



3. QUARTER 2011  
SPAREBANK 1 SR-BANK GROUP



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Arne Austreid

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### **Information on the Internet**

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

### **Financial Calendar 2011**

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	28 October 2011
Preliminary results and 4 <sup>th</sup> quarter 2011	February 2012

## Contents

<b>1. SpareBank 1 SR-Bank.....</b>	<b>4</b>
1.1 Financial highlights .....	4
1.2 Business description: leading financial institution in Rogaland, Hordaland and Agder .....	6
Retail Market.....	7
Corporate Market .....	7
Capital Market.....	7
Vision and strategy.....	7
Legal and organizational structure .....	8
The SpareBank 1 Alliance.....	9
1.3 Equity capital certificate - EC.....	10
ECs and the stock market .....	10
Investor relations policy .....	11
Dividend policy .....	11
History and capital structure .....	11
Ownership structure .....	13
Conversion to a limited liability company (ASA) .....	14
1.4 Credit ratings.....	15
<b>2. Financial results and balance sheet.....</b>	<b>15</b>
2.1 Net interest income .....	21
2.2 Net other operating income.....	23
2.3 Operating expenses.....	25
2.5 Losses on loans and loss provisions.....	28
2.6 Loans .....	29
2.7 Risk profile.....	30
2.8 Risk profile in bond portefolio .....	33
2.9 Capital adequacy.....	34
<b>3. Business areas .....</b>	<b>37</b>
3.1 Business segments - Financial performance.....	37
3.2 Retail Market .....	38
3.3 Corporate Market.....	40
3.4 Capital Market.....	42
3.5 Subsidiaries.....	43
EiendomsMegler 1 SR-Eiendom AS.....	43
SpareBank 1 SR-Finans AS .....	44
SR-Forvaltning ASA .....	45
SR-Investering AS.....	46
<b>4. Norwegian Economic Outlook.....</b>	<b>47</b>

# 1. SpareBank 1 SR-Bank

## 1.1 Financial highlights

### Q3 2011

- Profit before tax: NOK 253 million (NOK 386 million)
- Profit after tax: NOK 174 million (NOK 300 million)
- Return on equity after tax: 7.2% (14.3%)
- Earnings per equity certificate: NOK 0.86 (NOK 1.56)
- Net interest income: NOK 457 million (NOK 436 million)
- Net commission and other income: NOK 281 million (NOK 264 million)
- Net income from financial investments: NOK 7 million (NOK 137 million)
- Operating expenses: NOK 462 million (NOK 408 million)
- Impairment losses on loans: NOK 30 million (NOK 43 million)

(Figures for Q3 2010 are shown in parentheses)

### As at 30 September 2011

- Profit before tax: NOK 1,005 million (NOK 1,200 million)
- Profit after tax: NOK 744 million (NOK 936 million)
- Return on equity after tax: 10.4% (15.1%)
- Earnings per equity certificate: NOK 3.69 (NOK 4.87)
- Net interest income: NOK 1,308 million (NOK 1,300 million)
- Net commission and other income: NOK 887 million (NOK 818 million)
- Net income from financial investments: NOK 208 million (NOK 388 million)
- Operating expenses: NOK 1,304 million (NOK 1,143 million)
- Impairment losses on loans: NOK 94 million (NOK 163 million)
- Growth in lending (including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) over past 12 months: 15.3% (6.8%)
- Growth in deposits over past 12 months: 15.5% (3.7%)
- Core capital ratio: 9.6% (9.3%)

(As at 30 September 2010 in parentheses)

### Income statement

MNOK	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Net interest income	457	427	424	442	436	1.308	1.300	1.742
Net commission and other income	281	325	281	283	264	887	818	1.101
Net return on investment securities	7	73	128	183	137	208	388	571
<b>Total income</b>	<b>745</b>	<b>825</b>	<b>833</b>	<b>908</b>	<b>837</b>	<b>2.403</b>	<b>2.506</b>	<b>3.414</b>
<b>Total operating expenses</b>	<b>462</b>	<b>396</b>	<b>446</b>	<b>423</b>	<b>408</b>	<b>1.304</b>	<b>1.143</b>	<b>1.566</b>
<b>Operating profit before losses</b>	<b>283</b>	<b>429</b>	<b>387</b>	<b>485</b>	<b>429</b>	<b>1.099</b>	<b>1.363</b>	<b>1.848</b>
Losses on loans and guarantees	30	13	51	71	43	94	163	234
<b>Operating profit before tax</b>	<b>253</b>	<b>416</b>	<b>336</b>	<b>414</b>	<b>386</b>	<b>1.005</b>	<b>1.200</b>	<b>1.614</b>
Tax expense	79	111	71	33	86	261	264	297
<b>Profit after tax</b>	<b>174</b>	<b>305</b>	<b>265</b>	<b>381</b>	<b>300</b>	<b>744</b>	<b>936</b>	<b>1.317</b>

## Key figures

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Return on equity <sup>1)</sup>	7,2 %	12,6 %	11,2 %	16,9 %	14,3 %	10,4 %	15,1 %	15,5 %
Cost ratio <sup>2)</sup>	62,0 %	48,0 %	53,5 %	46,6 %	48,7 %	54,3 %	45,6 %	45,9 %
Deposit-to-loan ratio	61,9 %	60,2 %	59,8 %	57,4 %	55,5 %	61,9 %	55,5 %	57,4 %
Growth in loans	3,6 %	11,5 %	8,6 %	13,2 %	8,0 %	3,6 %	8,0 %	13,2 %
Growth in loans incl. SpareBank 1 Boligkreditt and Næringskreditt	15,3 %	14,5 %	12,5 %	11,6 %	6,6 %	15,3 %	6,8 %	11,6 %
Growth in deposits	15,5 %	15,8 %	17,5 %	11,8 %	3,7 %	15,5 %	3,7 %	11,8 %
Average total assets, MNOK	134.579	133.469	133.916	133.557	128.799	134.059	127.010	128.830
Total assets, MNOK	132.965	134.715	132.555	134.778	129.524	132.965	129.524	134.778
Impairment losses ratio <sup>3)</sup>	0,11	0,05	0,19	0,28	0,17	0,12	0,23	0,23
Capital adequacy ratio	11,2	11,5	11,8	12,4	11,6	11,2	11,6	12,4
Core capital ratio	9,6	10,0	10,2	10,2	9,3	9,6	9,3	10,2
Market price	40,70	51,50	57,00	57,00	53,00	40,70	53,00	57,00
Earnings per EC (group) <sup>4)</sup>	0,86	1,51	1,32	1,94	1,56	3,69	4,87	6,84

<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

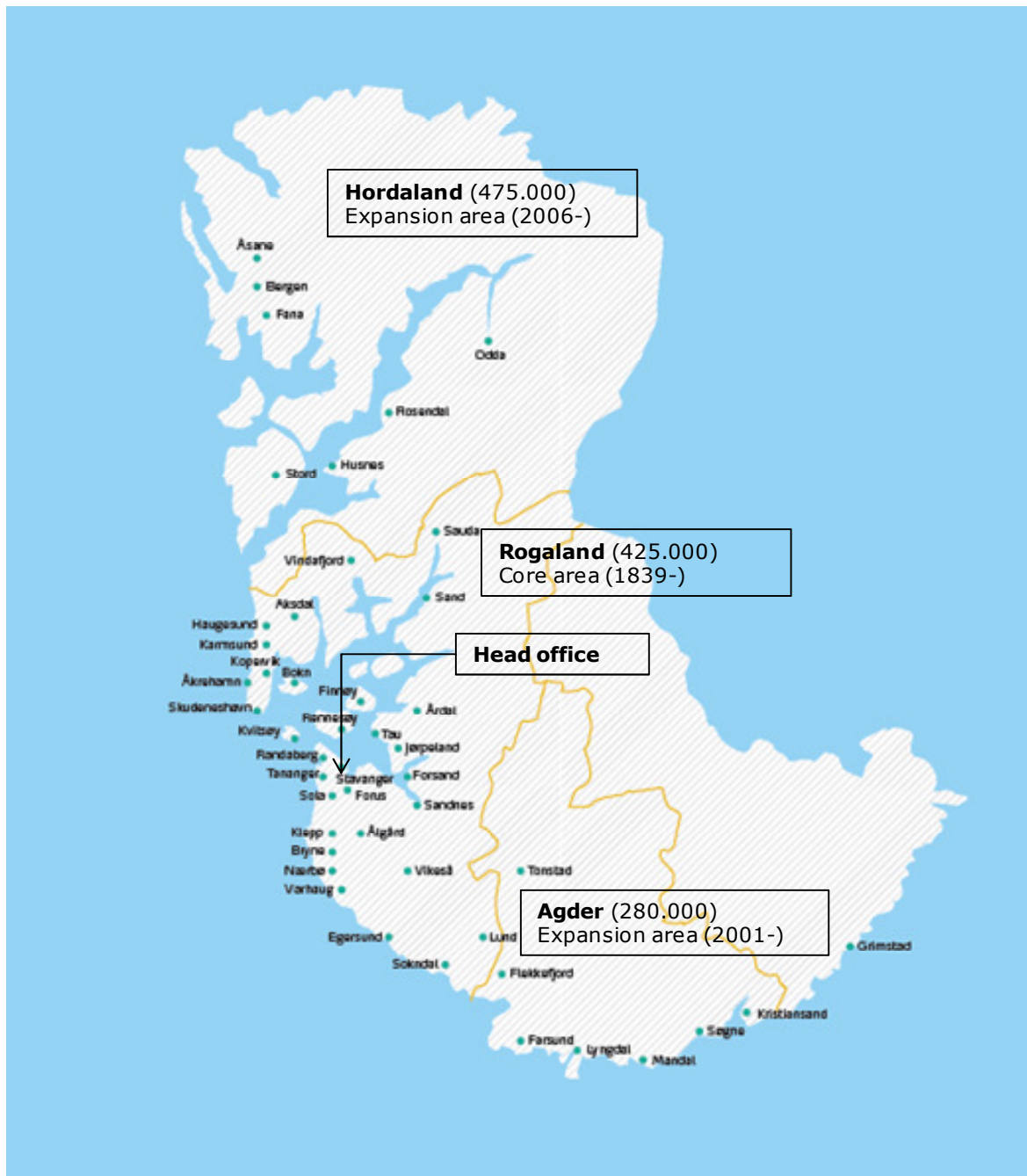


Figure 1.2.1: Operating areas

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 30 September 2011. Head office is in Stavanger. The market areas are the counties of Rogaland, Agder and Hordaland. SpareBank 1 SR-Bank has about 1 200 employees and provides a full range of 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 262,000 retail customers and a market share in Rogaland of about 40 per cent. The division also serves appr. 15,000 agricultural, small businesses and associations.

### **Corporate Market**

SpareBank 1 SR-Bank service about 7,500 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 subsidiary SR-Forvaltning that manage customers' and the bank's own assets in the form of securities, mutual 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 profit\***

<i>MNOK</i>	<b>Retail market</b>		<b>Corporate market</b>		<b>Capital market</b>	
	2011	2010	2011	2010	2011	2010
Operating profit before tax 3rd quarter only	190	189	194	156	16	36
Operating profit before tax per 30 September	556	600	486	441	103	117
Gross loans to customers as per 30 September 2011	49.869	51.882	48.735	43.736	-	-
Deposits from customers as per 30 September 2011	31.827	26.794	32.628	29.062	-	-

\* not including SpareBank 1 SR-Finans AS and portfolios in covered bond companies.

### **Vision and strategy**

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

"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 South-Western part 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.

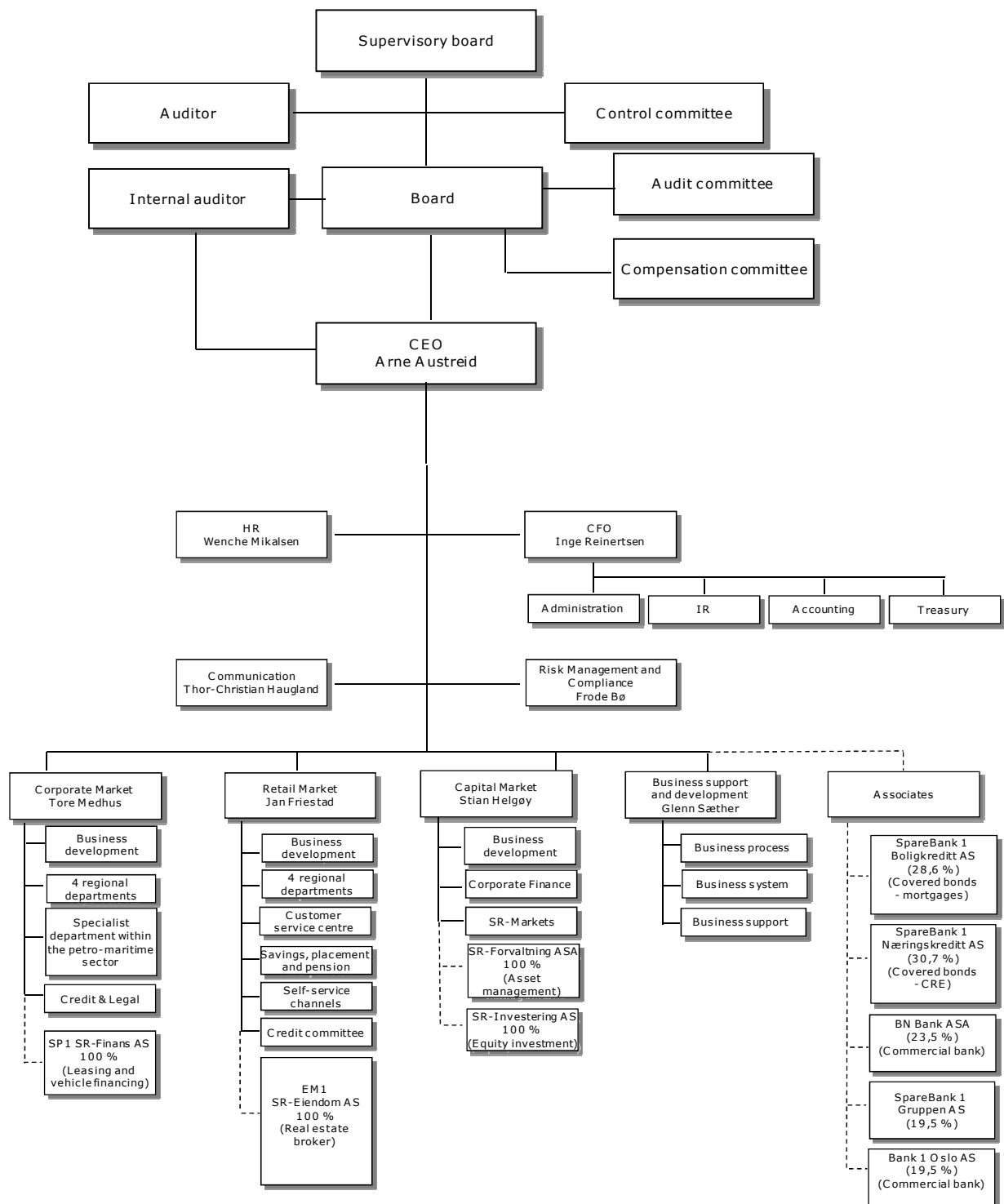


Figure 1.2.2: Organizational structure of SpareBank 1 SR-Bank



### The SpareBank 1 Alliance

SpareBank 1 SR-Bank is one of the founding partners of the SpareBank 1 Gruppen (“the Alliance”) in 1996. The purpose of the Alliance is for members 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 (collection of bad debts). The company also owns 75 per cent of SpareBank 1 Markets AS (previously named Argo Securities AS).

The banks that are part of the Alliance also jointly own the two covered bond companies SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, EiendomsMegler 1 (chain of real estate brokers), Alliansesamarbeidet SpareBank 1 Utvikling DA, and the two commercial banks Bank 1 Oslo/Akershus AS and BN Bank ASA.

The SpareBank 1 Alliance structure is shown in figure 1.2.3.

