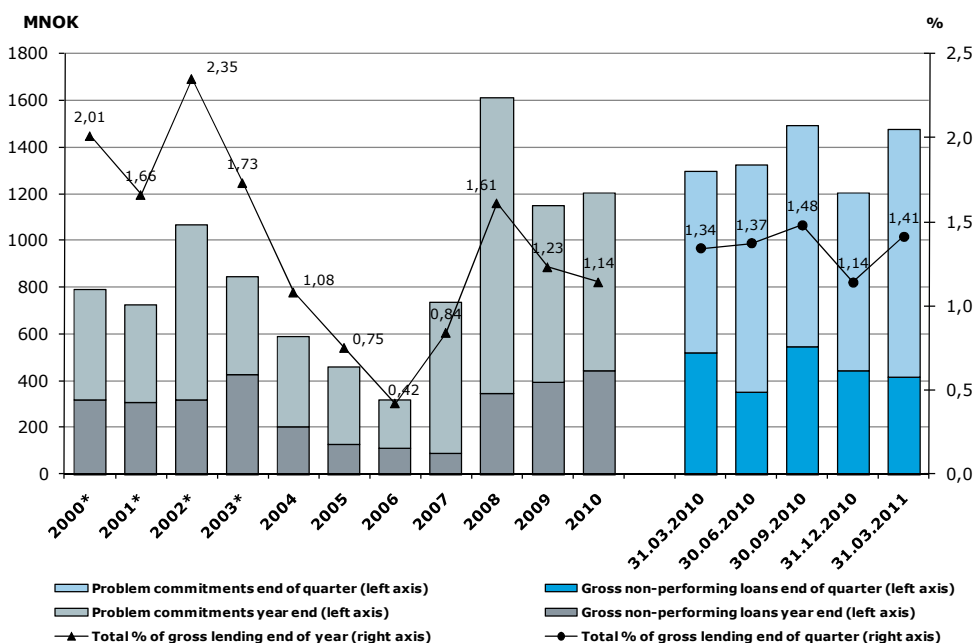
### Losses on loans and guarantees

MNOK	31 March 2011	31 Dec. 2010	30 Sept. 2010	30 June 2010	31 March 2010
Change in individual individual impairment losses provisions for the period	69	38	82	50	16
Change in collective impairment loss provisions for the period	-29	24	21	18	11
Amortised cost	-	6	7	5	-
Actual loan losses on commitments for which provisions have been made	15	175	69	61	37
Actual loan losses on commitments for which no provision has been made	1	25	13	13	7
Change in assets take-over	7	5	-	-	-
Recoveries on commitments previously written-off	-12	-39	-29	-27	-2
<b>The period's net losses/(reversals) on loans and advances</b>	<b>51</b>	<b>234</b>	<b>163</b>	<b>120</b>	<b>69</b>

### Provisions for impairment losses on loans and guarantees

MNOK	31 March 2011	31 Dec. 2010	30 Sept. 2010	30 June 2010	31 March 2010
Provisions for individual impairment losses at start of period	402	337	337	337	337
Kvinnherad over-take	-	35	-	-	-
Increases in previous provisions for individual impairment losses	14	67	47	40	76
Reversal of provisions from previous periods	-37	-83	-76	-71	-61
New provisions for individual impairment losses	105	229	179	141	39
Amortised cost	1	-8	-6	-3	-5
Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-15	-175	-69	-61	-37
<b>Provisions for individual impairment losses at the end of period</b>	<b>470</b>	<b>402</b>	<b>412</b>	<b>383</b>	<b>349</b>

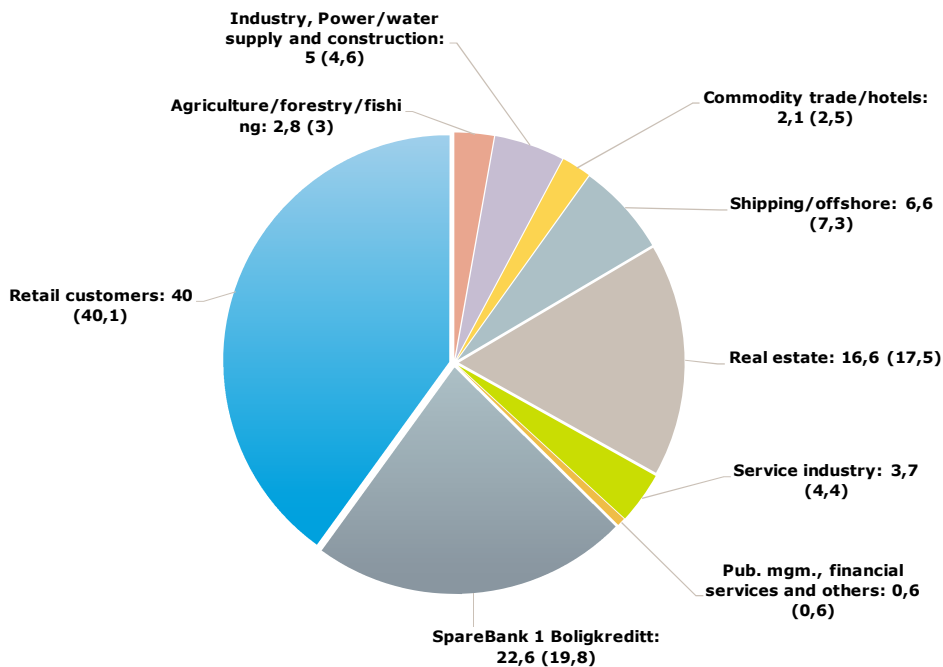
### Non-performing loans and problem commitments



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

## 2.6 Loans

<i>MNOK</i>	<b>31 March 2011</b>	<b>31 Dec. 2010</b>	<b>30 Sept. 2010</b>	<b>30 June 2010</b>	<b>31 March 2010</b>
Agriculture and forestry	3.537	3.430	3.276	3.191	3.134
Fishing	52	55	49	52	50
Fishfarming	245	310	276	246	432
Oil/gas exploitation	2.392	2.236	2.685	2.452	2.517
Production of food	198	194	204	205	148
Graphic business	33	33	44	238	445
Industry	2.062	1.995	2.031	2.352	2.110
Shipyard	469	369	189	299	471
Power and water supply	569	815	566	401	417
Building and construction	3.489	3.067	2.602	2.704	1.952
Commodity trade	2.486	2.183	2.250	2.270	2.726
Hotels and restaurants	353	321	277	339	331
Shipping	5.421	4.960	4.417	4.498	4.571
Transportation	1.141	1.167	1.136	1.716	1.721
Real estate	22.497	22.105	21.349	21.269	21.099
Business services and management	3.782	3.703	4.106	3.762	4.326
Social and private services and management	1.256	1.308	1.086	1.063	1.018
Finance	283	485	456	194	151
Central and local government	233	241	233	235	240
Retail customers	53.971	56.498	52.646	48.938	48.252
Unallocated (excess value fixed interest loans and amort. lending fees)	2	76	195	199	163
Accrued interests corporate sector and retail customers	302	241	216	189	207
<b>Gross loans</b>	<b>104.771</b>	<b>105.792</b>	<b>100.289</b>	<b>96.812</b>	<b>96.481</b>
SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	30.662	26.161	24.109	25.614	23.871
<b>Gross loans incl SpareBank 1 Boligkreditt and Næringskreditt</b>	<b>135.433</b>	<b>131.953</b>	<b>124.398</b>	<b>122.426</b>	<b>120.352</b>

