ANNUAL REPORT 2011

SpareBank 1 SR-BANK

OVERVIEW OF OUR OFFICES

CENTRAL SWITCHBOARD

+47 915 02002 for retail customers
+47 915 02008 for corporate customers

HEADOFFICE/ADMINISTRATION:

Bjergsted Terrasse 1,
P.O.Box 250, N-4066 Stavanger

E-mail retail customers:
kundesenter@sr-bank.no

E-mail corporate customers:
bedrift@sr-bank.no

Fax +47 51 57 12 60

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MAIN FIGURES

(figures in NOK million)	**2011**	2010	2009
Net interest income	**1 756**	1 742	1 676
Net other operating income	**1 511**	1 672	1 703
Total operating expenses before loan losses	**1 633**	1 566	1 579
Operating profit before loan losses	**1 634**	1 848	1 800
Losses on loans and guarantees	**139**	234	368
Operating profit before tax	**1 495**	1 614	1 432

KEY FIGURES

(figures in NOK million)	**2011**	2010	2009
Total assets 31.12. (NOK million)	**131 142**	134 778	124 909
Net lending (NOK million)	**100 588**	105 033	92 824
Net lending including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	**145 917**	131 194	117 578
Deposits from customers (NOK million)	**64 042**	60 770	54 336
Lending growth including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	**11.2 %**	11.6 %	5.3 %
Lending growth	**5.4 %**	11.8 %	2.4 %
Capital ratio	**11.4**	12.4	11.9
Core capital ratio	**10.6**	10.2	9.6
Net equity and subordinated loan capital (NOK million)	**11 681**	11 482	10 029
Return on equity (%)	**11.2**	15.5	17.5
Cost ratio (%)	**50.0**	45.9	46.7
No. of full-time equivalents employed	**1 213**	1 163	1 093
No. of offices	**53**	54	51
Market price at year-end	**40.70**	57.00	50.00
Earnings per equity certificate	**5.42**	6.84	6.88
Dividend per equity certificate	**1.50**	2.75	1.75
Effective yield on equity certificate	**-23.77**	17.50	87.70

Please also refer to a complete review and key definitions on page 130 and 128.

GROUP PROFIT BEFORE TAX:

1 495

million (NOK 1 614 million)

NET INTEREST INCOME:

1 756

million (NOK 1 742 million)

RETURN ON EQUITY AFTER TAX:

11,2

per cent (15,5 per cent)

NET COMMISSION AND OTHER INCOME:

1 192

million (NOK 1 101 million)

NET YIELD ON FINANCIAL INVESTMENTS:

319

million (NOK 571 million)

GROWTH IN LENDING, GROSS LAST 12 MONTHS INCLUDING SB1 BOLIGKREDITT AND SB1 NÆRINGSKREDITT:

11,2

per cent (11,6 per cent)

GROWTH IN DEPOSITS LAST 12 MONTHS:

5,4

per cent (11,8 per cent)

WRITE-DOWN IN PER CENT OF LENDING INCL. SB1 BOLIGKREDITT

0,10

per cent (0,19 per cent)

MARKET POSITION AND CUSTOMER BASIS

LOCATION AND DISTRIBUTION NETWORK

SpareBank 1 SR-Bank is Norway's largest regional bank, and is the second largest Norwegian-owned bank. Rogaland is SpareBank 1 SR-Bank's core area, but focus on the Agder counties and Hordaland has given good growth, both in terms of market share and profitability, over a few years. In all, the counties in the bank's market area have about 1.18 million inhabitants and there are approximately 208,000 companies and sole proprietorships in the region.

Over the last forty years, the South and West of Norway, and in particular the Stavanger region has been at the centre of the development of Norway as an oil and energy producer. About 40 per cent of the Norwegian oil service companies are located in the Stavanger region, and the majority of the Norwegian operating companies' headquarters are to be found here. Statoil, Norway's largest oil company, has its head office in Forus, Stavanger and the vast majority of the international operating companies also have their Norwegian headquarters in the Stavanger region. These include, inter alia, Total, ENI, ConocoPhillips and Shell. Governmental organisations such as Petoro, the Norwegian Petroleum Directorate and the Petroleum Safety Authority, as well as The Norwegian Oil Industry Association (OLF), also have their headquarters in Stavanger.

Southern and Western Norway has a diverse and dynamic industry that is known for its high degree of internationalisation, value creation and innovation. The region is well located in terms of international communication, the Norwegian Continental Shelf and regional transport routes.

Trade and industry's international orientation and networks make the region open and accessible to the outside world. In the wake of the Norwegian petroleum adventure, we have seen a sharp increase in entrepreneurship and new business establishments, and in general there is very much innovation activity in the region.