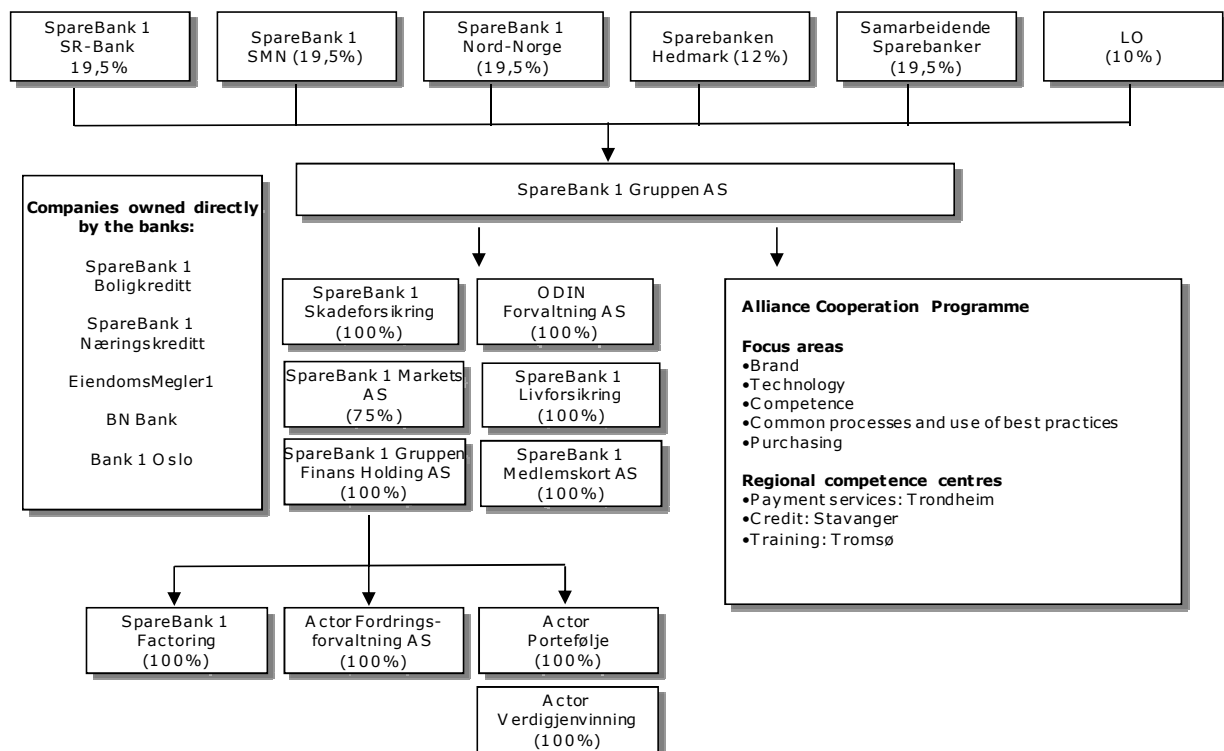
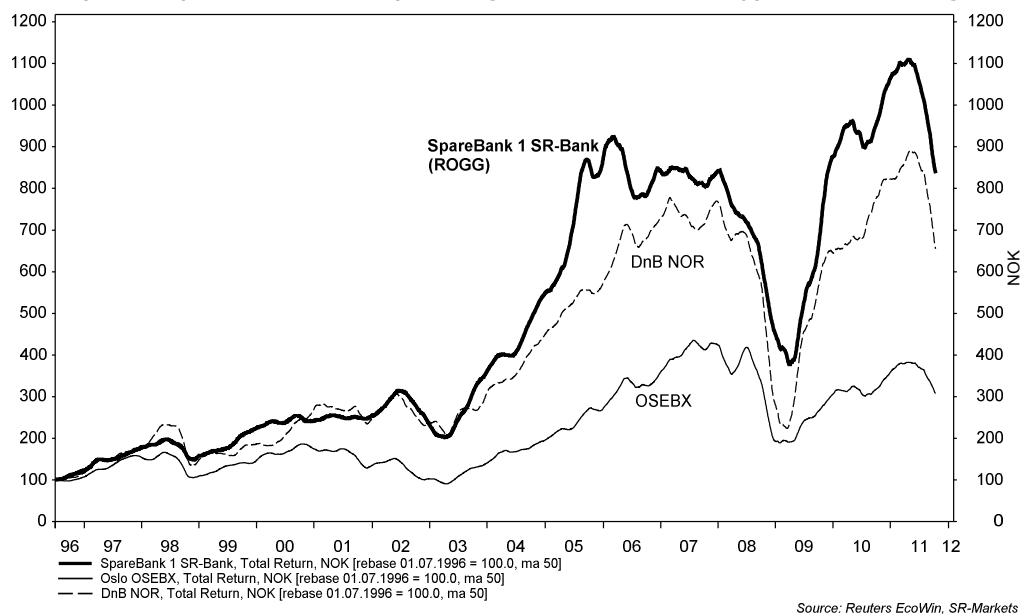


Figure 1.2.3: Structure of SpareBank 1 Alliance

### 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-Q3 2011.

ROGG was at NOK 40,70 per 30.09.2011. There were 127.31 million ECs outstanding at the end of third quarter. The number of EC's was increased from 120.93 million in November 2010 due to the acquisition of Kvinnherad Sparebank.

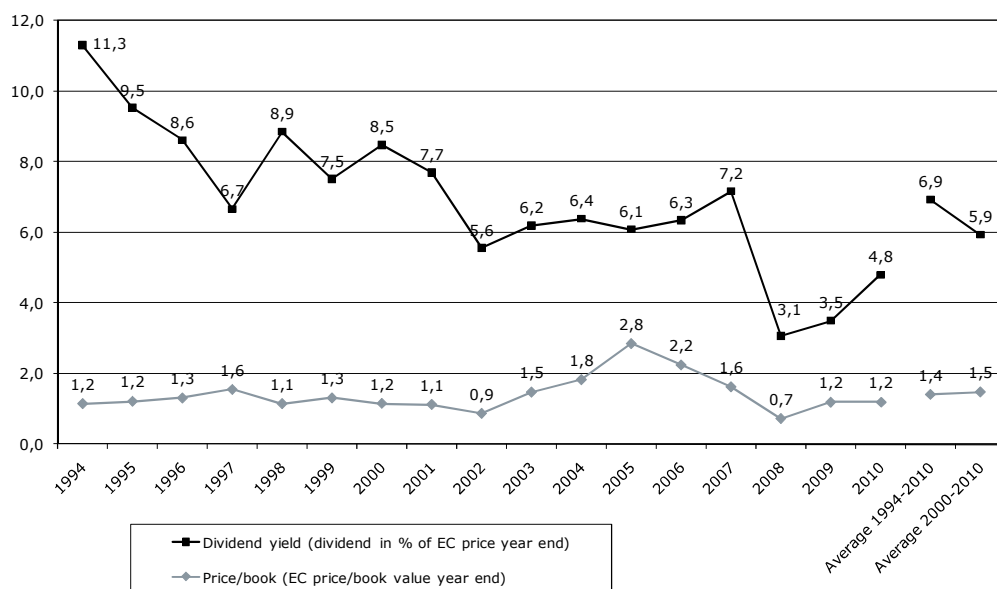


Figure 1.4.2 Dividend yield and price/book. 1994-2010.

### *Investor relations policy*

It is crucial to SpareBank 1 SR-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 domestic and 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 EC's 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)  
*SpareBank 1 Markets*, Nils Kristian Øyen + 47 24 14 74 00 [nils.oyen@sb1.markets.no](mailto:nils.oyen@sb1.markets.no)  
*Carnegie*, Thomas Svendsen: +47 22 00 93 54, [ts@carnegie.no](mailto:ts@carnegie.no)  
*First Securities*, Bengt Kirkøen +47 23 23 82 65 [bk@first.no](mailto:bk@first.no)  
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### *Dividend policy*

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

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

The main differences to ordinary shares 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 63.8 per cent by the end of 3<sup>rd</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 lower than the share of future profit.

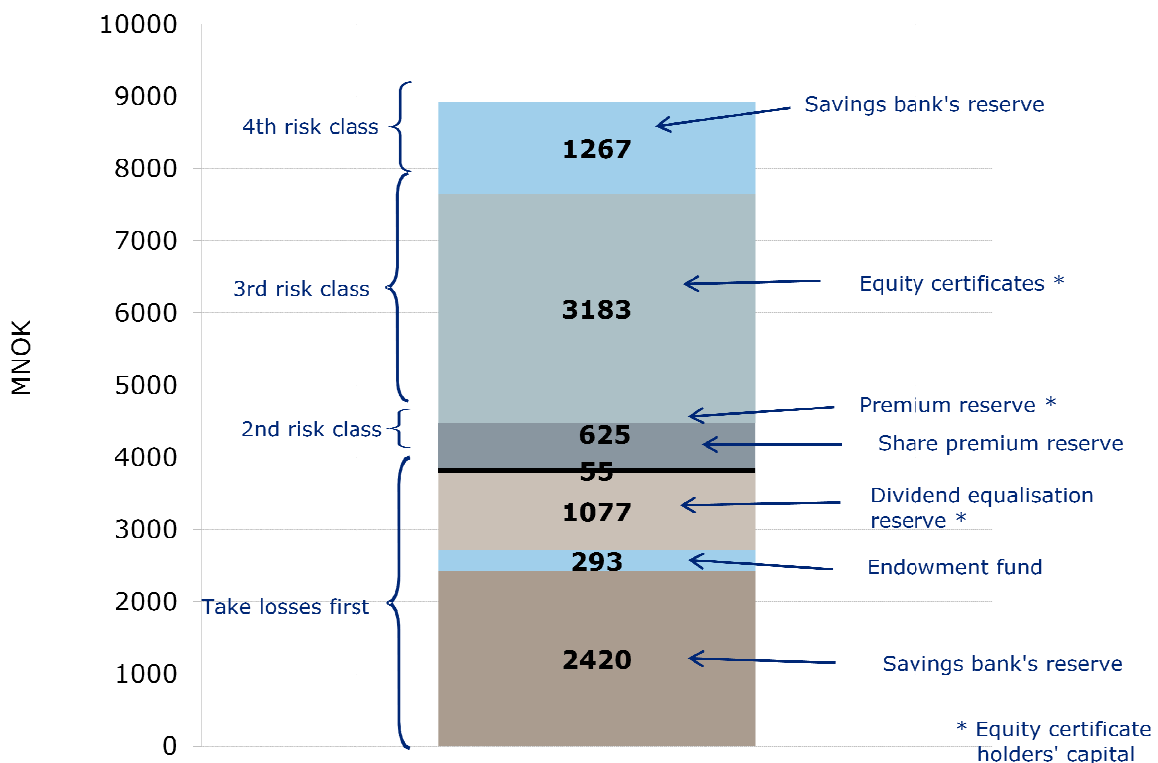


Figure 1.4.3: Capital structure per 30.09.2011

MNOK	30.09.11	31.12.10
Equity certificates	3.180	3.180
Dividend equalisation reserve	1.077	1.175
Premium reserve	625	625
<b>A. The equity certificate owners' capital</b>	<b>4.882</b>	<b>4.980</b>
Savings bank's reserve	2.420	2.477
Compensation fund	55	55
Endowment fund	293	372
<b>B. The savings bank's reserve</b>	<b>2.768</b>	<b>2.904</b>
Fund for unrealised gains	43	43
<b>Equity excl proposed dividend</b>	<b>7.693</b>	<b>7.927</b>
<b>Equity certificate ratio (A/(A+B))</b>	<b>63,8 %</b>	<b>63,2 %</b>

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

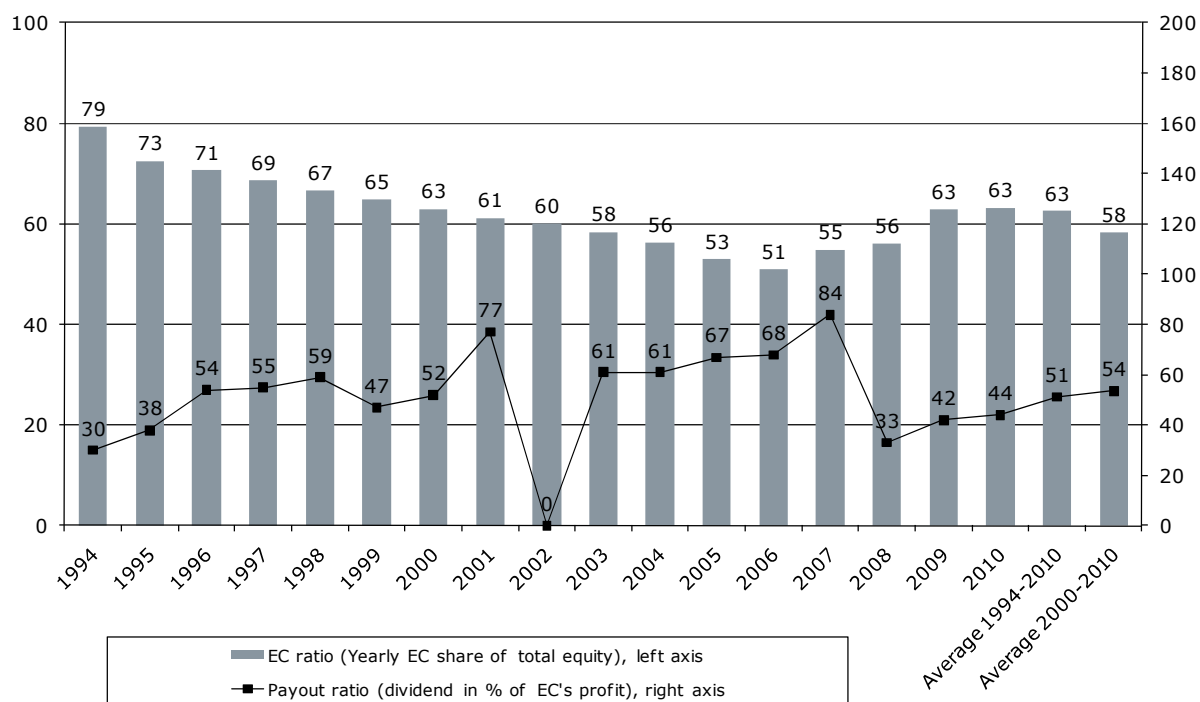


Figure 1.4.4: EC ratio and payout ratio. 1994-2010

### 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 40.1 per cent of the issued EC's as at 30.09.2011.

<b>20 largest EC holders per 30.09.11</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	3 320 672	2,6%
Odin Norden	3 083 853	2,4%
Clipper AS	1 685 357	1,3%
Frank Mohn AS	1 666 142	1,3%
Trygve Stangeland dødsbo	1 632 048	1,3%
JPMorgan Chase Bank, U.K.	1 598 223	1,3%
Varma Mutual Pension Insurance, Finland	1 496 091	1,2%
SHB Stockholm Clients Account, Sverige	1 174 235	0,9%
Trygves Holding AS	1 070 939	0,8%
Fidelity Low-Priced Stock Fund, U.S.A.	1 061 327	0,8%
Westco AS	1 015 049	0,8%
Køhlergruppen AS	1 000 000	0,8%
State Street Bank and Trust, U.S.A.	935 836	0,7%
Forsand kommune	769 230	0,6%
Tveteraas Finans AS	722 000	0,6%
Bjergsted Investering AS	720 055	0,6%
Solvang Shipping AS	701 034	0,6%
Leif Inge Slethei AS	672 772	0,5%
<b>Total 20 largest holders</b>	<b>51 107 862</b>	<b>40,1%</b>

Table 1.4.2: 20 largest EC holders as at 30.09.2011

### *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.

On 21 June, the Ministry of Finance gave permission for SpareBank 1 SR-Bank to be converted from a savings bank to a limited liability company (limited liability savings bank) and to establish a savings bank foundation on specific terms and conditions. In its consideration of the application, the Ministry of Finance has attached decisive importance to SpareBank 1 SR-Bank's commercial and industrial policy considerations and the desire to be able to raise future capital in the equity market.

On 27 October 2011 the Board of SpareBank 1 SR-Bank found the terms given by the Ministry of Finance satisfactory and decided to recommend the Supervisory Board to formally implement the conversion on its meeting on the 23 of November.

The first day of listing as SpareBank 1 SR-Bank ASA, is expected to be 2 January 2012.

## 1.4 Credit ratings

Current credit rating status as at 30 September 2011 was as follows:

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

The graph below illustrates the long-term rating history of SpareBank 1 SR-Bank:

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## 2. Financial results and balance sheet

### Income statement

<i>MNOK</i>	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Interest income	1.362	1.290	1.257	1.282	1.231	3.909	3.538	4.820
Interest expense	905	863	833	840	795	2.601	2.238	3.078
<b>Net interest income</b>	<b>457</b>	<b>427</b>	<b>424</b>	<b>442</b>	<b>436</b>	<b>1.308</b>	<b>1.300</b>	<b>1.742</b>
Commission income	200	221	202	194	189	623	602	796
Commission expenses	-21	-19	-19	-15	-20	-59	-56	-71
Other operating income	102	123	98	104	95	323	272	376
<b>Net commission and other income</b>	<b>281</b>	<b>325</b>	<b>281</b>	<b>283</b>	<b>264</b>	<b>887</b>	<b>818</b>	<b>1.101</b>
Dividend income	1	13	6	0	1	20	47	47
Income from investment in associates	33	58	51	94	70	142	173	267
Net gains/losses on financial instruments	-27	2	71	89	66	46	168	257
<b>Net return on investment securities</b>	<b>7</b>	<b>73</b>	<b>128</b>	<b>183</b>	<b>137</b>	<b>208</b>	<b>388</b>	<b>571</b>
<b>Total income</b>	<b>745</b>	<b>825</b>	<b>833</b>	<b>908</b>	<b>837</b>	<b>2.403</b>	<b>2.506</b>	<b>3.414</b>
Personnel expenses	273	200	255	223	250	728	647	870
Administrative expenses	99	100	100	109	82	299	253	362
Other operating expenses	90	96	91	91	76	277	243	334
<b>Total operating expenses</b>	<b>462</b>	<b>396</b>	<b>446</b>	<b>423</b>	<b>408</b>	<b>1.304</b>	<b>1.143</b>	<b>1.566</b>
<b>Operating profit before losses</b>	<b>283</b>	<b>429</b>	<b>387</b>	<b>485</b>	<b>429</b>	<b>1.099</b>	<b>1.363</b>	<b>1.848</b>
Losses on loans and guarantees	30	13	51	71	43	94	163	234
<b>Operating profit before tax</b>	<b>253</b>	<b>416</b>	<b>336</b>	<b>414</b>	<b>386</b>	<b>1.005</b>	<b>1.200</b>	<b>1.614</b>
Tax expense	79	111	71	33	86	261	264	297
<b>Profit after tax from continuing operations</b>	<b>174</b>	<b>305</b>	<b>265</b>	<b>381</b>	<b>300</b>	<b>744</b>	<b>936</b>	<b>1.317</b>