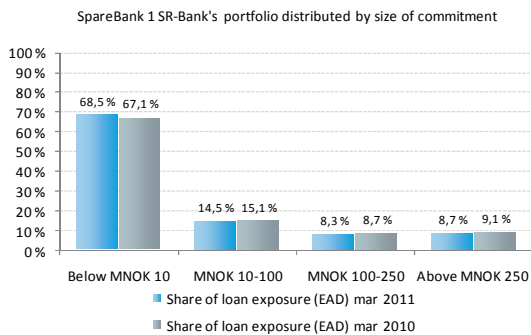
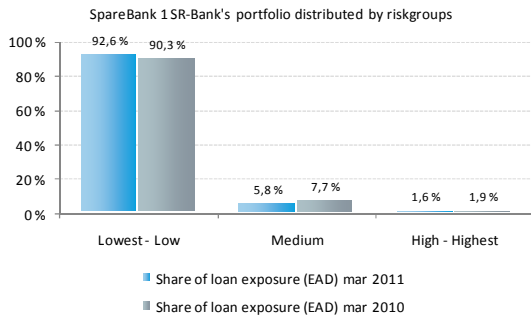


(Figures for corresponding period in 2010 are showed in parentheses. All figures in per cent)

## 2.7 Risk profile

### Risk profile of SpareBank 1 SR-Bank

#### High share of commitments with low risk

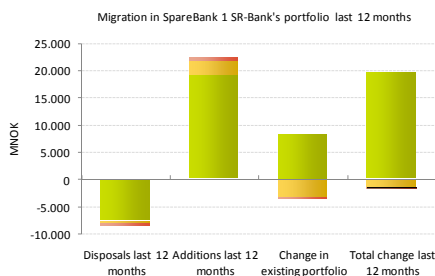
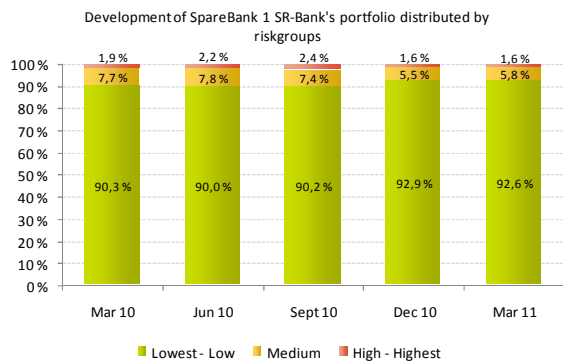


- 93% of the bank's loan exposure satisfies the criteria for low and the lowest risk. Expected losses in this portion of the portfolio are very limited and account for 0.05%. The risk profile has shown a positive development over the past year.
- Exposure to high or the highest risk accounts for 1.6% of the bank's loan exposure. Expected losses in this portion of the portfolio are 4%.
- 69% of the bank's loan exposure is to commitments that account for less than NOK 10 million. This corresponds to 99 per cent of all the customers.
- 17% of the bank's loan exposure is to customers that have an exposure in excess of NOK 100 million. This percentage has declined somewhat over the past year. The probability of default in this portion of the portfolio is lower than the average for the corporate market portfolio.

Lowest - Low risk, expected loss	0 % - 0,50 %
Average risk, expected loss	0,50 - 2,00 %
High - Highest risk, forventet tap	over 2,00 %

### Risk profile of SpareBank 1 SR-Bank

#### Moderate risk profile and stable development of the portfolio quality over the past quarter



- The group's moderate risk profile remains unchanged.
- The persistently low interest rate levels are contributing to a high level of activity, low unemployment and still climbing housing prices in the group's market area.
- These factors, together with the ongoing focus on risk-reducing measures, have resulted in the group's overall portfolio quality being maintained at a good level.

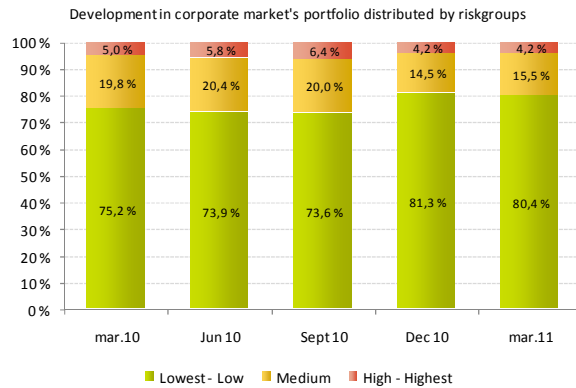
Measurement of risk exposure is based on a long-term average throughout the business cycle. This implies greater stability in the default estimates.

The figures include the portfolio transferred to SpareBank 1 Boligkreditt AS.

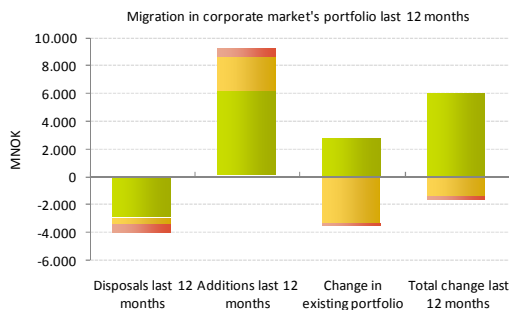
Lowest - Low risk, expected loss	0 % - 0,50 %
Average risk, expected loss	0,50 - 2,00 %
High - Highest risk, forventet tap	over 2,00 %

## Risk profile of corporate market portfolio

Portfolio quality is good and the development has been stable over the past quarter



- The quality of the corporate market portfolio is considered good. The portfolio's average probability of default, its expected losses and the risk-adjusted capital requirements remained stable in Q1 2011.
- The portfolio's risk profile has, however, improved over the past year. The addition of new commitments with a low risk profile is greater than the disposals, and the existing portfolio is marked by positive migration over the past year.

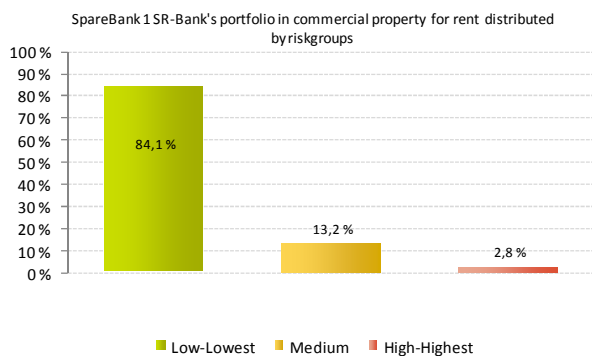


Measurement of risk exposure is based on a long-term average throughout the business cycle. This implies greater stability in the default estimates.

Lowest - Low risk, expected loss	0% - 0,50 %
Average risk, expected loss	0,50 - 2,00 %
High - Highest risk, forventet tap	over 2,00 %

## Portfolio of commercial property for rental

Portfolio is dominated by commitments with low risk

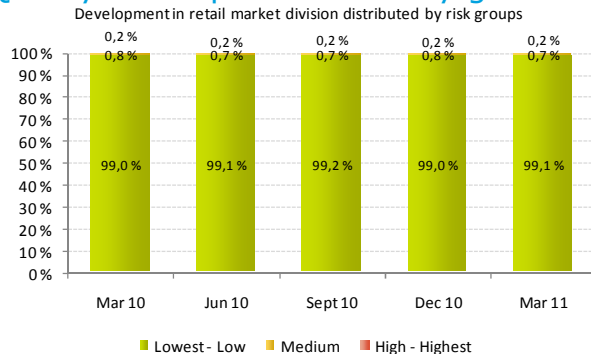


- The portfolio of commercial property for rental represents the group's largest concentration in a single sector and accounts for around 11% of the total exposure (EAD) including retail market customers.
- The portfolio of commercial property for rental is dominated by commitments with low risk 84% of the exposure is classified as low risk, while 3% is classified as high risk.
- Interest rates for a significant portion of the portfolio have been hedged, primarily through interest rate hedging contracts with a duration of over five years.
- The portfolio is marked by long-term leases with financially solid tenants. The vacancy rate is low.