Currently, there is a significant amount of industrial investment based on the region's primary industry in oil and energy. This forms the basis for increased activity and value creation in the region through ripple effects. Major national and international companies are making large investments on the Norwegian Continental Shelf and positioning themselves in the region. This leads to increased demand for labour and a tighter labour market than elsewhere in the country, as well as increased pressure on housing prices.

The industrial structure in the region is dominated by oil and gas related activities, but the region also has expertise in many other areas:

- The region is one of the most important producers of meat and dairy products, as well as vegetables.
- The financial industry, with SpareBank 1 SR-Bank, HitecVision and Skagen Fondene in the lead, has grown large.
- There is also an extensive foodstuff industry in the region. SpareBank 1 SR-Bank's geographic exposure stretches from Grimstad in Aust-Agder to Åsane in Hordaland.

The bulk is still in the core area, namely Rogaland. SpareBank 1 SR-Bank follows a multi-channel strategy that builds on the relationship between customer and bank being on personal relationships, while at the same time traditional and new banking services are made easily available in digital channels. This simplifies customers' lives and helps strengthen customer relationships.

SpareBank 1 SR-Bank's main competitors are the full-service banks DNB, Nordea, Fokus Bank and local savings banks. Because of the strong economic growth in the market area in recent year, the competition has invested heavily in establishing themselves and growing, through aggressive pricing and recruitment of employees from competitors.

CUSTOMER BASE

SpareBank 1 SR-Bank's market area covers about 24 per cent of Norway's population.

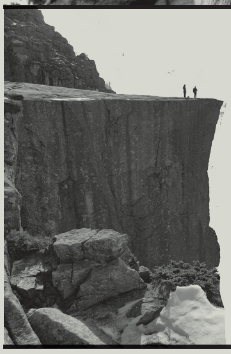
Overall, the region has for a long time experienced significant growth in employment and economic activity. Growth in employment in Rogaland has been significantly stronger than in Norway as a whole. Developments in the oil industry have provided a basis for growth in the labour market, so that the county has attracted a significant share of immigration from abroad (especially from Western countries) and by domestic migration. The county also has a relatively high number of childbirths and a young age structure. Compared with previous decades, however, growth has been particularly rapid in recent years.

Statistics Norway estimated, in its latest population forecast, that the population of Rogaland will increase by about 145 000 people up to 2030 (mean estimate), which would imply an annual growth of about 1.42 per cent. The prognosis over time shows that Rogaland will have the strongest growth in the country. This mean an increase of 35 per cent compared with the current population. In the short term up to 2015, the estimated population growth in Rogaland is on a par with growth in Oslo and Akershus, approximately 2 per cent p.a. The significant future increase in population requires that there is sufficient land for settlement and jobs, for a much larger population than today. Probably, this requires that parts of the population have to live further away from the current growth centres in North Jæren and in the Haugesund region

In the Agder counties, population growth through to 2015 growth is on a par with the national average, about 1.35 per cent p.a., but through to 203 projections from Statistics Norway show that these counties will have about 1.20 per cent annual growth compared with the national average of about 1 ,03 per cent.

The prognosis from Statistics Norway shows that Hordaland will have an annual growth through to 2015 of about 1.54 per cent and in the longer term up to 2030 about 1.18 per cent.

THE LEADING FINANCIAL GROUP IN SOUTHERN AND WESTERN NORWAY



ONE OF SCANDINAVIA'S MOST PROFITABLE FINANCIAL GROUPS DURING THE LAST

15 YEARS

173

YEARS OF VALUE CREATION

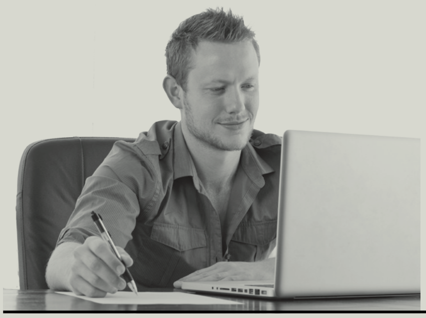
CUSTOMER NUMBERS APPROACHING

290 000

PRIMARY BANK FOR 28 MUNICIPALITIES/COUNTY MUNICIPALITIES

IN 2011 WE CREATED MEASURABLE VALUES WORTH

NOK 2.5 BILLION



EMPLOYEES:

1300

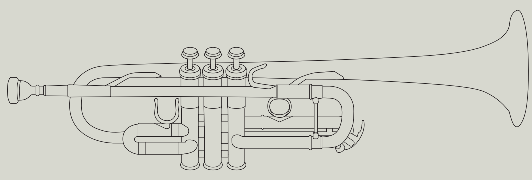
53

DEPARTMENTS IN HORDALAND, ROGALAND AND AGDER

SUBSTANTIAL SOCIAL INVOLVEMENT:

NOK 60 MILLION

FOR PUBLIC PROJECTS IN THE REGION



TO BE AHEAD OF OUR TIME

We have changed in order to be what we have always been. Yes, it sounds like a self-contradiction, but it is a fact.