## Key figures

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Return on equity <sup>1)</sup>	7,2 %	12,6 %	11,2 %	16,9 %	14,3 %	11,9 %	15,6 %	15,5 %
Cost ratio <sup>2)</sup>	62,0 %	48,0 %	53,5 %	46,6 %	48,7 %	50,8 %	44,0 %	45,9 %
Net interest margin	1,30 %	1,28 %	1,28 %	1,31 %	1,30 %	1,30 %	1,37 %	1,35 %
Gross loans to customers	103.930	107.914	104.771	105.792	100.289	103.930	100.289	105.792
Gross loans to customers incl. SpareBank 1 Boligkreditt and Næringskreditt	143.747	140.223	135.433	131.953	124.398	143.747	124.703	131.953
Deposits from customers	64.323	64.982	62.662	60.770	55.703	64.323	55.703	60.770
Deposit-to-loan ratio	61,9 %	60,2 %	59,8 %	57,4 %	55,5 %	61,9 %	55,5 %	57,4 %
Growth in loans	3,6 %	11,5 %	8,6 %	13,2 %	8,0 %	3,6 %	8,0 %	13,2 %
Growth in loans incl. SpareBank 1 Boligkreditt and Næringskreditt	15,3 %	14,5 %	12,5 %	11,6 %	6,6 %	15,3 %	6,8 %	11,6 %
Growth in deposits	15,5 %	15,8 %	17,5 %	11,8 %	3,7 %	15,5 %	3,7 %	11,8 %
Average total assets	134.679	133.469	133.916	133.557	128.799	134.059	127.010	128.830
Total assets	132.965	134.715	132.555	134.778	129.524	132.965	129.524	134.778
Impairment losses ratio <sup>3)</sup>	0,11	0,05	0,19	0,28	0,17	0,12	0,23	0,23
Non-performing commitments as a percentage of gross loans	0,57	0,40	0,40	0,42	0,54	0,57	0,54	0,42
Other doubtful commitments as a percentage of gross loans	0,68	0,82	1,01	0,72	0,94	0,68	0,94	0,72
Capital adequacy ratio	11,2	11,5	11,8	12,4	11,6	11,2	11,6	12,4
Core capital ratio	9,6	10,0	10,2	10,2	9,3	9,6	9,3	10,2
Core capital	9.523	9.760	9.734	9.442	8.433	9.523	8.433	9.442
Net equity and subordinated loan capital	11.114	11.200	11.235	11.482	10.450	11.114	10.450	11.482
Minimum subordinated capital requirement	7.921	7.778	7.611	7.400	7.241	7.921	7.241	7.400
Number of branches	54	54	54	54	49	54	49	54
Man-years (permanent)	1.204	1.175	1.175	1.163	1.103	1.204	1.103	1.163
Equity certificate ratio	63,8 %	63,3 %	63,2 %	63,2 %	63,2 %	63,8 %	63,2 %	63,2 %
Market price	40,70	51,50	57,00	57,00	53,00	40,70	53,00	57,00
Market capitalisation	5.182	6.557	7.257	7.257	6.409	5.182	6.409	7.257
Book equity per EC (including dividends) (group)	47,67	48,48	47,17	47,45	44,19	47,67	44,11	47,45
Earnings per EC (group) <sup>4)</sup>	0,86	1,51	1,32	1,94	1,56	3,69	4,87	6,84
Dividends per EC	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,75
Price / Earnings per EC	11,83	8,53	10,80	7,35	8,49	8,27	8,16	8,33
Price / Book equity (group)	0,85	1,06	1,21	1,20	1,20	0,85	1,20	1,20

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

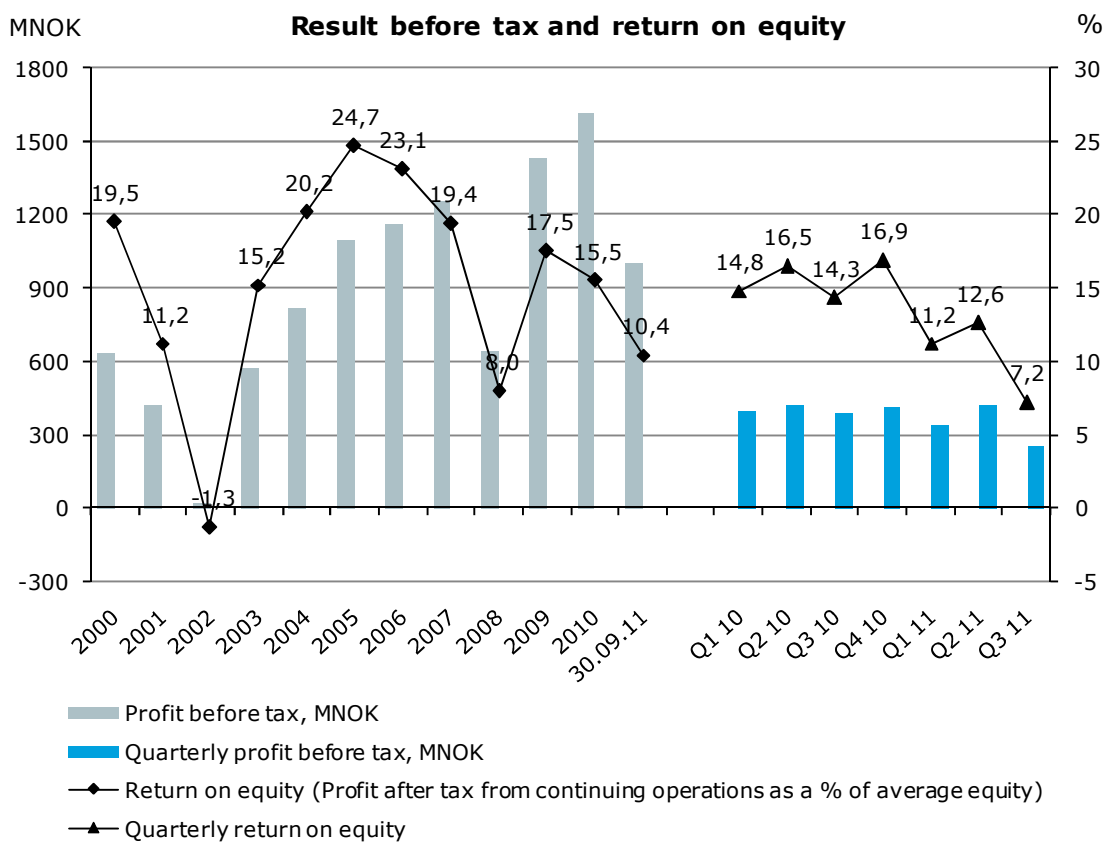
<sup>2)</sup> Total operating expenses as a percentage of total operating income

<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).

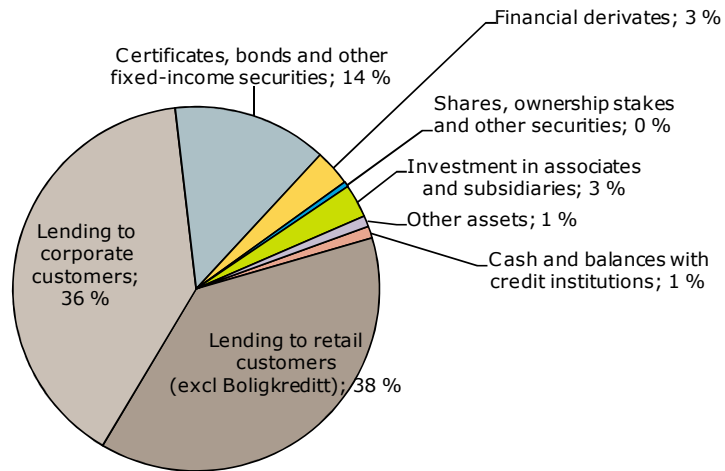




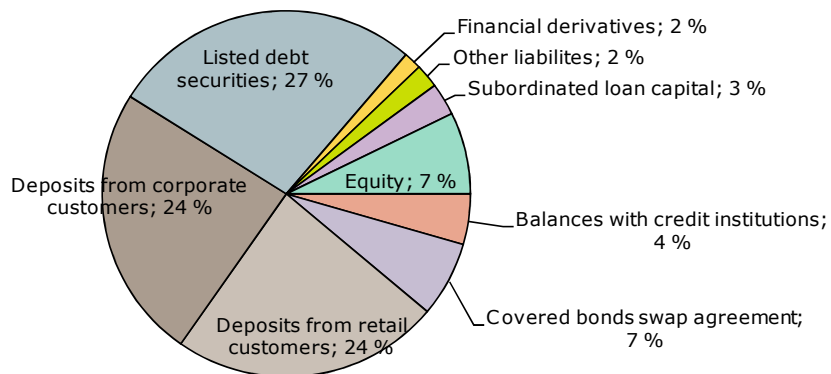
## Balance sheet

<i>MNOK</i>	<b>30 Sept. 2011</b>	<b>30 June 2011</b>	<b>31 March 2011</b>	<b>31 Dec. 2010</b>	<b>30 Sept. 2010</b>
Cash and balances with central banks	249	838	936	1.235	2.497
Balances with credit institutions	1.175	650	1.445	1.273	1.145
Net loans to customers	103.174	107.164	103.973	105.033	99.543
Certificates, bonds and other fixed-income sec.	18.265	17.484	17.827	18.742	16.868
Financial derivatives	4.267	2.781	2.724	3.241	3.897
Shares, ownership stakes and other securities	628	659	712	661	514
Investment in associates	3.924	3.897	3.745	3.518	3.507
Business available for sale	76	90	93	93	23
Other assets	1.207	1.152	1.100	982	1.530
<b>Total assets</b>	<b>132.965</b>	<b>134.715</b>	<b>132.555</b>	<b>134.778</b>	<b>129.524</b>
Balances with credit institutions	5.917	6.087	5.221	7.359	9.022
Public sector deposits regarding the covered bonds swap agreement	8.832	8.832	8.832	8.832	8.832
Deposits from customers	64.323	64.982	62.662	60.770	55.703
Listed debt securities	36.451	38.559	39.007	40.307	39.093
Financial derivatives	2.076	1.440	1.400	2.212	2.075
Other liabilities	2.001	1.427	1.878	1.752	2.135
Subordinated loan capital	3.804	3.604	4.015	4.144	4.093
<b>Total liabilities</b>	<b>123.404</b>	<b>124.931</b>	<b>123.015</b>	<b>125.376</b>	<b>120.953</b>
Equity certificates	3.183	3.183	3.183	3.183	3.023
Holding of own equity certificates	-3	-3	-3	-3	-3
Premium reserve	625	625	625	625	456
Dividend equalisation reserve	1.077	1.256	1.284	1.175	669
Proposed dividend	0	0	0	336	0
Savings bank's reserve	2.420	2.525	2.541	2.477	2.182
Compensation fund	55	55	55	55	20
Endowment fund	293	351	370	372	214
Fund for unrealised gains	43	43	43	43	127
Other equity	1.124	1.179	1.177	1.139	947
Profit/loss at period end	744	570	265	0	936
<b>Total equity</b>	<b>9.561</b>	<b>9.784</b>	<b>9.540</b>	<b>9.402</b>	<b>8.571</b>
<b>Total liabilities and equity</b>	<b>132.965</b>	<b>134.715</b>	<b>132.555</b>	<b>134.778</b>	<b>129.524</b>

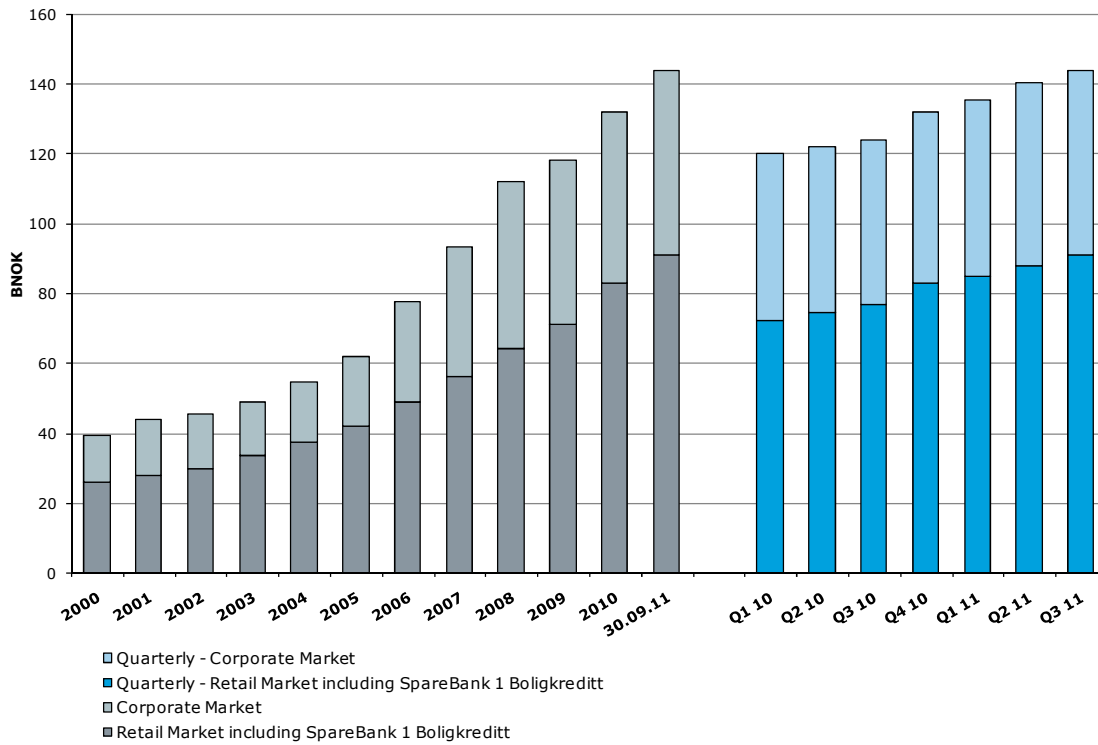
Total assets as at 30 September 2011:



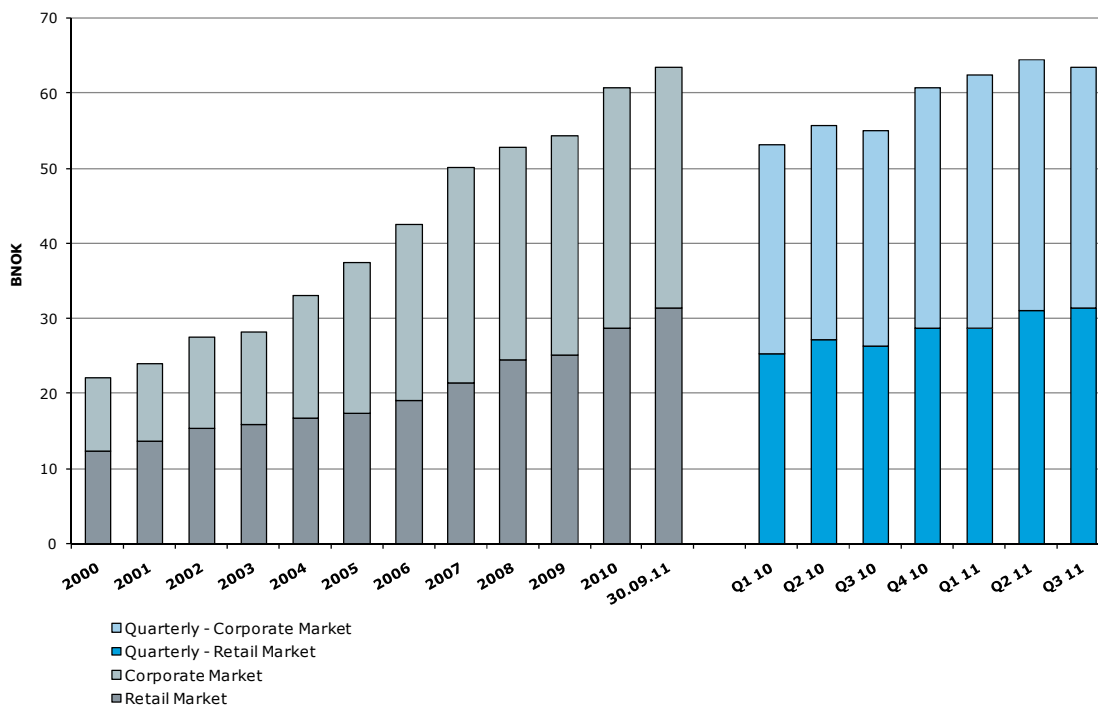
Total liabilities and equity as at 30 September 2011:



## Lending volume

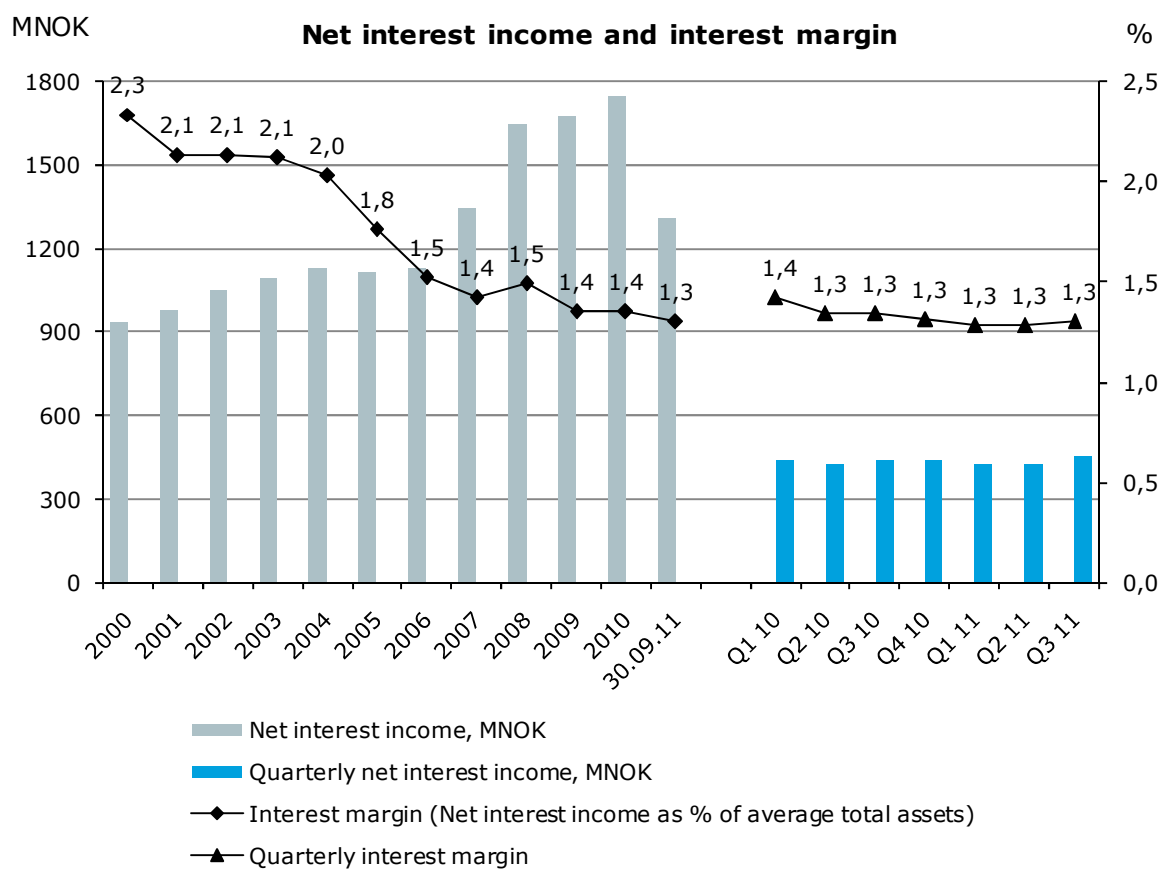


## Deposit volume

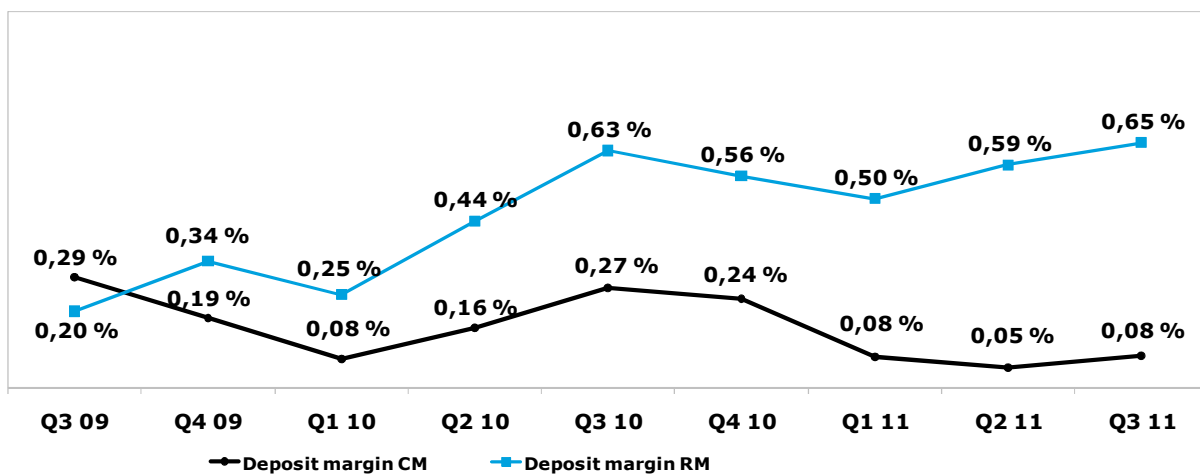
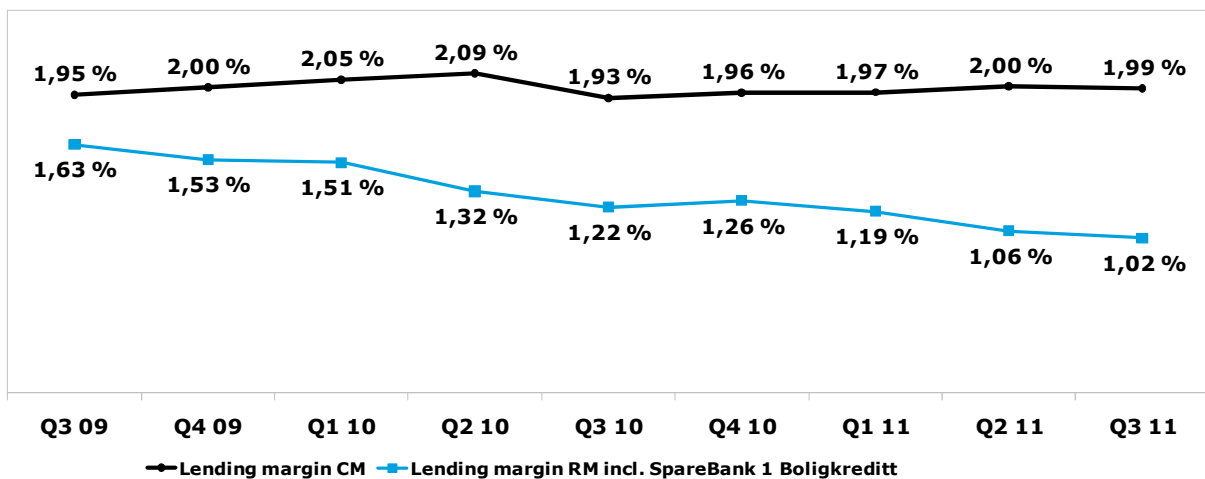


## 2.1 Net interest income

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
<i>MNOK</i>								
Interest income	1.362	1.290	1.257	1.282	1.231	3.909	3.538	4.820
Interest expense	905	863	833	840	795	2.601	2.238	3.078
<b>Net interest income</b>	<b>457</b>	<b>427</b>	<b>424</b>	<b>442</b>	<b>436</b>	<b>1.308</b>	<b>1.300</b>	<b>1.742</b>
<b>As % of average total assets</b>	<b>1,35 %</b>	<b>1,28 %</b>	<b>1,28 %</b>	<b>1,31 %</b>	<b>1,34 %</b>	<b>1,30 %</b>	<b>1,37 %</b>	<b>1,35 %</b>



## Lending and deposit margins<sup>1</sup>



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

## 2.2 Net other operating income

<i>MNOK</i>	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Net commission and other income	281	325	281	283	264	887	818	1.101
Net return on investment securities	7	73	128	183	137	208	388	571
<b>Net other operating income</b>	<b>288</b>	<b>398</b>	<b>409</b>	<b>466</b>	<b>401</b>	<b>1.095</b>	<b>1.206</b>	<b>1.672</b>
<b>As % of total income</b>	<b>39 %</b>	<b>48 %</b>	<b>49 %</b>	<b>51 %</b>	<b>48 %</b>	<b>46 %</b>	<b>48 %</b>	<b>49 %</b>

### Net commission and other income

<i>MNOK</i>	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Payment facilities	53	51	48	50	53	152	151	200
Savings/placements	31	37	38	34	29	106	102	136
Insurance products	34	34	33	33	25	101	80	113
Commission income real estate (EM1)	102	122	96	87	93	320	81	365
Guarantee commission	23	17	18	15	17	58	42	57
Arrangement fees	9	28	14	12	6	51	24	35
Other	7	13	6	24	9	26	12	38
<b>Net commission and other income excl. SB1 Boligkreditt og SB1 Næringskreditt</b>	<b>259</b>	<b>302</b>	<b>253</b>	<b>254</b>	<b>232</b>	<b>814</b>	<b>491</b>	<b>944</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	22	23	28	29	32	73	128	157
<b>Net commission and other income incl. SB1 Boligkreditt og SB1 Næringskreditt</b>	<b>281</b>	<b>325</b>	<b>281</b>	<b>283</b>	<b>264</b>	<b>887</b>	<b>619</b>	<b>1.101</b>
<b>As % of total income</b>	<b>38 %</b>	<b>39 %</b>	<b>34 %</b>	<b>31 %</b>	<b>31 %</b>	<b>37 %</b>	<b>25 %</b>	<b>32 %</b>

### Change in net commission and other income

<i>MNOK</i>	Per 30.09		
	2011	Change	2010
<b>Net commission and other income</b>	<b>887</b>	<b>268</b>	<b>619</b>
Payment facilities		1	
Savings/placements		4	
Insurance products		21	
Commission income real estate (EiendomsMegler 1 SR-Eiendom)		239	
Guarantee commission		16	
Arrangement fees		27	
Other		14	
Commission income SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt		-55	
		268	

## Net return on investment securities

MNOK	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Dividend	1	13	6	-	1	20	47	47
Investment income, associates	33	58	51	94	70	142	173	267
Securities gains/losses	-34	-36	17	53	32	-53	94	146
- of which capital change in shares and certificates	-38	-33	28	71	12	-43	64	135
- of which capital change in certificates and bonds	4	-3	-11	-18	20	-10	30	11
Currency/interest gains/losses	7	38	54	36	35	99	74	111
- of which currency customer- and own-account trading	40	31	30	28	35	101	103	131
- of which IFRS-effects	-33	7	24	8	-1	-2	-29	-20
<b>Net return on investment securities</b>	<b>7</b>	<b>73</b>	<b>128</b>	<b>183</b>	<b>137</b>	<b>208</b>	<b>388</b>	<b>571</b>
<b>As % of total income</b>	<b>1 %</b>	<b>9 %</b>	<b>15 %</b>	<b>20 %</b>	<b>16 %</b>	<b>9 %</b>	<b>15 %</b>	<b>17 %</b>

## Change in net return on investment securities

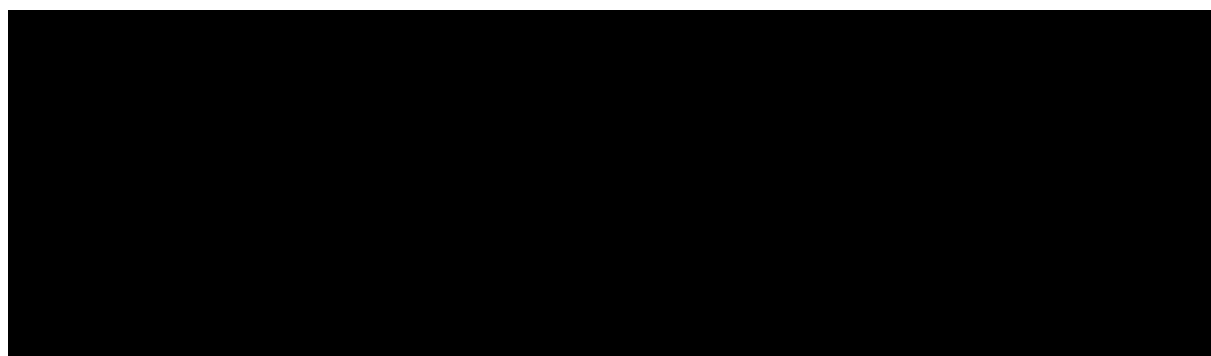
MNOK	Per 30.09		
	2011	Change	2010
<b>Net return on investment securities</b>	<b>208</b>	<b>-180</b>	<b>388</b>
Dividend		-27	
Investment income, associates		-31	
Securities gains/losses		-147	
- of which capital change in shares and certificates		-107	
- of which capital change in certificates and bonds		-40	
Currency/interest gains/losses		25	
- of which currency customer- and own-account trading		-2	
- of which IFRS-effects		27	
		-180	



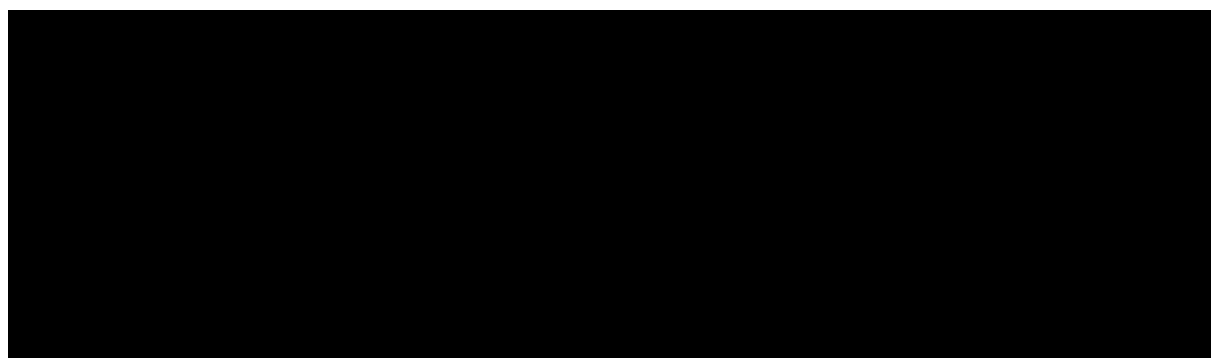
## 2.3 Operating expenses

<i>MNOK</i>	<b>Q3 2011</b>	<b>Q2 2011</b>	<b>Q1 2011</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>30.09 2011</b>	<b>30.09 2010</b>	<b>31.12 2010</b>
Wages	204	194	182	165	173	580	507	672
Pension expenses	27	-36	32	21	40	22	32	53
Other personnel expenses	42	42	42	37	37	125	108	145
<b>Total personnel expenses</b>	<b>273</b>	<b>200</b>	<b>256</b>	<b>223</b>	<b>250</b>	<b>728</b>	<b>647</b>	<b>870</b>
IT expenses	54	54	53	51	44	161	133	184
Marketing expenses	17	23	22	25	13	61	52	76
Other administrative expenses	28	23	25	33	25	76	69	102
Write-offs	19	19	19	20	17	56	53	72
Expenses real property	9	11	12	13	8	32	26	39
Other operating expenses	63	66	61	58	51	189	163	223
<b>Other expenses</b>	<b>189</b>	<b>196</b>	<b>191</b>	<b>200</b>	<b>158</b>	<b>576</b>	<b>496</b>	<b>696</b>
<b>Total operating expenses</b>	<b>462</b>	<b>396</b>	<b>446</b>	<b>423</b>	<b>408</b>	<b>1.304</b>	<b>1.143</b>	<b>1.566</b>