Lowest - Low risk, expected loss	0% - 0,50 %
Average risk, expected loss	0,50 - 2,00 %
High - Highest risk, forventet tap	over 2,00 %

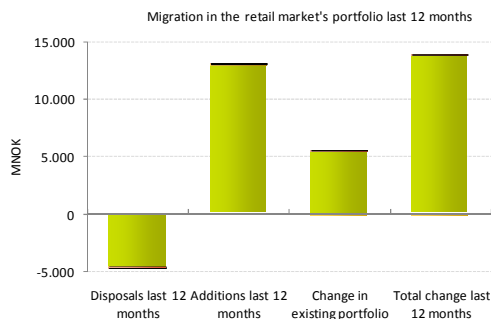
## Risk profile of the retail market portfolio

Quality of the portfolio is very good and the loss potential is limited



- The quality of the retail market portfolio is very good. The portfolio's development is marked by an enduring stability.

- The growth of the group's portfolio over a prolonged period has not affected the risk profile of the portfolio.



- Most of the portfolio is secured by way of mortgages on real estate. Collateral coverage is good, which would indicate that there is only a limited risk of loss as long as the values of the collateral pledged are not significantly impaired.

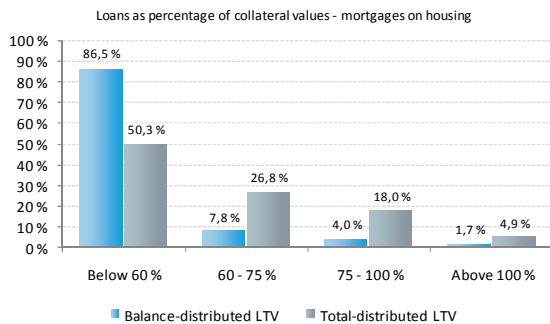
Measurement of risk exposure is based on a long-term average throughout the business cycle. This implies greater stability in the default estimates.

The figures include the portfolio transferred to SpareBank 1 Boligkreditt AS.

Lowest - Low risk, expected loss	0% - 0,50 %
Average risk, expected loss	0,50 - 2,00 %
High - Highest risk, forventet tap	over 2,00 %

## Loans as a percentage of the collateral value – LTV

Collateral coverage is very good for loans secured by a mortgage on residential property



- The loan to collateral value ratio is moderate in general. Less than 6% of the exposure exceeds 75% of the collateral value. There have been no significant changes in the LTV values over the past quarter.

- Internally the group focuses on the commitment's estimated degree of loss when the loss potential is to be assessed. The realisation value of the collateral pledged is used as the basis then. This is significantly lower than the market value and reflects the value of the collateral in the event of realisation during an economic downturn.

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

The figures include the portfolio transferred to SpareBank 1 Boligkreditt AS.

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

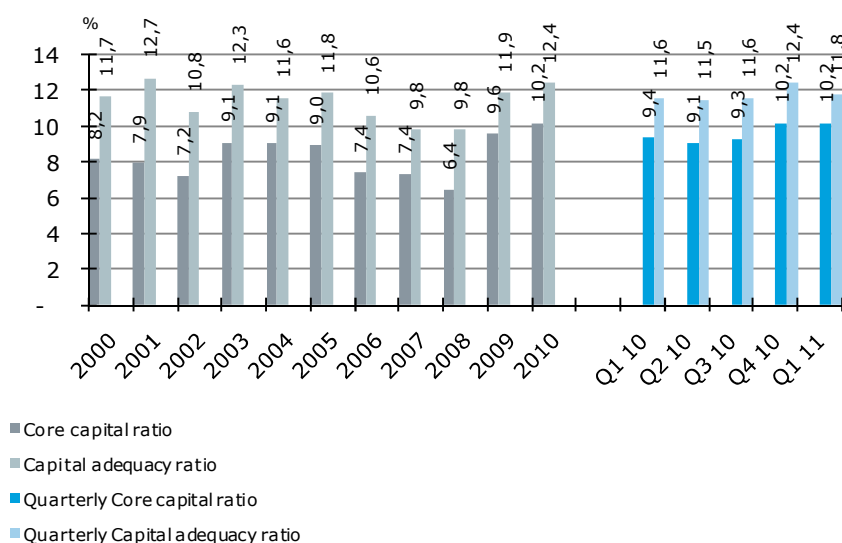
Figure 2.8: Methods used for calculating capital adequacy

### 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 early 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



	31 March 2011	31 Dec. 2010	30 Sept. 2010	30 June 2010	31 March 2010
<i>MNOK</i>					
Equity certificates	3.183	3.183	3.023	3.023	3.023
- Own equity certificates	-3	-3	-3	-3	-3
Premium reserve	625	625	456	456	456
Equalisation reserve	1.284	1.175	669	652	735
Allocated to dividend	-	336	-	-	-
Savings bank's reserve	2.541	2.477	2.182	2.171	2.220
Share premium reserve	55	55	20	20	20
Endowment fund	370	372	214	221	240
Reserve for unrealised gains	43	43	127	127	127
Other equity	1.177	1.139	947	954	972
<b>Total book equity</b>	<b>9.275</b>	<b>9.402</b>	<b>7.635</b>	<b>7.621</b>	<b>7.790</b>
Deferred taxes, goodwill and other intangible assets	-79	-77	-82	-54	-54
Fund for unrealized gains, available for sale	-2	-2	-1	-1	-1
Deduction for allocated dividends	-	-336	-	-	-
50% deduction for subordinated capital in other financial institutions	-23	-21	-31	-32	-17
50% deduction for expected losses on IRB, net of write-downs	-278	-268	-302	-311	-335
50% capital adequacy reserve	-657	-645	-578	-570	-570
Share of other equity in ownership interests	-	-	37	-	-
Year-to-date profit included in core capital (50%)	133	-	468	318	149
Hybrid Tier 1 bonds	1.365	1.389	1.287	1.272	1.234
<b>Total core capital</b>	<b>9.734</b>	<b>9.442</b>	<b>8.433</b>	<b>8.243</b>	<b>8.196</b>
<i>Supplementary capital in excess of core capital</i>					
Perpetual subordinated capital	346	783	783	818	779
Non-perpetual subordinated capital	2.113	2.191	2.145	2.204	2.059
50% deduction for subordinated capital in other financial institutions	-23	-21	-31	-32	-17
50% deduction for expected losses on IRB, net of write-downs	-278	-268	-302	-311	-335
50 % capital adequacy reserve	-657	-645	-578	-570	-570
<b>Total supplementary capital</b>	<b>1.501</b>	<b>2.040</b>	<b>2.017</b>	<b>2.109</b>	<b>1.916</b>
<b>Net subordinated capital</b>	<b>11.235</b>	<b>11.482</b>	<b>10.450</b>	<b>10.352</b>	<b>10.112</b>

Table 2.8.1: Capital overview



<i>MNOK</i>	<b>31 March 2011</b>	<b>31 Dec. 2010</b>	<b>30 Sept. 2010</b>	<b>30 June 2010</b>	<b>31 March 2010</b>
Specialised lending exposure	1.930	1.953	1.925	1.976	1.988
Other corporations exposure	2.183	2.042	1.881	1.940	1.905
SME exposure	38	38	34	34	33
Retail mortgage exposure	675	680	676	656	653
Other retail exposure	77	87	64	73	63
Equity investments	-	-	-	-	-
<b>Total credit risk IRB</b>	<b>4.903</b>	<b>4.800</b>	<b>4.580</b>	<b>4.679</b>	<b>4.642</b>
Debt risk	115	116	87	99	85
Equity risk	42	34	19	31	47
Currency risk	-	-	-	-	-
Operational risk	408	374	374	374	374
Transitional arrangements	541	566	568	439	255
Exposures calculated using the standardised approach	1.711	1.617	1.710	1.700	1.692
Deductions	-109	-107	-97	-96	-94
<b>Minimum requirements subordinated capital</b>	<b>7.611</b>	<b>7.400</b>	<b>7.241</b>	<b>7.226</b>	<b>7.001</b>
<b>Capital adequacy ratio</b>	<b>11,81 %</b>	<b>12,41 %</b>	<b>11,55 %</b>	<b>11,46 %</b>	<b>11,55 %</b>
Core capital ratio	10,23 %	10,21 %	9,32 %	9,13 %	9,37 %
Supplementary capital ratio	1,58 %	2,21 %	2,23 %	2,33 %	2,19 %

Table 2.8.2: *Capital requirements*

### 3. Business areas

#### 3.1 Business segments - Financial performance

##### Extracts from income statement, per 31.03.11

	SpareBank 1 SR-Bank Group Q1 11													
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		SR-Finans		Other*		Total	
	Q1 11	Q1 10	Q1 11	Q1 10	Q1 11	Q1 10	Q1 11	Q1 10	Q1 11	Q1 10	Q1 11	Q1 10	Q1 11	Q1 10
<i>MNOK</i>														
Net interest income	242	249	170	170	4	4	1	1	37	42	-30	-29	424	437
Net commission and other income	91	80	41	38	39	36	97	73	-2	-3	15	36	281	260
Net return on investment securities	0	0	0	0	12	5	0	0	0	0	116	74	128	79
Operating expenses	148	125	46	40	14	6	86	69	11	10	141	62	446	312
Operating contribution before losses	185	204	165	168	41	39	12	5	24	29	-40	19	387	464
Losses on loans and guarantees	6	2	32	38	0	0	0	0	42	19	-29	10	51	69
<b>Operating contribution before tax</b>	<b>179</b>	<b>202</b>	<b>133</b>	<b>130</b>	<b>41</b>	<b>39</b>	<b>12</b>	<b>5</b>	<b>-18</b>	<b>10</b>	<b>-11</b>	<b>9</b>	<b>336</b>	<b>395</b>
Gross loans to customers excl. Boligkreditt	53.122	47.521	46.584	44.332	0	0	0	0	5.066	5.077	-1	-449	104.771	96.481
Deposits from customers	28.917	25.468	33.893	28.024	0	0	0	0	0	1	-148	-170	62.662	53.323

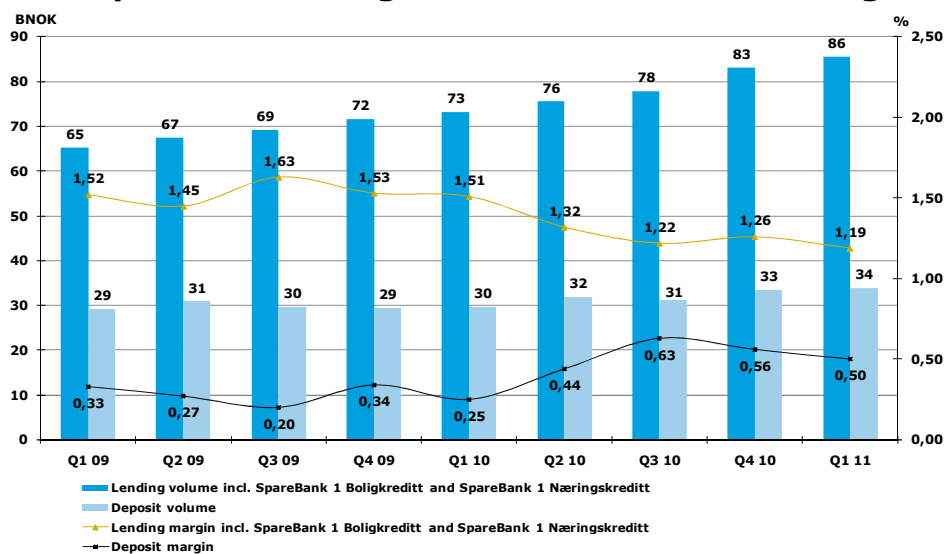
\* Includes SR-Forvaltnin and, SR-Investering

## 3.2 Retail Market

### Financial performance in the retail market segment

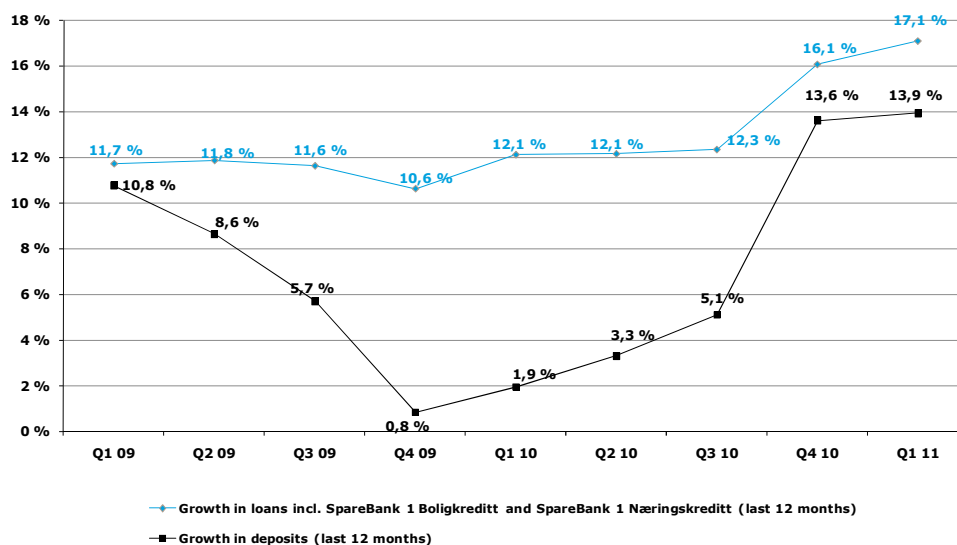
MNOK	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Net interest income	242	245	242	239	249	975	964
Net other operating income	91	88	83	84	80	335	323
Total income	333	333	325	323	329	1.310	1.287
Total operating expenses	148	159	131	113	125	528	493
<b>Operating contribution before losses</b>	<b>185</b>	<b>174</b>	<b>194</b>	<b>210</b>	<b>204</b>	<b>782</b>	<b>794</b>
Losses on loans and guarantees	6	-1	6	1	2	7	5
<b>Operating contribution before tax</b>	<b>179</b>	<b>175</b>	<b>188</b>	<b>209</b>	<b>202</b>	<b>775</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