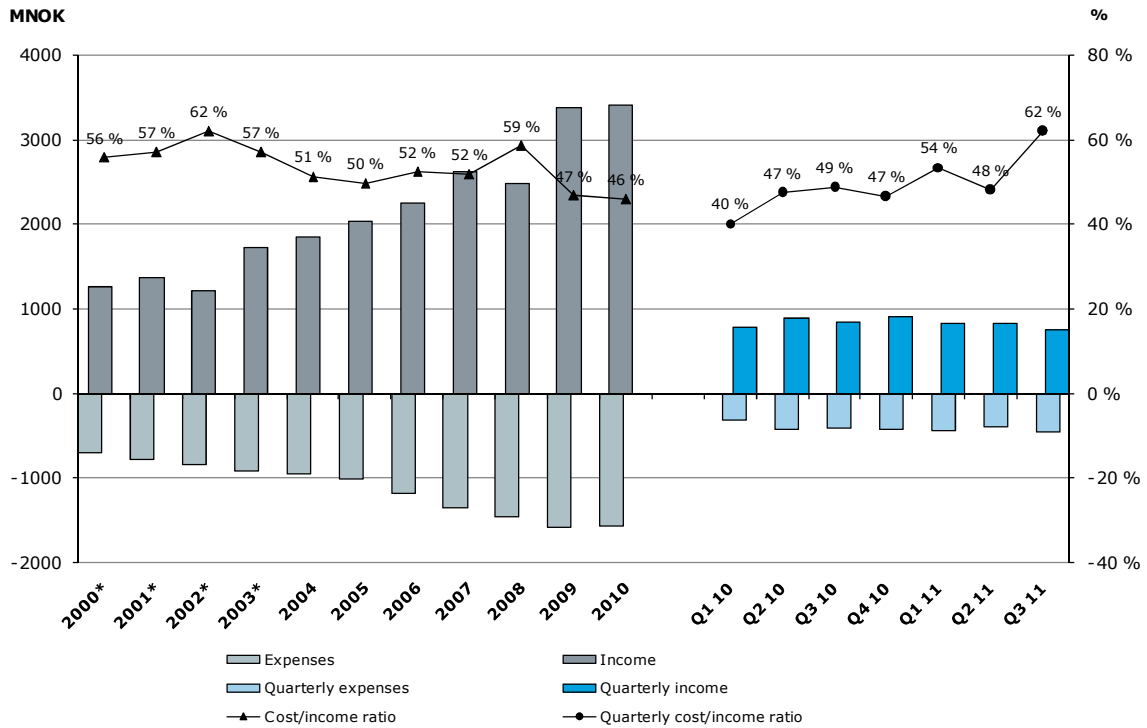
### Change in operating expenses



### Cost/income ratio

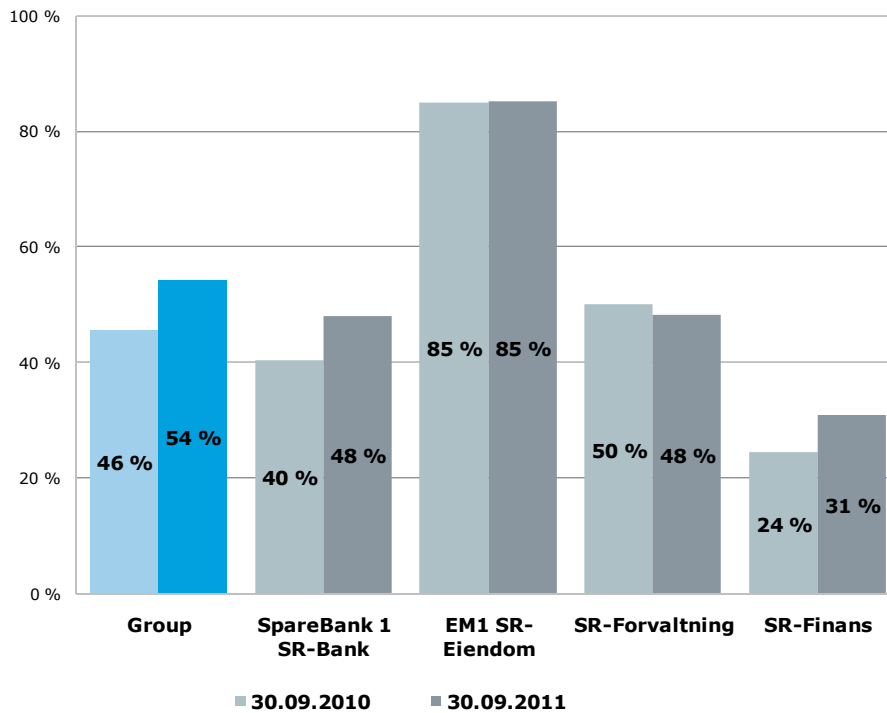


## Development cost/income ratio



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

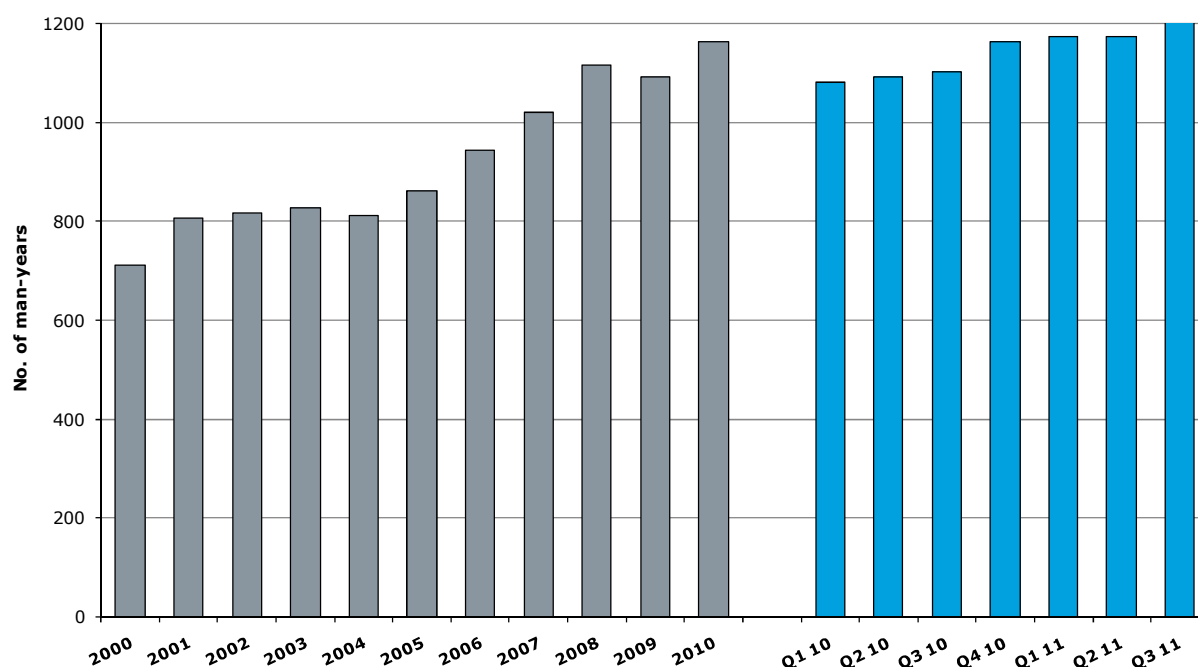
## Cost ratio as a total for the Group, the Parentbank and the individual subsidiaries



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

<i>No. of man-years</i>	<b>Q3 2011</b>	<b>Q2 2011</b>	<b>Q1 2011</b>	<b>Q4 2010</b>	<b>Q3 2010</b>
SpareBank 1 SR-Bank	952	926	933	930	876
EiendomsMegler 1 SR-Eiendom AS	203	200	195	184	181
SR-Forvaltning ASA	12	13	11	11	11
SR-Finans AS	34	33	33	33	29
Other	3	3	3	5	6
<b>Total</b>	<b>1.204</b>	<b>1.175</b>	<b>1.175</b>	<b>1.163</b>	<b>1.103</b>

**Man-labour years 2000 – 3<sup>rd</sup> quarter 2011 (permanent employees, contracted staff not included)**



## 2.5 Losses on loans and loss provisions

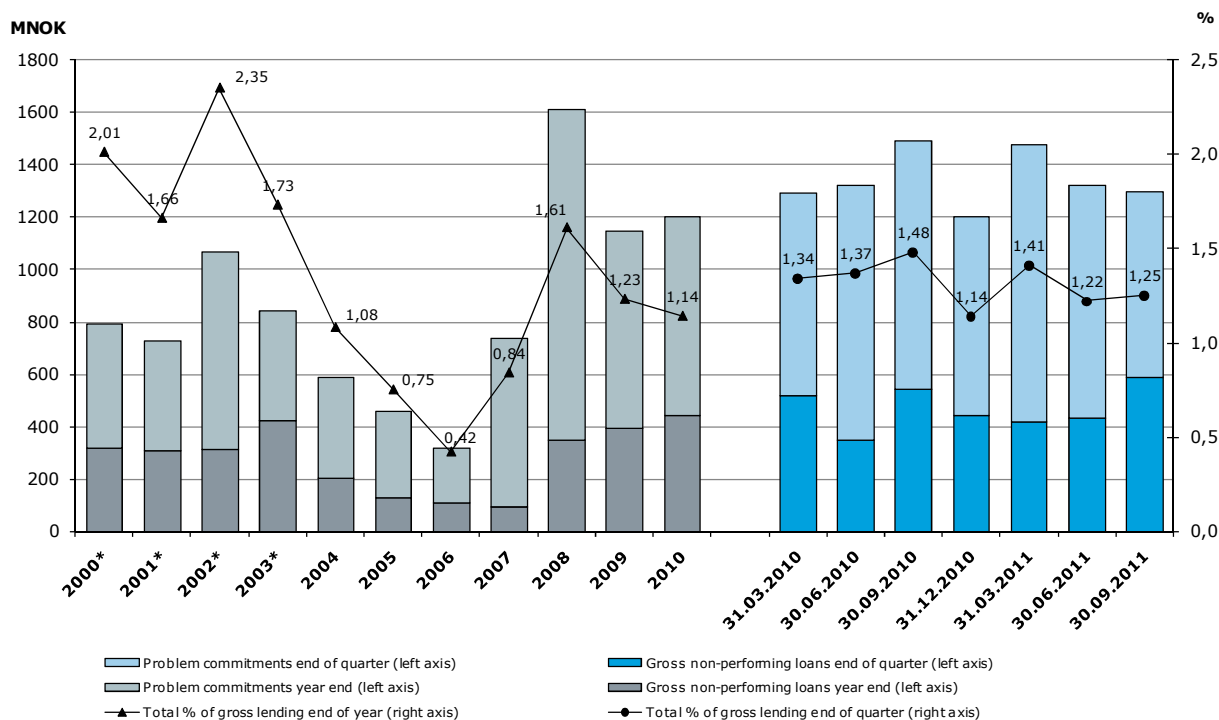
### Losses on loans and guarantees

MNOK	30 Sept. 2011	30 June 2011	31 March 2011	31 Dec. 2010	30 Sept. 2010
Change in individual individual impairment losses provisions for the period	16	23	69	38	82
Change in collective impairment loss provisions for the period	-17	-29	-29	24	21
Amortised cost	2	1	0	6	7
Actual loan losses on commitments for which provisions have been made	55	41	15	175	69
Actual loan losses on commitments for which no provision has been made	49	25	1	25	13
Change in assets take-over	17	27	7	5	0
Recoveries on commitments previously written-off	-29	-24	-12	-39	-29
<b>The period's net losses/(reversals) on loans and advances</b>	<b>94</b>	<b>64</b>	<b>51</b>	<b>234</b>	<b>163</b>

### Provisions for impairment losses on loans and guarantees

MNOK	30 Sept. 2011	30 June 2011	31 March 2011	31 Dec. 2010	30 Sept. 2010
Provisions for individual impairment losses at start of period	402	402	402	337	337
Kvinnherad acquisition	-	-	-	35	-
Increases in previous provisions for individual impairment losses	23	25	14	67	47
Reversal of provisions from previous periods	-78	-50	-37	-83	-76
New provisions for individual impairment losses	126	88	105	229	179
Amortised cost	-3	-1	1	-8	-6
Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-55	-42	-15	-175	-69
<b>Provisions for individual impairment losses at the end of period</b>	<b>415</b>	<b>422</b>	<b>470</b>	<b>402</b>	<b>412</b>

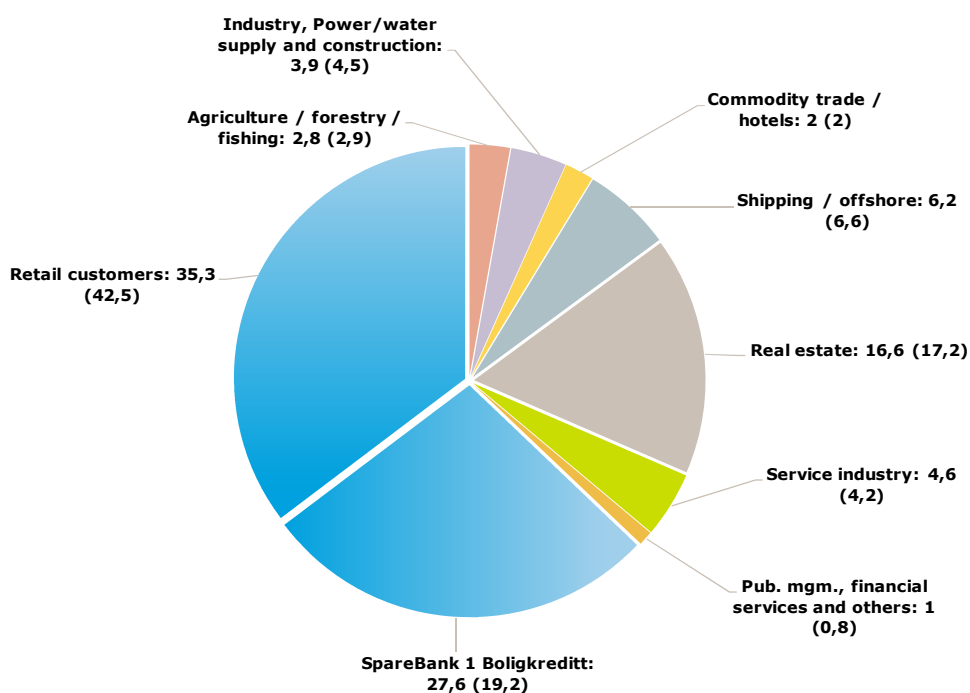
### Non-performing loans and problem commitments



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

## 2.6 Loans

MNOK	30 Sept. 2011	30 June 2011	31 March 2011	31 Dec. 2010	30 Sept. 2010
Agriculture/forestry	3.664	3.583	3.537	3.430	3.276
Fishing/Fish farming	352	332	296	365	325
Mining/extraction	2.922	2.773	2.392	2.236	2.685
Industry	1.673	1.674	2.762	2.591	2.468
Power and water supply/building and construction	3.944	7.119	4.057	3.882	3.168
Commodity trade, hotel and restaurant business	2.804	2.824	2.839	2.504	2.527
Foreign trade shipping, pipeline transport and other transport activities	6.003	6.286	6.562	6.127	5.553
Real estate business	23.749	20.294	22.497	22.105	21.349
Service industry	6.575	6.437	5.038	5.011	5.192
Public sector and financial services	1.088	1.103	516	726	689
Retail customers	50.688	55.170	53.971	56.492	52.646
Unallocated (excess value fixed interest loans and amort. lending fees)	156	22	2	76	195
Accrued interests corporate sector and retail customers	312	297	302	247	216
<b>Gross loans</b>	<b>103.930</b>	<b>107.914</b>	<b>104.771</b>	<b>105.792</b>	<b>100.289</b>
SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	39.817	32.308	30.662	26.161	24.109
<b>Gross loans incl SpareBank 1 Boligkreditt and Næringskreditt</b>	<b>143.747</b>	<b>140.222</b>	<b>135.433</b>	<b>131.953</b>	<b>124.398</b>

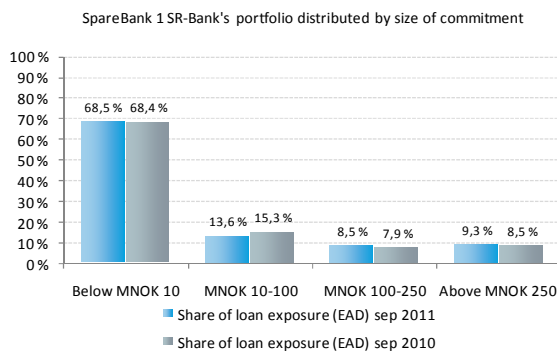
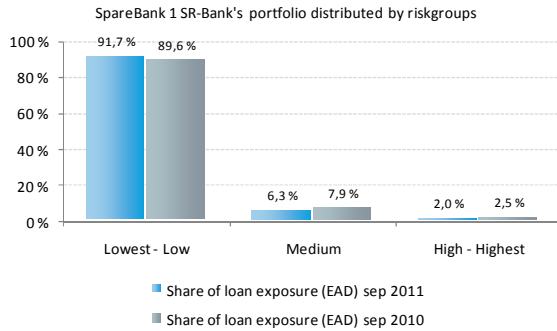


All figures in percentages. Figures as at 30 September 2010 in parentheses.  
Lending before individual write-downs, nominal amounts, and excluding unallocated accrued interest.  
Sector allocation in accordance with the standard categories from Statistics Norway.

## 2.7 Risk profile

### Risk profile of SpareBank 1 SR-Bank

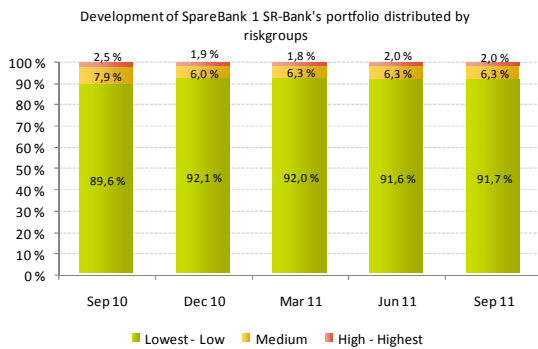
Portfolio is dominated by commitments with low risk



- 92% 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%.
- Exposure to high or the highest risk accounts for 2% of the bank's loan exposure. Expected losses in this portion of the portfolio are 4.2%.
- 69% of the bank's loan exposure is to commitments that account for less than NOK 10 million. This corresponds to 99% of all the customers.
- 18% of the bank's loan exposure is to customers that have an exposure in excess of NOK 100 million. The credit quality in this portion of the portfolio is better than the rest of the portfolio.

### SpareBank 1 SR-Bank's risk profile

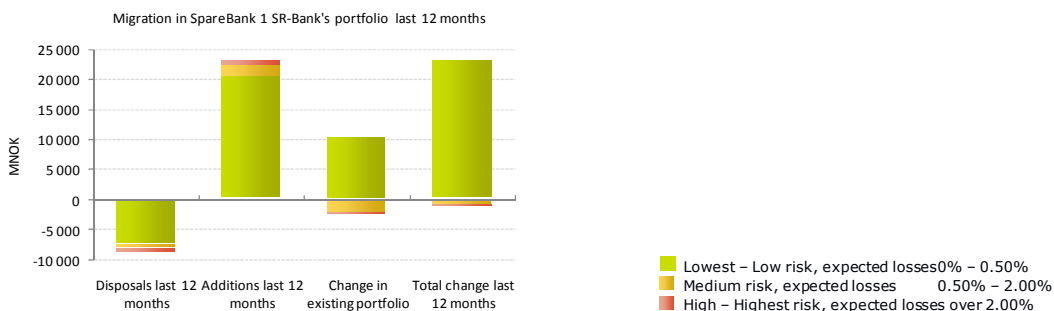
The good credit quality in the group's portfolio is maintained.



The group's moderate risk profile remains unchanged.

The group's market area is marked by a high level of activity and low unemployment.

Market developments, together with focusing on good risk management, help maintain the good credit quality of the group's portfolios in line with the primary goal.

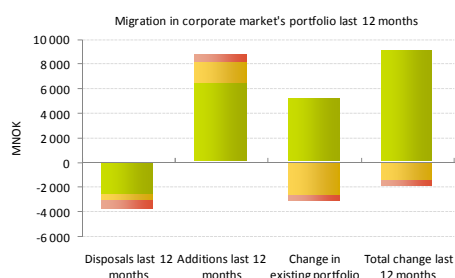
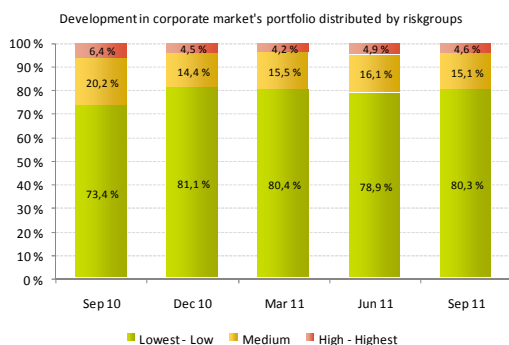


## Risk profile of the corporate market portfolio

The portfolio quality is good and the development has been relatively stable over the past quarter.