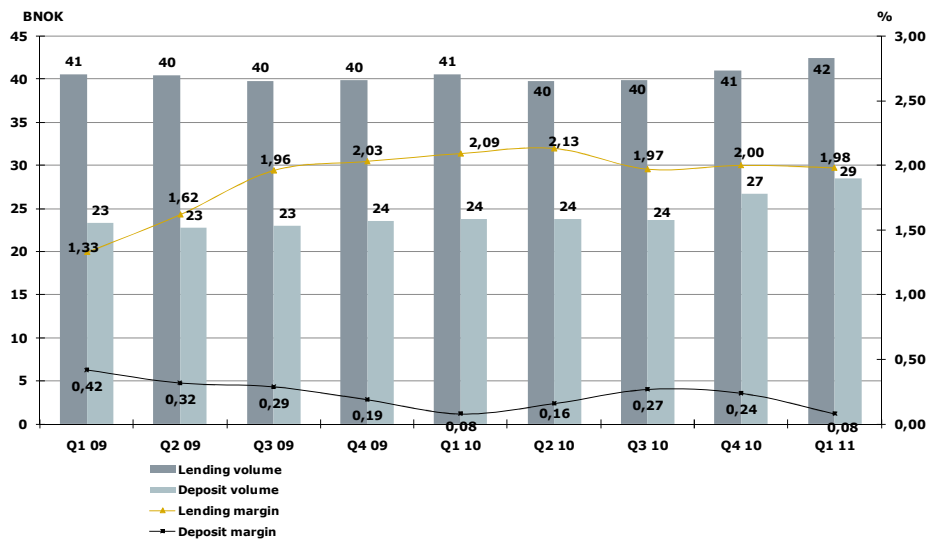


### 3.3 Corporate Market

#### Financial performance in the corporate market segment

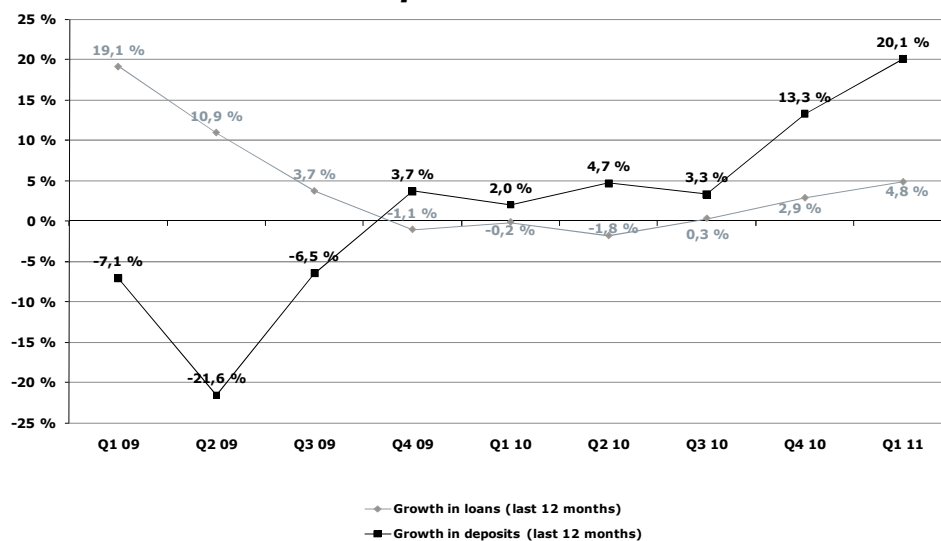
MNOK	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Net interest income	170	182	175	187	170	714	603
Net other operating income	41	43	44	38	38	163	152
Total income	211	225	219	225	208	877	755
Total operating expenses	46	51	40	32	40	163	158
<b>Operating contribution before losses</b>	<b>165</b>	<b>174</b>	<b>179</b>	<b>193</b>	<b>168</b>	<b>714</b>	<b>597</b>
Losses on loans and guarantees	32	59	30	38	38	165	248
<b>Operating contribution before tax</b>	<b>133</b>	<b>115</b>	<b>149</b>	<b>155</b>	<b>130</b>	<b>549</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>	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Net interest income	4	7	5	5	4	21	14
Net other operating income	51	28	40	49	41	158	176
Total income	55	35	45	54	45	179	190
Total operating expenses	14	13	9	12	6	40	40
<b>Operating contribution before losses</b>	<b>41</b>	<b>22</b>	<b>36</b>	<b>42</b>	<b>39</b>	<b>139</b>	<b>150</b>
Losses on loans and guarantees	0	0	0	0	0	0	0
<b>Operating contribution before tax</b>	<b>41</b>	<b>22</b>	<b>36</b>	<b>42</b>	<b>39</b>	<b>139</b>	<b>150</b>

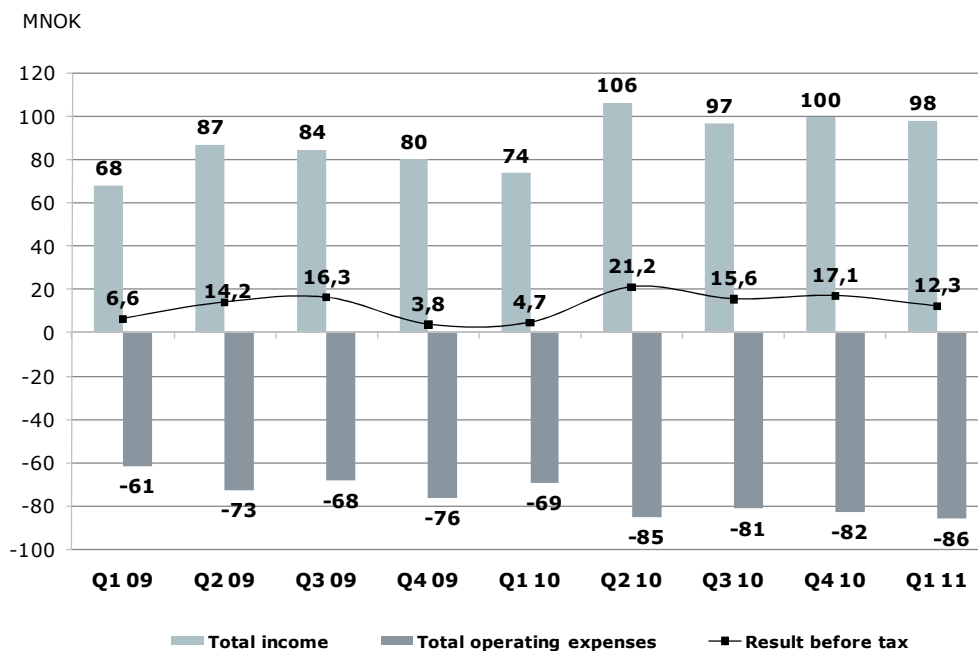
### 3.5 Subsidiaries

#### 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 31.03.2011, the company sold 1,795 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 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Interest income	1,6	2,2	2,0	1,8	1,4	7,4	4,4
Other income	96,6	97,3	94,7	104,5	72,4	369,0	315,2
<b>Total income</b>	<b>98,2</b>	<b>99,5</b>	<b>96,7</b>	<b>106,3</b>	<b>73,8</b>	<b>376,4</b>	<b>319,5</b>
Personal expenses	52,0	47,1	51,0	49,4	42,1	189,6	161,0
Other expenses	33,9	35,3	30,1	35,7	27,0	128,2	117,6
<b>Total operating expenses</b>	<b>85,9</b>	<b>82,4</b>	<b>81,1</b>	<b>85,1</b>	<b>69,1</b>	<b>317,8</b>	<b>278,5</b>
<b>Result before tax</b>	<b>12,3</b>	<b>17,1</b>	<b>15,6</b>	<b>21,2</b>	<b>4,7</b>	<b>58,6</b>	<b>41,0</b>

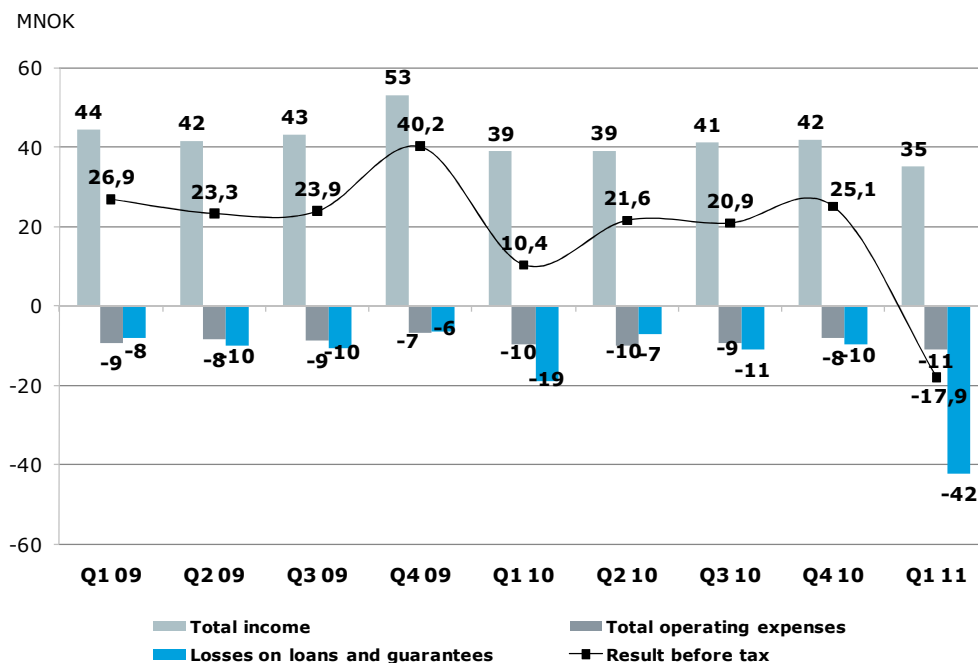


## SpareBank 1 SR-Finans AS

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	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Interest income	37,5	44,7	41,7	41,2	41,5	169,2	194,2
Other income	-2,4	-2,3	-0,6	-2,1	-2,5	-6,0	-12,1
<b>Total income</b>	<b>35,1</b>	<b>42,4</b>	<b>41,1</b>	<b>39,1</b>	<b>38,9</b>	<b>163,2</b>	<b>182,1</b>
Personal expenses	7,3	3,7	6,2	6,6	6,4	23,0	21,0
Other expenses	3,6	4,0	3,1	3,5	3,1	15,4	12,1
<b>Total operating expenses</b>	<b>10,9</b>	<b>7,7</b>	<b>9,3</b>	<b>10,1</b>	<b>9,5</b>	<b>38,4</b>	<b>33,2</b>
<b>Ordinary operating profit</b>	<b>24,2</b>	<b>34,7</b>	<b>31,8</b>	<b>29,0</b>	<b>29,4</b>	<b>124,8</b>	<b>148,9</b>
Loss on loans, guarantees etc.	42,1	9,6	10,9	7,4	19,0	47,0	34,6
<b>Result before tax</b>	<b>-17,9</b>	<b>25,1</b>	<b>20,9</b>	<b>21,6</b>	<b>10,4</b>	<b>77,8</b>	<b>114,3</b>

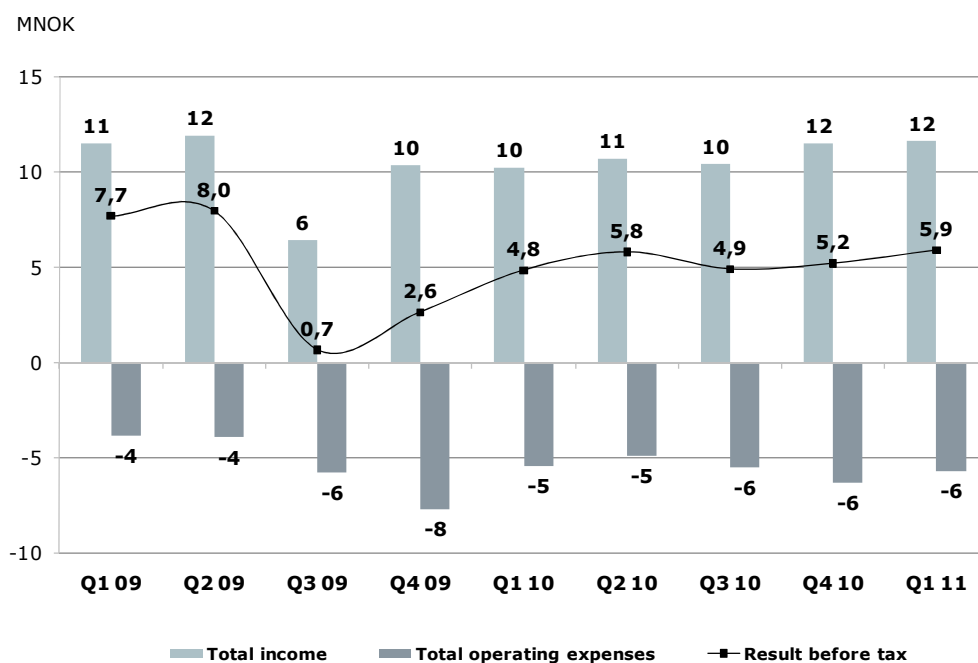


## SR-Forvaltning ASA

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 6.5 billion as per 31.03.2011. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

MNOK	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Interest income	0,3	0,2	0,2	0,2	0,2	0,9	0,7
Other income	11,3	11,3	10,2	10,5	10,1	42,1	39,4
<b>Total income</b>	<b>11,6</b>	<b>11,5</b>	<b>10,4</b>	<b>10,7</b>	<b>10,3</b>	<b>43,0</b>	<b>40,2</b>
Personal expenses	4,5	5,6	4,1	3,5	4,0	17,1	15,8
Other expenses	1,2	0,7	1,4	1,4	1,4	5,0	5,5
<b>Total operating expenses</b>	<b>5,7</b>	<b>6,3</b>	<b>5,5</b>	<b>4,9</b>	<b>5,4</b>	<b>22,1</b>	<b>21,2</b>
<b>Result before tax</b>	<b>5,9</b>	<b>5,2</b>	<b>4,9</b>	<b>5,8</b>	<b>4,8</b>	<b>20,9</b>	<b>18,9</b>



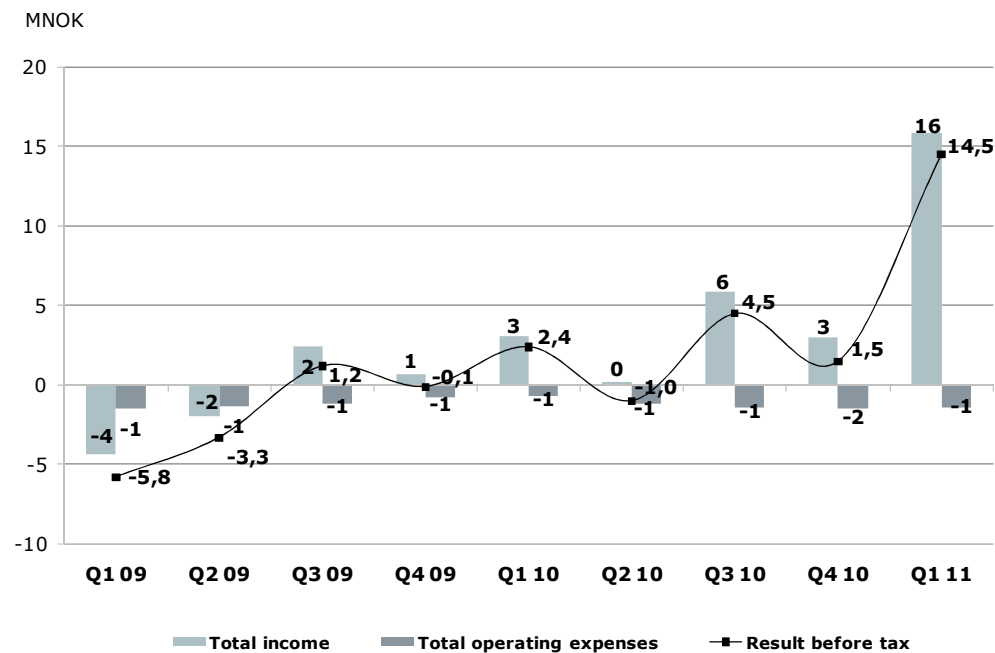


## SR-Investering AS

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	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	31.12 2010	31.12 2009
Interest income	0,4	0,4	0,4	0,4	0,3	1,5	1,3
Other income	0	1,4	0,3	-	-	1,8	0,6
Net return on investment securities	15,3	1,2	5,2	-0,2	2,8	9,0	-5,2
<b>Total income</b>	<b>15,9</b>	<b>3,0</b>	<b>5,9</b>	<b>0,2</b>	<b>3,1</b>	<b>12,3</b>	<b>-3,2</b>
Personal expenses	1,3	1,3	1,3	1,1	0,6	4,2	4,2
Other expenses	0,1	0,2	0,1	0,1	0,1	0,5	0,7
<b>Total operating expenses</b>	<b>1,4</b>	<b>1,5</b>	<b>1,4</b>	<b>1,2</b>	<b>0,7</b>	<b>4,7</b>	<b>4,9</b>
<b>Result before tax</b>	<b>14,5</b>	<b>1,5</b>	<b>4,5</b>	<b>-1,0</b>	<b>2,4</b>	<b>7,6</b>	<b>-8,1</b>