The quality of the corporate market portfolio is considered good.

The portfolio's risk profile still shows a stable development, but the unrest internationally may result in increased uncertainty related to future developments. At the same time it is expected that the major new oil discovery recently in the North Sea may further strengthen parts of the group's customer base.

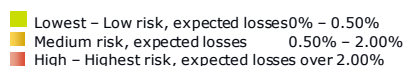
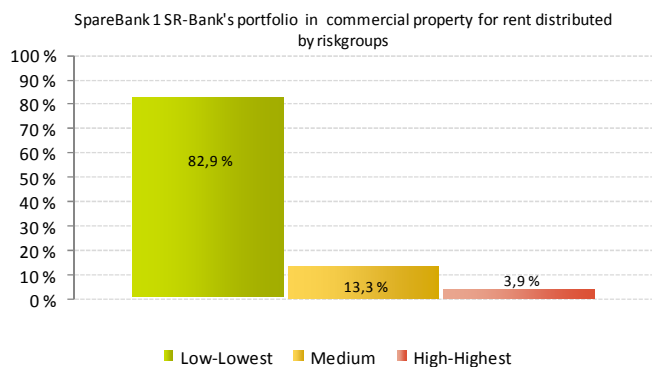


## Portfolio of commercial property for rental

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.

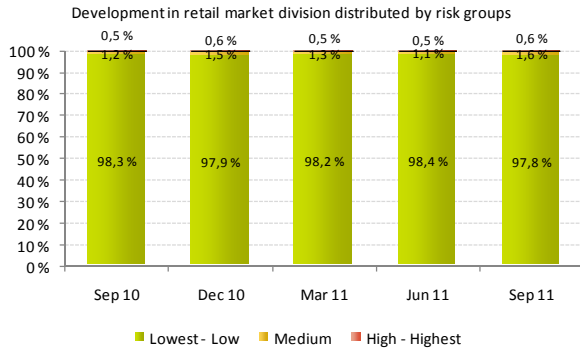
The portfolio of commercial property for rental is dominated by commitments with low risk. 83% of the exposure is classified as low risk, while 4% is classified as high risk.



The portfolio is marked by long-term leases with financially solid tenants. The vacancy rate is low. Interest rates for a significant portion of the portfolio have been hedged.

# Risk profile of the retail market portfolio

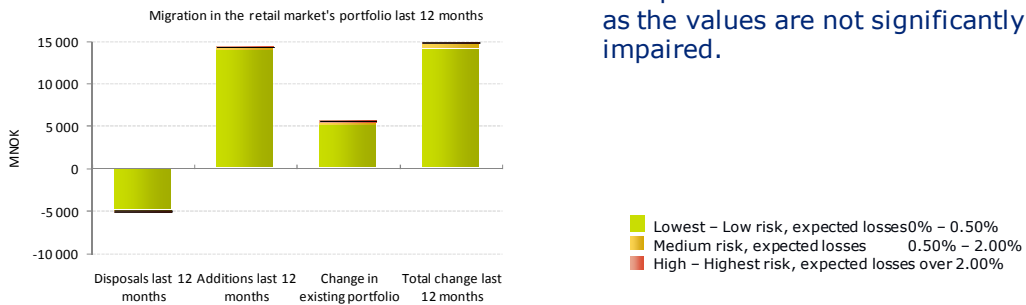
The portfolio's quality is very good and the loss potential is limited.



The quality of the retail market portfolio is very good.

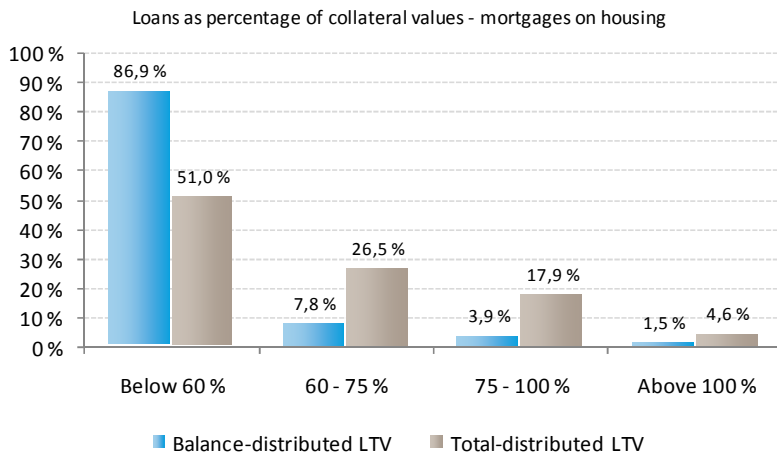
The development is characterised by stability and the low risk profile has been maintained.

Most of the portfolio is secured by mortgages on real estate, and the LTV is for the most part moderate. This implies that potential losses are limited as long as the values are not significantly impaired.



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

Moderate borrowing in general in relation to the value of the collateral



There is moderate borrowing in general in relation to the value of the collateral.

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.

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



## 2.8 Risk profile in bond portefolio

### Bond portefolio by category

Category	Market value		Of which, securities classified to amortised cost MNOK
	MNOK	Share	
Norwegian state/municipal	2 662	15 %	80
Foreign covered bonds	471	3 %	0
Norwegian covered bonds	12 454	68 %	9 324
Norwegian bank/finance	1 153	6 %	75
Foreign bank/finance	737	4 %	544
Other Norwegian bonds	619	3 %	0
Industry	95	1 %	0
<b>Total</b>	<b>18 191</b>	<b>100 %</b>	<b>10 022</b>

### Risk profile in bond portefolio

Risk profile in bond portefolio			
Risk categories	Rating	Market value NOK million	Percentage Total
Swap facility	AAA	9 324	51 %
Very low risk	AAA, AA+, AA and AA-	6 419	35 %
Low risk	A+, A and A-	1 360	7 %
Moderate risk	BBB+, BBB and BBB-	500	3 %
High risk	BB+, BB and BB-	372	2 %
Very high risk	B+ and lower	215	1 %
<b>Total</b>		<b>18 191</b>	<b>100 %</b>

Treasury -			
Risk categories	Rating	Market value NOK million	Percentage Treasury
Swap facility	AAA	9 324	53 %
Very low risk	AAA, AA+, AA and AA-	6 419	36 %
Low risk	A+, A and A-	1 357	8 %
Moderate risk	BBB+, BBB and BBB-	458	3 %
High risk	BB+, BB and BB-	33	0 %
Very high risk	B+ and lower	0	0 %
<b>Total</b>		<b>17 591</b>	<b>100 %</b>

Trading/Sales -			
Risk categories	Rating	Market value NOK million	Percentage Trading
Very low risk	AAA, AA+, AA and AA-	0	0 %
Low risk	A+, A and A-	2	0 %
Moderate risk	BBB+, BBB and BBB-	42	7 %
High risk	BB+, BB and BB-	339	57 %
Very high risk	B+ and lower	215	36 %
<b>Total</b>		<b>599</b>	<b>100 %</b>

## 2.9 Capital adequacy

Basel II was introduced in Norway from 1 January 2007. Figure 2.8 shows the methods used by SpareBank 1 SR-Bank for calculating capital needs for different types of risks. Using IRB requires high standards regarding organisation, competence, risk-modelling and risk-management systems.

In the autumn of 2009, the authorities resolved to postpone the final transition to the IRB rules from 1 January 2010 to 1 January 2012. It has been proposed to continue the transitional rule stating that the capital requirement using internal methods cannot be less than 80% of the capital requirement under Basel I ("Basel I floor") until 2015. Without the transitional rule, the core capital ratio at the end of Q3 2011 would have been 10.3%.

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

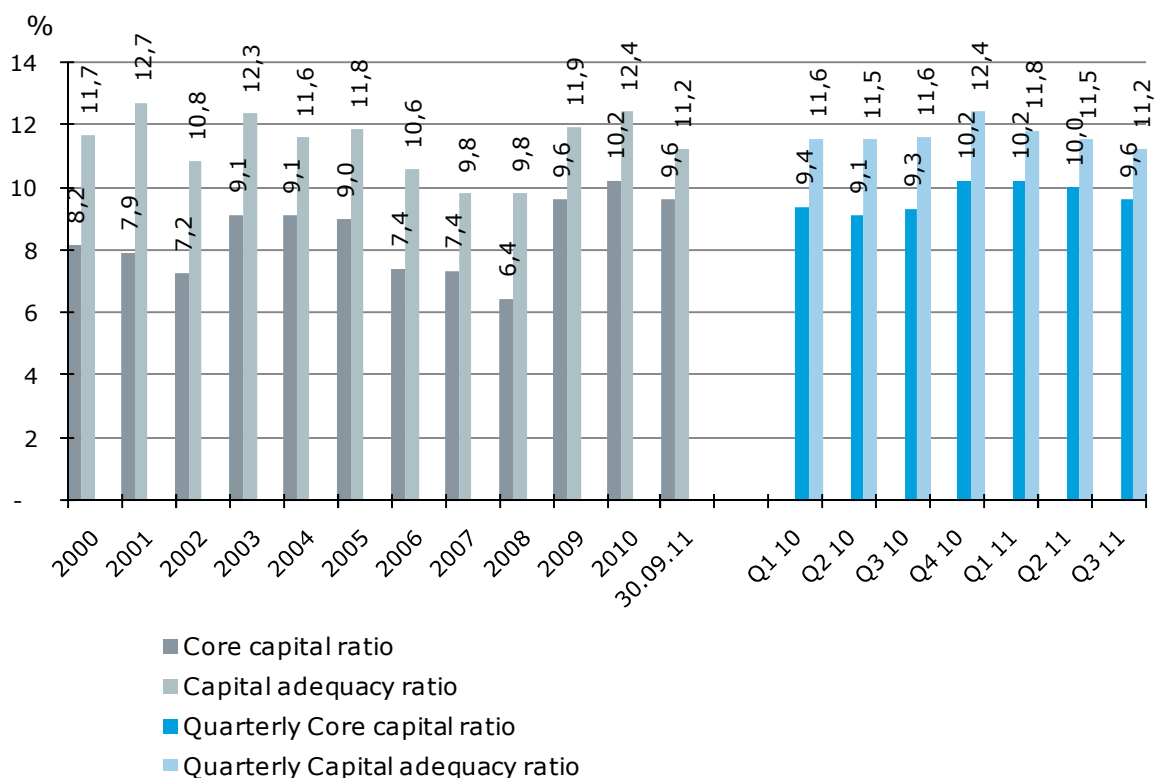
Figure 2.8: *Methods used for calculating capital adequacy*

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

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

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

## Core capital and capital adequacy ratio



	30 Sept. 2011	30 June 2011	31 March 2011	31 Dec. 2010	30 Sept. 2010
<b>MNOK</b>					
Equity certificates	3.183	3.183	3.183	3.183	3.023
- Own equity certificates	-3	-3	-3	-3	-3
Premium reserve	625	625	625	625	456
Equalisation reserve	1.077	1.256	1.284	1.175	669
Allocated to dividend	-	-	-	336	-
Savings bank's reserve	2.420	2.525	2.541	2.477	2.182
Share premium reserve	55	55	55	55	20
Endowment fund	293	351	370	372	214
Reserve for unrealised gains	43	43	43	43	127
Other equity	1.124	1.179	1.177	1.139	947
<b>Total book equity</b>	<b>8.817</b>	<b>9.214</b>	<b>9.275</b>	<b>9.402</b>	<b>7.635</b>
Deferred taxes, goodwill and other intangible assets	-76	-78	-79	-77	-82
Fund for unrealized gains, available for sale	-2	-2	-2	-2	-1
Deduction for allocated dividends	-	-	-	-336	-
50% deduction for subordinated capital in other financial institutions	-21	-31	-23	-21	-31
50% deduction for expected losses on IRB, net of write-downs	-294	-318	-278	-268	-302
50% capital adequacy reserve	-664	-665	-657	-645	-578
Share of other equity in ownership interests	-	-	-	-	37
Year-to-date profit included in core capital (50%)	372	285	133	-	468
Hybrid Tier 1 bonds	1.391	1.355	1.365	1.389	1.287
<b>Total core capital</b>	<b>9.523</b>	<b>9.760</b>	<b>9.734</b>	<b>9.442</b>	<b>8.433</b>
<i>Supplementary capital in excess of core capital</i>					
Perpetual subordinated capital	340	340	346	783	783
Non-perpetual subordinated capital	2.230	2.114	2.113	2.191	2.145
50% deduction for subordinated capital in other financial institutions	-21	-31	-23	-21	-31
50% deduction for expected losses on IRB, net of write-downs	-294	-318	-278	-268	-302
50 % capital adequacy reserve	-664	-665	-657	-645	-578
<b>Total supplementary capital</b>	<b>1.591</b>	<b>1.440</b>	<b>1.501</b>	<b>2.040</b>	<b>2.017</b>
<b>Net subordinated capital</b>	<b>11.114</b>	<b>11.200</b>	<b>11.235</b>	<b>11.482</b>	<b>10.450</b>

Table 2.8.1: *Capital overview*

<b>Minimum requirements subordinated capital, Basel II</b>					
<i>MNOK</i>	<b>30 Sept. 2011</b>	<b>30 June 2011</b>	<b>31 March 2011</b>	<b>31 Dec. 2010</b>	<b>30 Sept. 2010</b>
Specialised lending exposure	2.017	2.010	1.930	1.953	1.925
Other corporations exposure	2.217	2.214	2.183	2.042	1.881
SME exposure	36	36	38	38	34
Retail mortgage exposure	660	675	675	680	676
Other retail exposure	112	81	77	87	64
Equity investments	-	-	-	-	-
<b>Total credit risk IRB</b>	<b>5.042</b>	<b>5.016</b>	<b>4.903</b>	<b>4.800</b>	<b>4.580</b>
Debt risk	135	111	115	116	87
Equity risk	36	40	42	34	19
Currency risk	-	-	-	-	-
Operational risk	408	408	408	374	374
Transitional arrangements	537	580	541	566	568
Exposures calculated using the standardised approach	1.872	1.734	1.711	1.617	1.710
Deductions	-109	-111	-109	-107	-97
<b>Minimum requirements subordinated capital</b>	<b>7.921</b>	<b>7.778</b>	<b>7.611</b>	<b>7.400</b>	<b>7.241</b>
<b>Capital adequacy ratio</b>	<b>11,22 %</b>	<b>11,52 %</b>	<b>11,81 %</b>	<b>12,41 %</b>	<b>11,55 %</b>
Core capital ratio	9,62 %	10,04 %	10,23 %	10,21 %	9,32 %
Supplementary capital ratio	1,61 %	1,48 %	1,58 %	2,21 %	2,23 %

Table 2.8.2: *Capital requirements*

## 3. Business areas

### 3.1 Business segments - Financial performance

MNOK	SpareBank 1 SR-Bank Group Q3 11													
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		SR-Finans		Other*		Total	
	Q3 11	Q3 10	Q3 11	Q3 10	Q3 11	Q3 10	Q3 11	Q3 10	Q3 11	Q3 10	Q3 11	Q3 10	Q3 11	Q3 10
Net interest income	240	242	190	177	6	5	3	2	40	41	-22	-31	457	436
Net commission and other income	95	83	54	43	37	26	102	95	-2	0	-5	17	281	264
Net return on investment securities	0	0	0	0	-8	14	0	0	0	0	15	123	7	137
Operating expenses	141	131	45	34	19	9	93	81	11	9	153	144	462	408
Operating contribution before losses	194	194	199	186	16	36	12	16	27	32	-165	-35	283	429
Losses on loans and guarantees	4	6	5	30	0	0	0	0	11	10	10	-3	30	43
<b>Operating contribution before tax</b>	<b>190</b>	<b>188</b>	<b>194</b>	<b>156</b>	<b>16</b>	<b>36</b>	<b>12</b>	<b>16</b>	<b>16</b>	<b>22</b>	<b>-175</b>	<b>-32</b>	<b>253</b>	<b>386</b>
<b>Gross loans to customers excl. Boligkreditt</b>	<b>49.869</b>	<b>51.882</b>	<b>48.735</b>	<b>43.736</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5.328</b>	<b>5.119</b>	<b>-2</b>	<b>-448</b>	<b>103.930</b>	<b>100.289</b>
<b>Deposits from customers</b>	<b>31.827</b>	<b>26.794</b>	<b>32.628</b>	<b>29.062</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-132</b>	<b>-153</b>	<b>64.323</b>	<b>55.703</b>

MNOK	SpareBank 1 SR-Bank Group per 30.09.11													
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		SR-Finans		Other*		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net interest income	714	730	540	534	18	14	7	5	115	124	-86	-107	1.308	1.300
Net commission and other income	276	247	144	119	132	105	320	272	-7	-5	22	80	887	818
Net return on investment securities	0	0	0	0	0	25	0	0	0	0	208	363	208	388
Operating expenses	410	369	128	106	47	27	279	235	33	29	407	377	1.304	1.143
Operating profit before losses	580	608	556	547	103	117	48	42	75	90	-263	-41	1.099	1.363
Losses on loans and guarantees	24	8	70	106	0	0	0	0	18	37	-18	12	94	163
<b>Operating profit before tax</b>	<b>556</b>	<b>600</b>	<b>486</b>	<b>441</b>	<b>103</b>	<b>117</b>	<b>48</b>	<b>42</b>	<b>57</b>	<b>53</b>	<b>-245</b>	<b>-53</b>	<b>1.005</b>	<b>1.200</b>
<b>Loans to customers</b>	<b>49.869</b>	<b>51.882</b>	<b>48.735</b>	<b>43.736</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5.328</b>	<b>5.119</b>	<b>-2</b>	<b>-448</b>	<b>103.930</b>	<b>100.289</b>
<b>Deposits from customers</b>	<b>31.827</b>	<b>26.794</b>	<b>32.628</b>	<b>29.062</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-132</b>	<b>-153</b>	<b>64.323</b>	<b>55.703</b>