## 4. Norwegian and regional economy

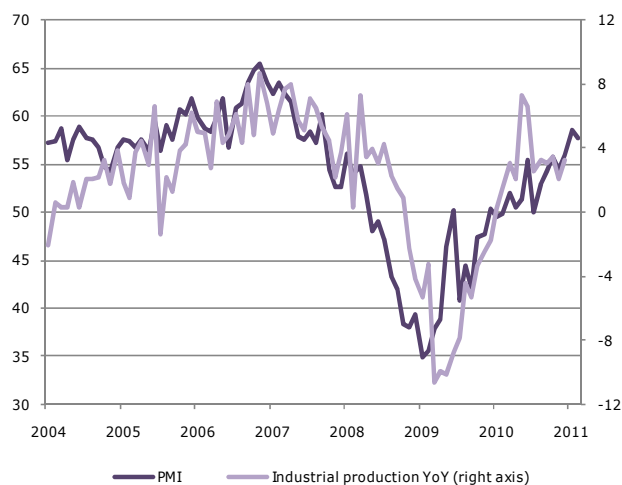
Activity in the Norwegian economy has picked up. The Norwegian economy remains solid and benefits from a global growth that has been higher than anticipated. Unemployment is low; house prices, credit growth and retail sales are increasing; and the PMI indicates expectations of higher activity. The current key policy rate is 2.0%, which is low by historical standards. In light of higher activity and the interest rate hike in ECB, it is expected that Norges Bank will increase the interest rate moderately in 2011, most likely starting in May.

### *Moderate growth in industrial production*

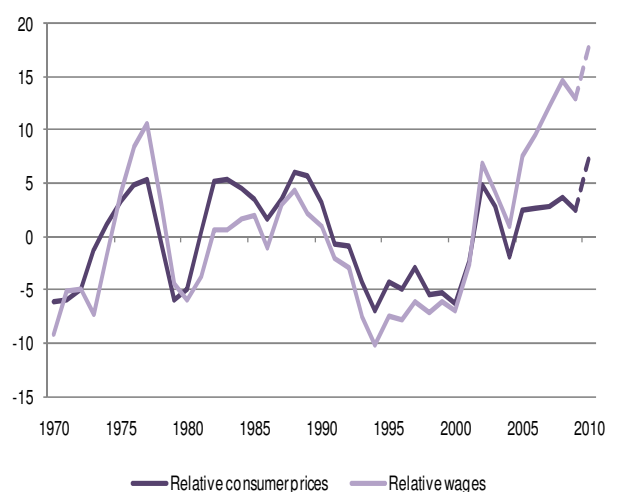
Business confidence surveys indicate that activity will continue to increase moderately in 2011. Improved conditions with higher activity in Norway and continued recovery in Norway's main trading partners support this hypothesis. Norges Bank's telephone survey "Regional network" indicates that overall trends in both output and employment have improved. In addition, prospects for building and construction and the service industry are better. Nevertheless, it is important to note that global trends are the key drivers for the private sector.

Although there has been a gradual improvement in manufacturing, Norwegian exports are struggling with high costs. As the following chart indicates, the real exchange rate is strengthening rapidly. The graph shows the deviation from the mean over the years 1970-2009. A rising curve indicates a stronger real exchange rate and thus weaker competitiveness. Therefore, it is timely that ECB hiked the key policy rate in April. Higher European interest rates increase Norges Bank's flexibility to focus more on the real economy than the exchange rate.

**Gradual improvement for manufacturing**



**Real exchange rates, deviation from mean**



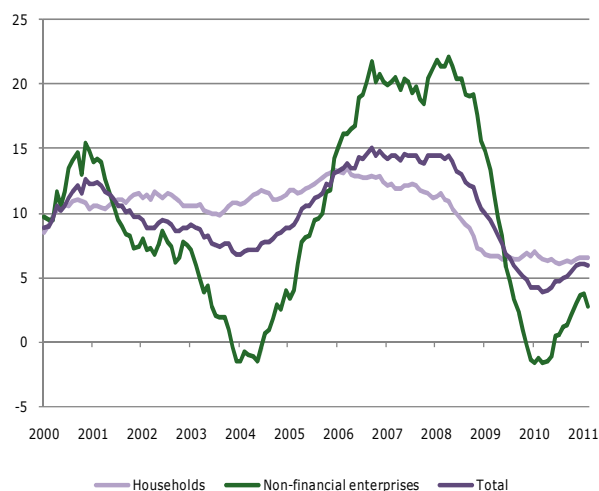
Source: Norges Bank, Statistics Norway, Bloomberg, Argo Securities

### *Demand has started to stimulate growth*

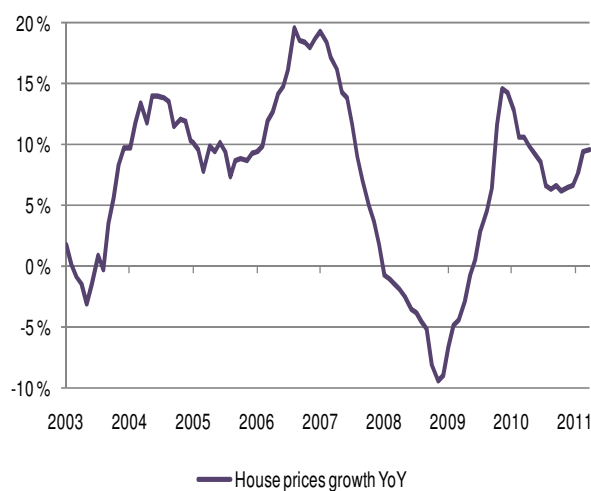
After a prolonged period of low growth, retail sales picked up at the end of 2010 and the beginning of this year. Low interest rates, continued strong housing prices, low unemployment, and positive real wage growth seem to have sparked Norwegian consumers' willingness to go shopping again. As the economic outlook remains positive, we expect continued growth in private consumption going forward.

Since the end of last year house prices has increased rapidly and YoY-growth are approaching two-digit numbers. Over time correlation between house prices and credit growth are high. At the moment credit growth is not a threat. However, Norges Bank will monitor this situation; as it might threaten the financial stability if credit growth gets out of hand.