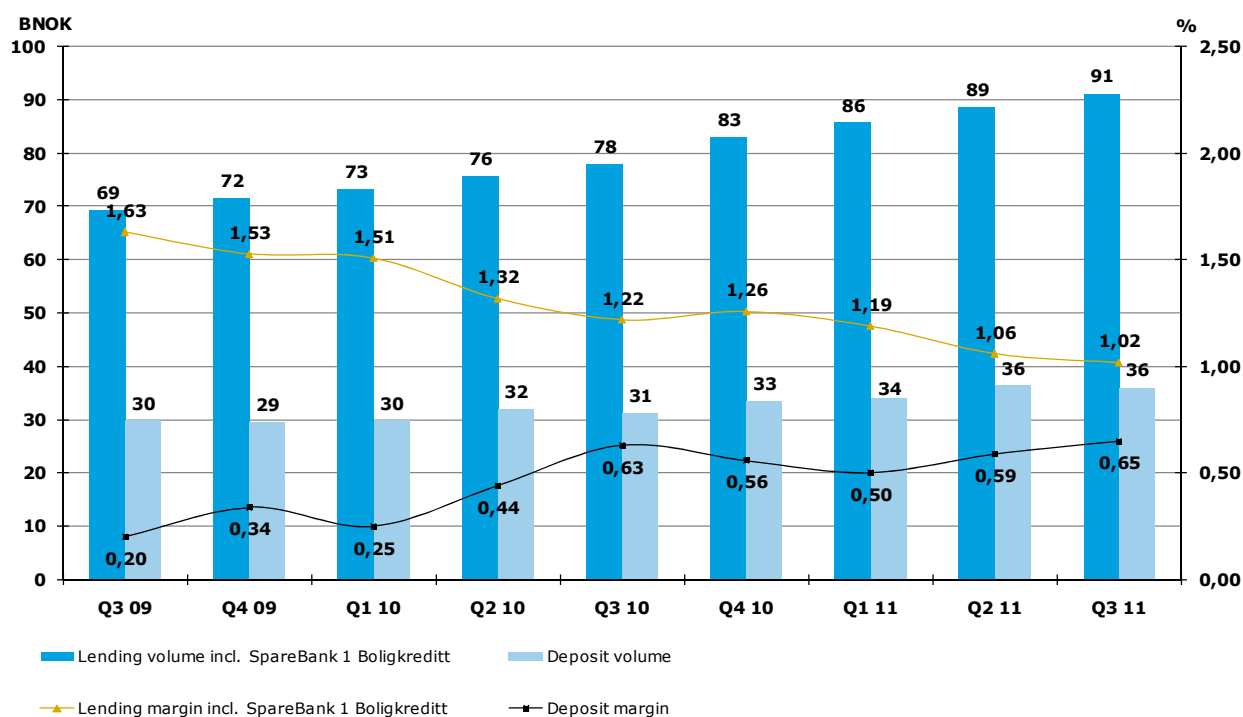
\* Includes SR-Forvaltning and SR-Investering

## 3.2 Retail Market

### Financial performance in the retail market segment

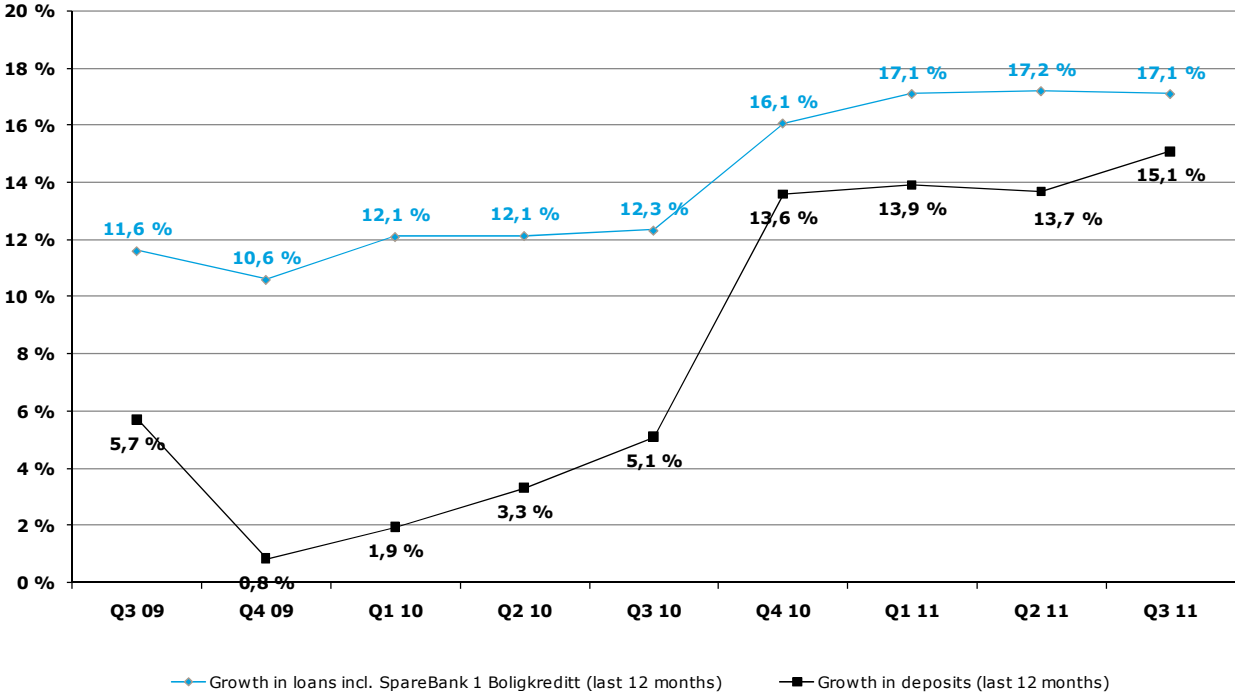
MNOK	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Net interest income	240	232	242	245	242	714	730	975
Net other operating income	95	90	91	88	83	276	247	335
Total income	335	322	333	333	325	990	977	1.310
Total operating expenses	141	121	148	159	131	410	369	528
<b>Operating contribution before losses</b>	<b>194</b>	<b>201</b>	<b>185</b>	<b>174</b>	<b>194</b>	<b>580</b>	<b>608</b>	<b>782</b>
Losses on loans and guarantees	4	14	6	-1	6	24	8	7
<b>Operating contribution before tax</b>	<b>190</b>	<b>187</b>	<b>179</b>	<b>175</b>	<b>188</b>	<b>556</b>	<b>600</b>	<b>775</b>

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



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

### Growth in loans and deposits

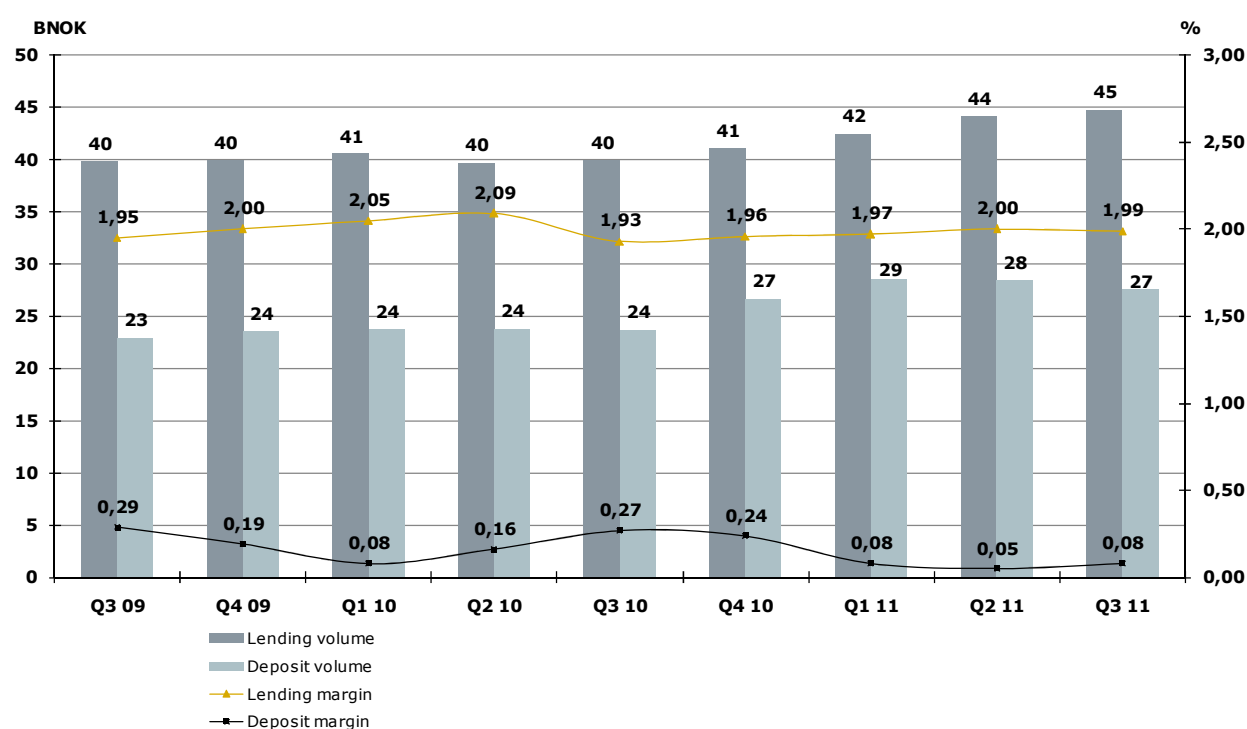


### 3.3 Corporate Market

#### Financial performance in the corporate market segment

MNOK	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Net interest income	190	180	170	182	175	540	534	714
Net other operating income	54	49	41	43	44	144	119	163
Total income	244	229	211	225	219	684	653	877
Total operating expenses	45	37	46	51	40	128	106	163
<b>Operating contribution before losses</b>	<b>199</b>	<b>192</b>	<b>165</b>	<b>174</b>	<b>179</b>	<b>556</b>	<b>547</b>	<b>714</b>
Losses on loans and guarantees	5	33	32	59	30	70	106	165
<b>Operating contribution before tax</b>	<b>194</b>	<b>159</b>	<b>133</b>	<b>115</b>	<b>149</b>	<b>486</b>	<b>441</b>	<b>549</b>

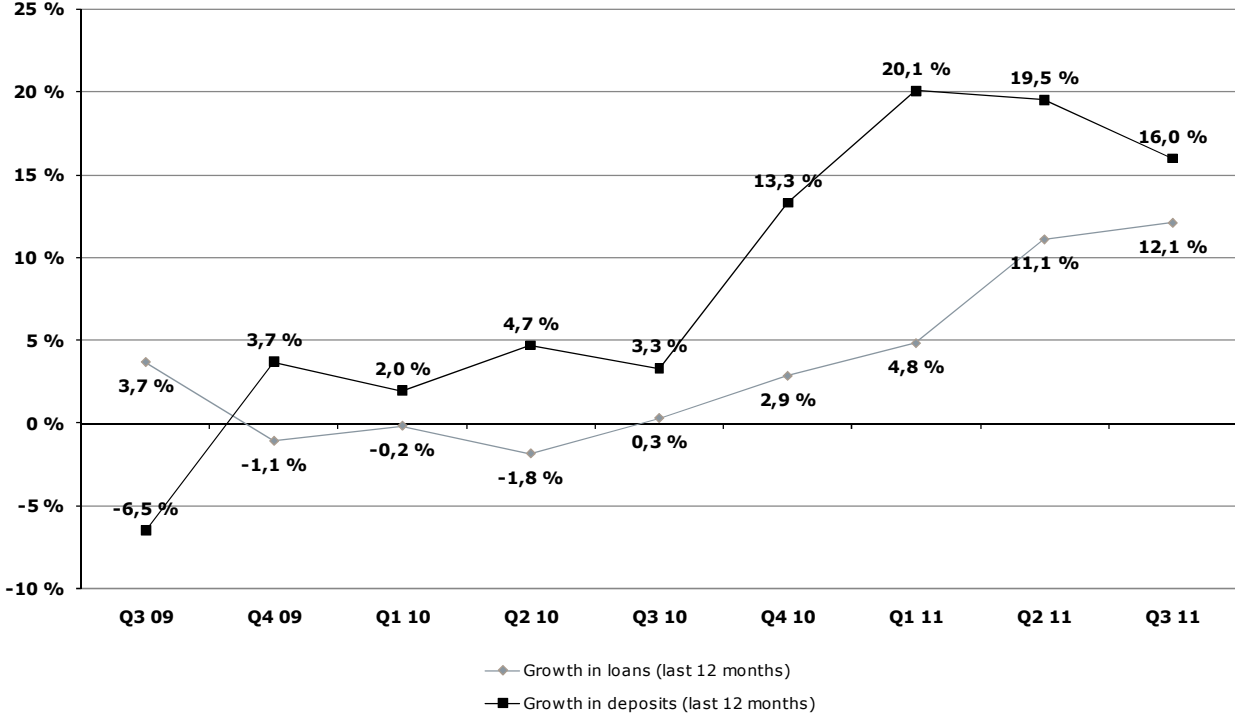
#### Development in average volume and interest margin\*



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



### Growth in loans and deposits



### 3.4 Capital Market

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

#### Financial performance in the capital market segment

<i>MNOK</i>	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Net interest income	190	180	170	182	175	540	534	714
Net other operating income	54	49	41	43	44	144	119	163
Total income	244	229	211	225	219	684	653	877
Total operating expenses	45	37	46	51	40	128	106	163
<b>Operating contribution before losses</b>	<b>199</b>	<b>192</b>	<b>165</b>	<b>174</b>	<b>179</b>	<b>556</b>	<b>547</b>	<b>714</b>
Losses on loans and guarantees	5	33	32	59	30	70	106	165
<b>Operating contribution before tax</b>	<b>194</b>	<b>159</b>	<b>133</b>	<b>115</b>	<b>149</b>	<b>486</b>	<b>441</b>	<b>549</b>

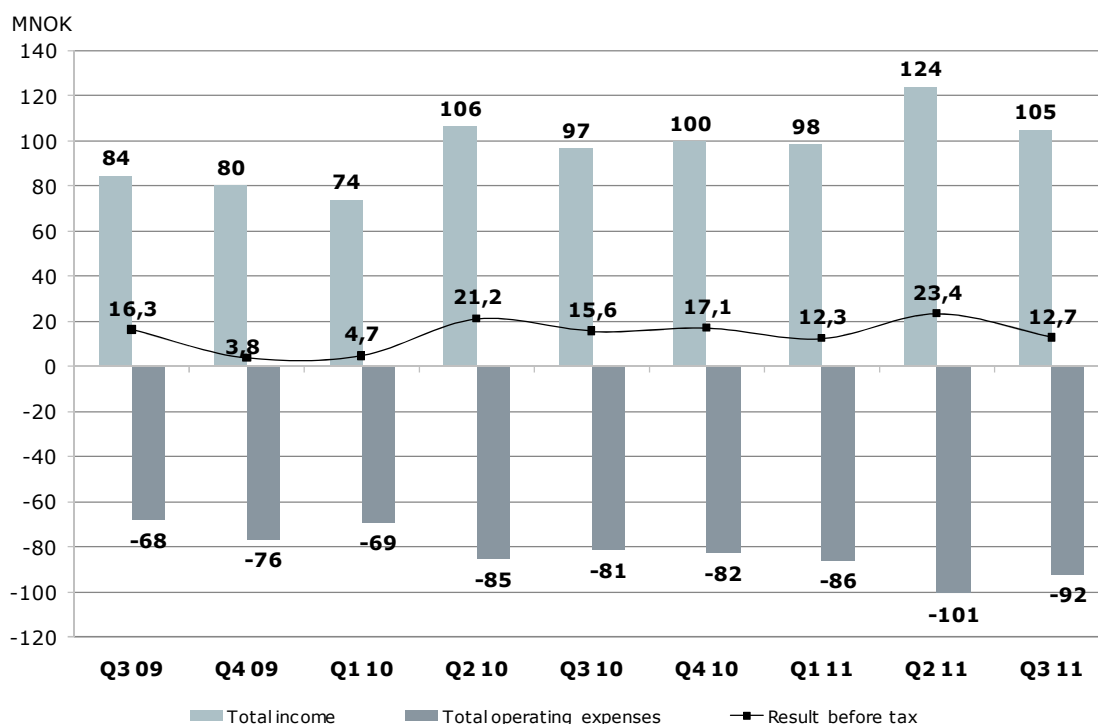
## 3.5 Subsidiaries

### EiendomsMegler 1 SR-Eiendom AS

EiendomsMegler 1 SR-Eiendom AS, which is fully owned by SpareBank 1 SR-Bank, is our region's market leader and the largest company in the nationwide EiendomsMegler 1 chain. This chain is the largest chain of real estate agents in Norway. Per 30.09.2011, the company sold 5 691 properties from its 30 real estate offices in Rogaland, Agder and Hordaland. The activities cover commercial real estate, holiday homes, housing rental and new-builds and used homes.