#### Credit growth is still under control



#### Housing prices is rapidly increasing

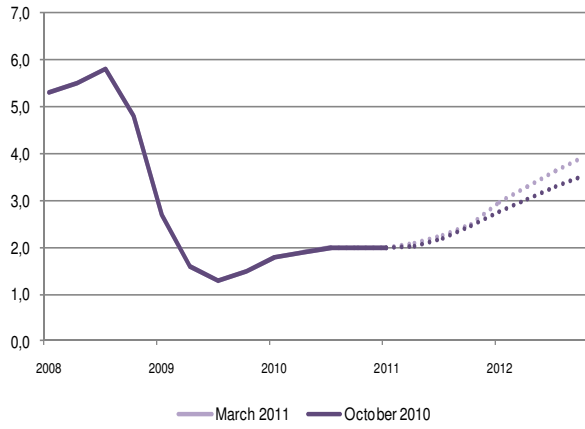


Source: Statistics Norway, NEF/Econ, Argo Securities

### *Fiscal and monetary policy in Norway*

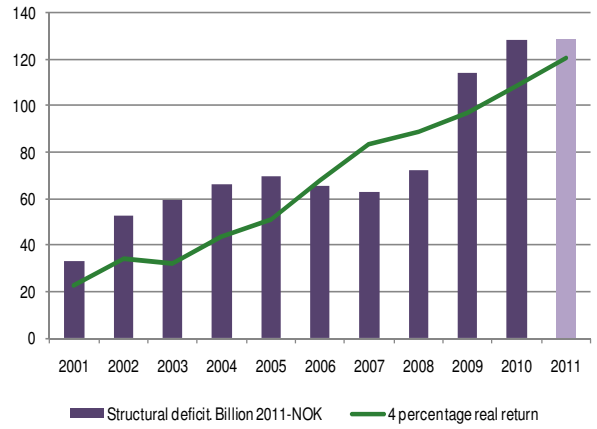
The outlook for the Norwegian economy remains fairly strong. Growth in the mainland economy is expected to increase 3.3% in 2011 and 3.75% in 2012, driven by increased private spending and generally improved business conditions. Due to high income from exports of commodities such as oil and gas, the Norwegian government enjoys a fiscal freedom that many of its counterparts in the euro zone do not. The Norwegian Government Pension Fund Global has passed NOK 3,000bn, and the government is supposed to spend the real return of 4% over time. This makes it possible to run a structural deficit of approximately NOK 135bn in 2011, which corresponds to 12.1% of the total budget. The hawkish communication from ECB and increased interest rate expectations in Europe makes interest rate hiking easier for Norges Bank. We expect the key policy rate to increase from 2% to 2.75% during 2011, which still is quite low and will continue to stimulate household spending. We expect that Norges Bank will start to increase the interest rate at the next meeting in May. The graph to the left shows how Norges Bank revised up their interest rate expectations from October to March.

**Projected key policy rates in baseline scenario**

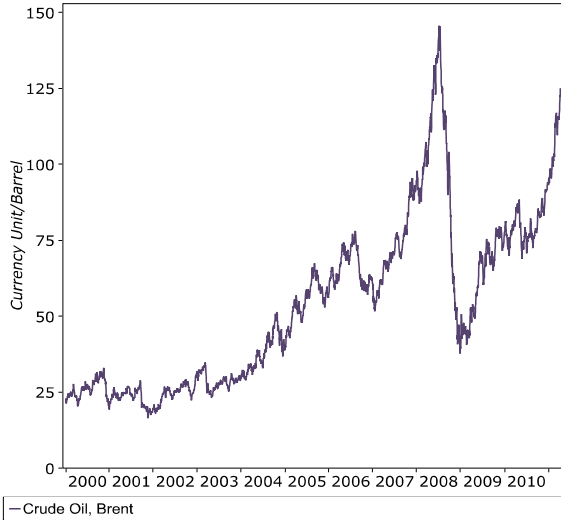


Source: Norges Bank, National Budget 2011, Argo Securities

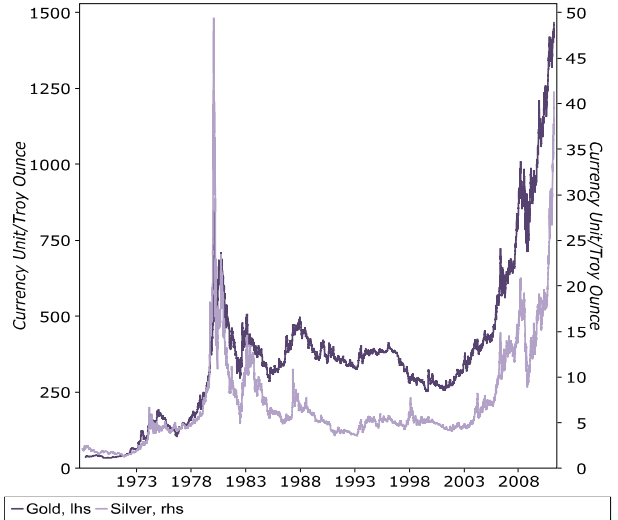
**The government's use of "oil money" (NOKbn)**



**Oil and other commodity prices are surging**



Source: Macrobond, Argo Securities

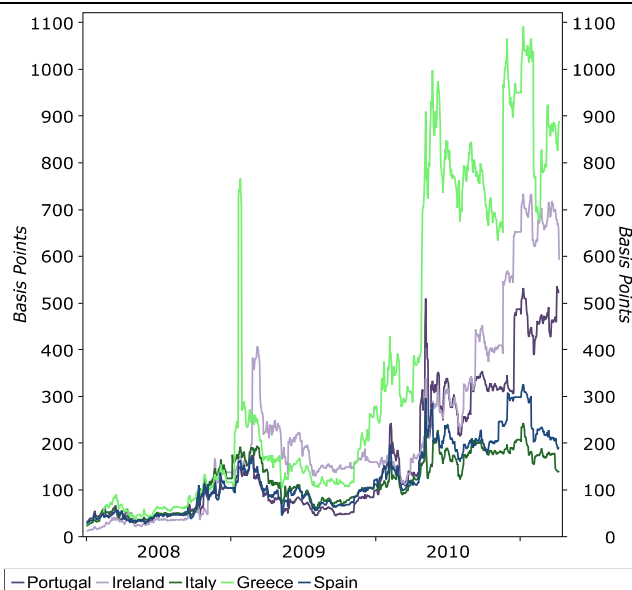


### 10-year government bonds: increased growth expectations after QE2



Source: Macrobond, Argo Securities

### 10-year CDS: "PIG is the word"



## Forecasts

### Norway - GDP Growth 2009 - 2013E (%)

	2009	2010	2011E	2012E	2013E
Private consumption	0.2	3.6	3.5	4.25	3.5
Public consumption	4.7	2.2	2.5	2.5	
Fixed investment, mainland Norway	-11.7	-4.4	9.75	5.5	
= Mainland demand	-1.1	1.8	4.25	4.0	3.25
Petroleum investment	5.7	-4.4	9.75	5.5	
Mainland exports	-5.5	6.7	6.25	3.5	
Imports	-11.4	8.7	6.25	4.25	
<b>GDP, mainland Norway</b>	<b>-1.4</b>	<b>2.2</b>	<b>3.3</b>	<b>3.75</b>	<b>3.5</b>

### Norway - Key Economic Indicators 2009 - 2013E (%)

	2009	2010	2011E	2012E	2013E
GDP	-1.4	0.4	2.5	2.75	2.5
GDP, mainland Norway	-1.4	2.2	3.3	3.75	3.5
Annual wage growth	4.2	3.75	4.0	4.25	4.75
CPI	2.1	2.5	1.5	1.8	2.25
CPI-ATE	2.6	1.4	1.25	2.0	2.3
Employment	-0.4	-0.2	1.25	1.5	1.5
Registered unemployment (nav)	2.7	2.9	2.7	2.5	2.5
Government Pension Fund Global (NOK billions)	2640	3018			
Key policy rate 31.12	1.5	2.0	2.75	3.75	4,5
3-month NIBOR premium - basis points 31.12	68.0	60.0	40.0	35.0	35.0
Import-weighted exchange rate (I-44)	93.8	90.3	89.0	89.25	89.5

Source: Norges Bank, Statistics Norway, Argo Securities