### Financial performance

MNOK	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Interest income	3	3	2	2	2	7	5	7
Other income	102	122	97	97	95	320	272	369
<b>Total income</b>	<b>105</b>	<b>124</b>	<b>98</b>	<b>100</b>	<b>97</b>	<b>327</b>	<b>277</b>	<b>376</b>
Personal expenses	58	59	52	47	51	168	143	190
Other expenses	34	42	34	35	30	110	93	128
<b>Total operating expenses</b>	<b>92</b>	<b>101</b>	<b>86</b>	<b>82</b>	<b>81</b>	<b>279</b>	<b>235</b>	<b>318</b>
<b>Result before tax</b>	<b>13</b>	<b>23</b>	<b>12</b>	<b>17</b>	<b>16</b>	<b>48</b>	<b>42</b>	<b>59</b>

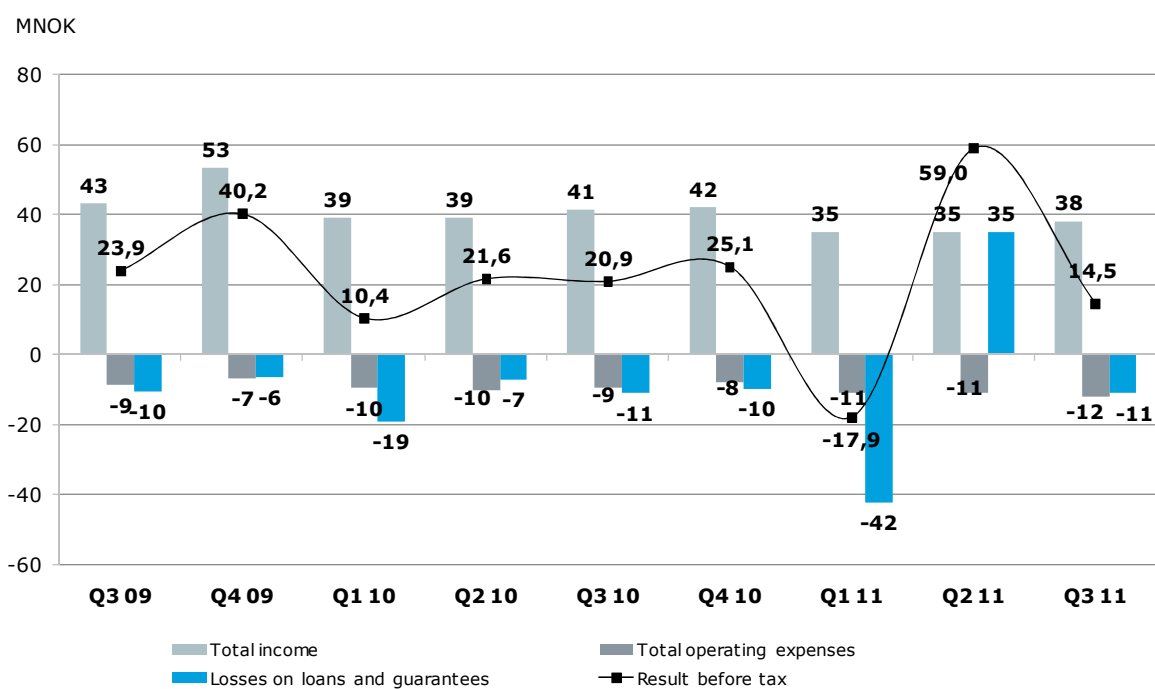


## SpareBank 1 SR-Finans AS

SpareBank 1 SR-Finans AS is the leading leasing company in Rogaland with approximately NOK 5.2 billion in total assets. Its main products are leasing to trade and industry and car loans to private customers. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

MNOK	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Interest income	40	38	38	45	42	116	125	169
Other income	-2	-2	-2	-2	-1	-7	-5	-6
<b>Total income</b>	<b>38</b>	<b>35</b>	<b>35</b>	<b>42</b>	<b>41</b>	<b>109</b>	<b>119</b>	<b>163</b>
Personal expenses	8	7	7	4	6	22	19	23
Other expenses	4	4	4	4	3	12	10	15
<b>Total operating expenses</b>	<b>12</b>	<b>11</b>	<b>11</b>	<b>8</b>	<b>9</b>	<b>34</b>	<b>29</b>	<b>38</b>
<b>Ordinary operating profit</b>	<b>26</b>	<b>25</b>	<b>24</b>	<b>35</b>	<b>32</b>	<b>75</b>	<b>90</b>	<b>125</b>
Loss on loans, guarantees etc.	11	-35	42	10	11	18	37	47
<b>Result before tax</b>	<b>15</b>	<b>60</b>	<b>-18</b>	<b>25</b>	<b>21</b>	<b>57</b>	<b>53</b>	<b>78</b>

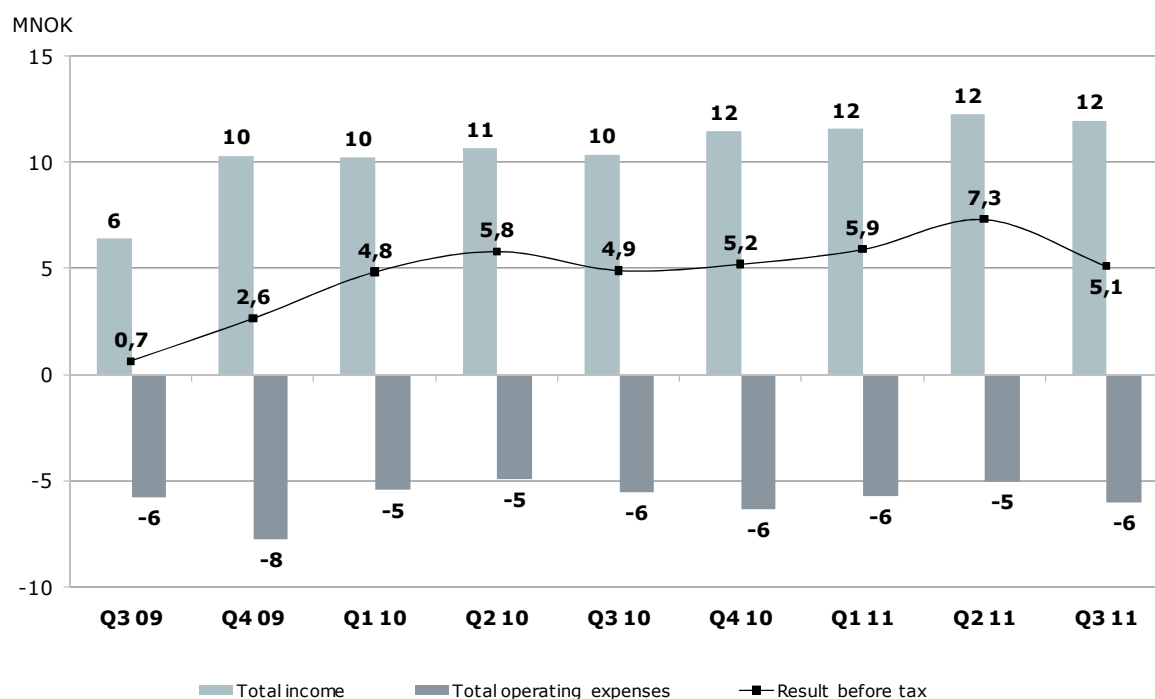


## SR-Forvaltning ASA

SR-Forvaltning ASA is a securities firm with a licence to provide asset management services. The company's objective is to be a local alternative with a high level of expertise in financial management. The company manages portfolios for SpareBank 1 SR-Bank and SpareBank 1 SR-Bank's pension fund, in addition to portfolios for about 3,200 external customers. The external customer base is made up of pension funds, public and private enterprises and affluent private individuals. Total assets amount to approximately NOK 5,8 billion as per 30.09.2011. The company is fully owned by SpareBank 1 SR-Bank.

### Financial performance

MNOK	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Interest income	0	0	0	0	0	1	1	1
Other income	11	12	11	11	10	35	31	42
<b>Total income</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>35</b>	<b>32</b>	<b>43</b>
Personal expenses	5	4	5	6	4	13	12	17
Other expenses	2	1	1	1	1	4	4	5
<b>Total operating expenses</b>	<b>6</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>17</b>	<b>16</b>	<b>22</b>
<b>Result before tax</b>	<b>5</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>18</b>	<b>16</b>	<b>21</b>

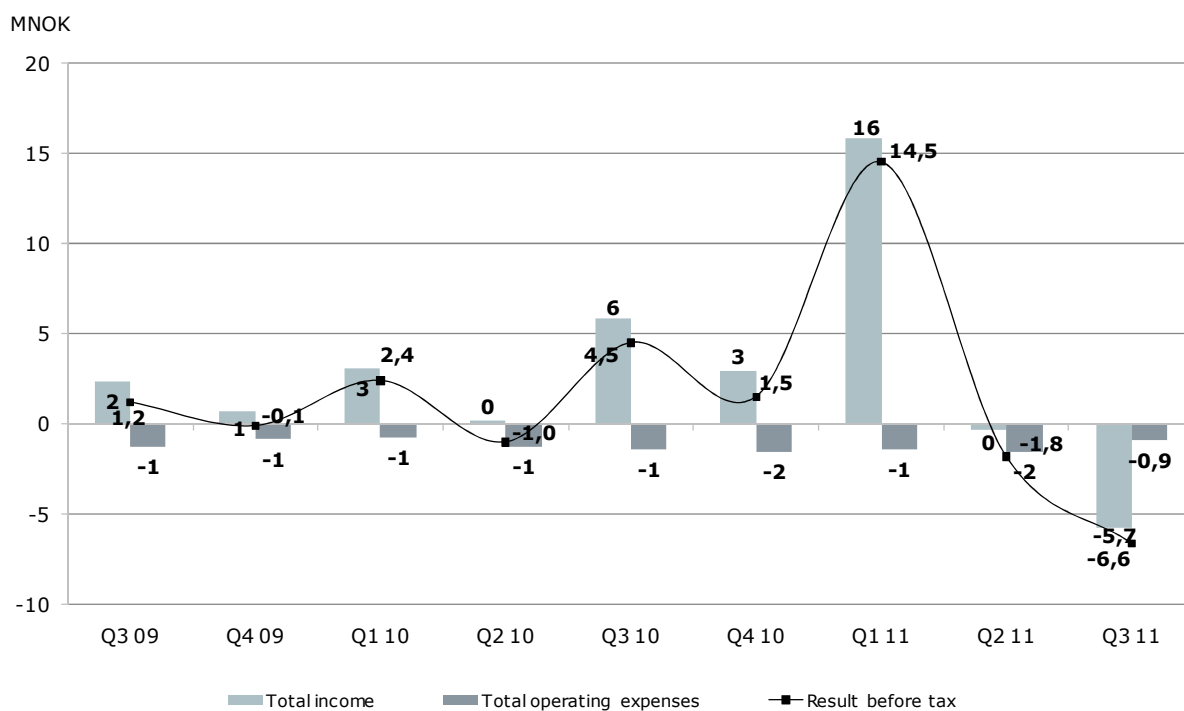


## SR-Investering AS

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

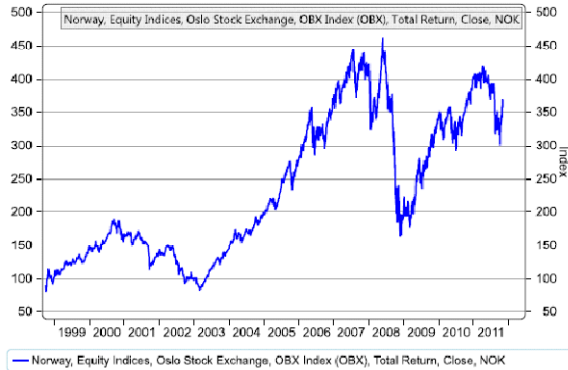
### Financial performance

MNOK	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	30.09 2011	30.09 2010	31.12 2010
Interest income	0,5	0,5	0,4	0,4	0,4	1,4	1,1	1,5
Other income	0,4	0	0	1,4	0,3	0,8	0,3	1,8
Net return on investment securities	-6,6	-1,1	15,3	1,2	5,2	7,6	7,8	9,0
<b>Total income</b>	<b>-5,7</b>	<b>-0,3</b>	<b>15,9</b>	<b>3,0</b>	<b>5,9</b>	<b>9,8</b>	<b>9,2</b>	<b>12,3</b>
Personal expenses	0,8	1,3	1,3	1,3	1,3	3,4	2,9	4,2
Other expenses	0,1	0,2	0,1	0,2	0,1	0,4	0,4	0,5
<b>Total operating expenses</b>	<b>0,9</b>	<b>1,5</b>	<b>1,4</b>	<b>1,5</b>	<b>1,4</b>	<b>3,8</b>	<b>3,3</b>	<b>4,7</b>
<b>Result before tax</b>	<b>-6,6</b>	<b>-1,8</b>	<b>14,5</b>	<b>1,5</b>	<b>4,5</b>	<b>6,0</b>	<b>5,9</b>	<b>7,6</b>

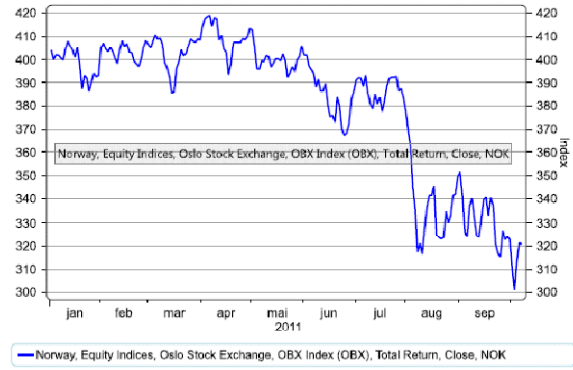


# 4. Norwegian Economic Outlook

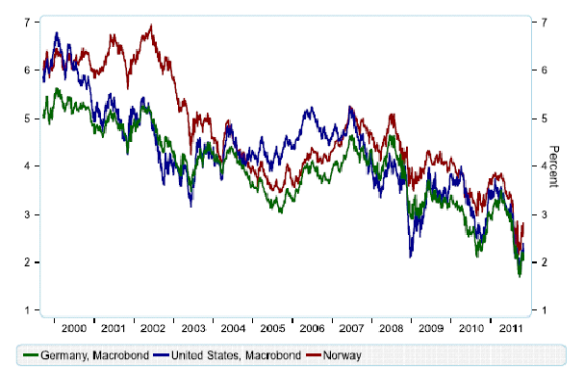
**Norway – Oslo Børs since 1999**



**Norway – Oslo Børs in 2011**



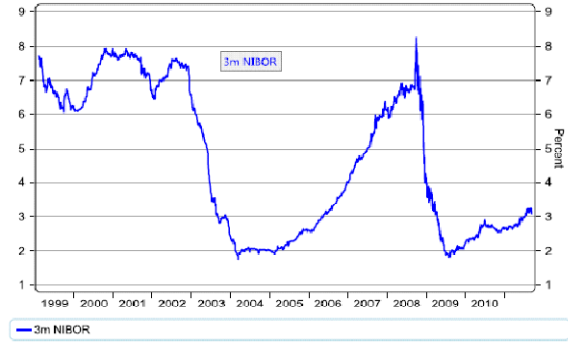
**10Y government yields**



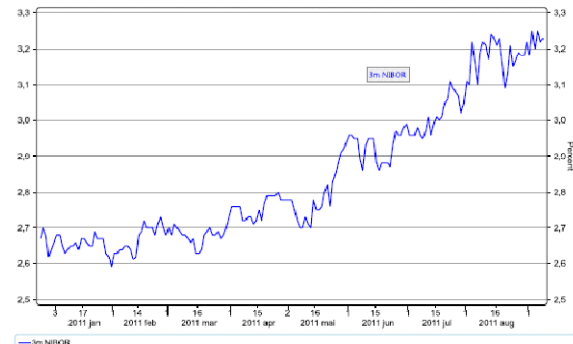
**10Y government yields in 2011**



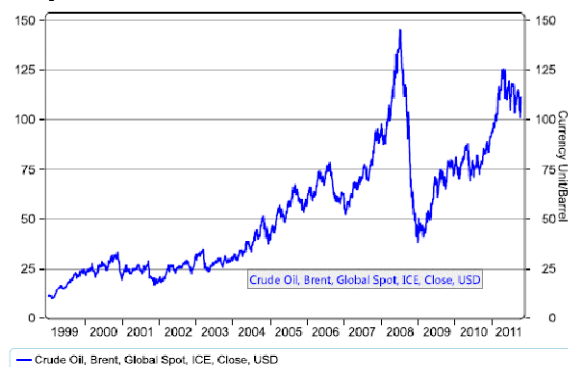
**3m NIBOR**



**3m NIBOR in 2011**



**Oil price since 1999**



**Oil price in 2011**



Prognosis 2008 – 2012e (%)

<b>GDP</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<i>Prognosis</i>	
				<b>2011e</b>	<b>2012e</b>
US	0,0	-2,6	2,8	1,4	1,5
Euro-zone	0,5	-4,0	1,7	1,0	1,0
Germany	1,0	-4,7	3,6	3,0	2,0
Sweden	-0,2	-5,1	5,5	2,5	2,3
Norway (mainland)	2,4	-1,4	0,0	2,1	2,5
<b>Key policy rate year end</b>					
US	0-0,25	0-0,25	0-0,25	0-0,25	0-0,25
Euro-zone	2,50	1,00	1,00	1,00	1,00
Norway	3,00	1,75	2,00	2,25	2,25
<b>Exchange rates against NOK year end</b>					
USD	6,97	5,78	6	5,4	5,2
EURO	9,72	8,3	8	7,7	7,5
GBP	10,17	9,37	9,4	8,8	8,6
<b>Inflation</b>					
US	3,8	-0,3	1,1	0,9	1,2
Euro-zone	3,3	0,3	1,9	1,5	1,4
Germany	2,8	0,2	1,8	1,4	1,3
Norway – KPI-JAE	2,6	2,6	1,1	1,3	1,8
<b>Unemployment</b>					
US	5,8	9,3	9,7	9,6	9,5
Euro-zone	7,6	9,4	10,0	10,0	10,0
Germany	7,3	7,5	7,5	7,1	7,0
Norway	2,6	3,2	3,5	3,5	3,5

Source: SpareBank 1