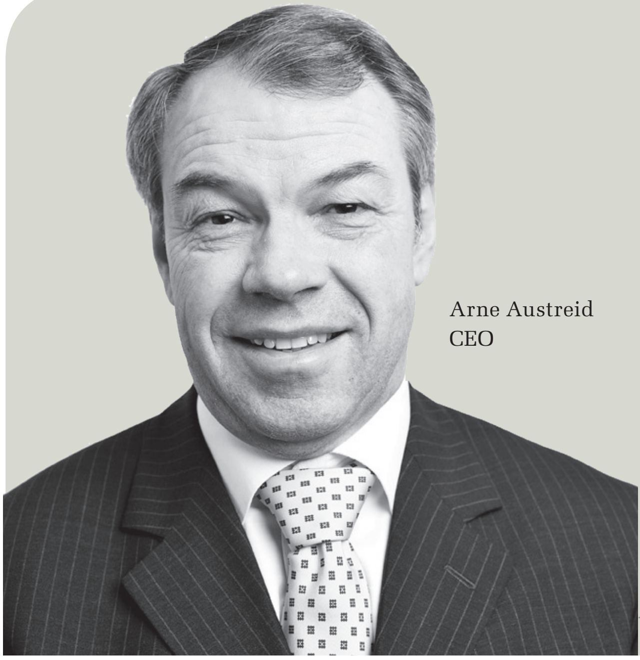
We have now been transferred to an ASA, a public limited liability company. Our entire capital was listed on Oslo Stock Exchange on 2 January 2012. We have a listed paper that makes us interesting to far more investors than ever before. We do this because our customers can be confident that we are with them both in good and difficult times. SpareBank 1 SR-Bank will ensure that the region is supplied with the capital needed for our area to continue its natural growth. In this way, we fulfil our object, which is to create value for the region of which we are a part.

We have a new owner. Our largest owner and shareholder is Sparebankstiftelsen SR-Bank. The foundation manages the former primary capital by owning the largest percentage of shares in SpareBank 1 SR-Bank. This is a stable and long-term investor, which will ensure regional ownership, and continue our savings bank traditions.

The conversion has nothing to do with giving up our identity and history. It is a milestone, a moment, in a long history of value creation in our region.

SpareBank 1 SR-Bank's oldest roots go back to 1839. At that time, it was fishermen who experienced a herring bonanza in the 1830s and 1840s. The poor people in Egersund suddenly had cash in hand and found that they needed a bank. The solution was Egersund Sparebank. The savings bank got capital to circulate from depositors to borrowers with a sincere desire to put their hands at work. This created further value in the small coastal town in the south of Rogaland.

We were also here when the first oil was discovered in 1969. Then, as now, we had eyes fixed ahead, and realised that mergers of small savings banks were necessary if the region was to maintain its natural growth. This secured both robustness and profitability for what is today SpareBank 1 SR-Bank.



Arne Austreid
CEO

We received the Finance Ministry's permission for convertion to an ASA in 2011. The same year that new giant discoveries were made in the North Sea. The conversion is a new and important milestone for the region and us.

History shows us that the capital need of our part of the country just gets bigger and bigger. Our main task is to supply the region's businesses and individuals with this capital. In this way, we help to create new jobs and secure residential buildings, for which there is an urgent need.

Our goal is to be one of Scandinavia's most profitable financial groups. We will continue to do this through strong focus on income, increased efficiency and good cost control. But it is our employees who make the biggest difference. Every employee meets all customers on behalf of the group. These employees constantly want to learn more in order to maintain their professional competence. Employees who result in us being recommended by the customer.

We do not conceal the fact that we are fortunate. It is a privilege to deliver financial services to a region as energetic as southern and western Norway. We are proud of our customers. We are keen to help so that they will succeed. Our customers' success is important if we are to achieve our goal of being among the most profitable, solid and attractive financial groups.

It's an art to be ahead of our time. It's an art to be the one who lays down the premises for the future. It's an art to put one's ear to the ground, listening to the region's heartbeat, and then to look up to see the future. It is an art that we master.

We have therefore changed in order to be what we have always been.

Arne Austreid
CEO

SIGNIFICANT EVENTS IN 2011

SR-MARKETS GROWS SIGNIFICANTLY.

The reinforced efforts in the Capital Markets Division are bearing fruit and SR-Markets recorded more than

NOK 200 MILLION

in revenue in 2011. One important reason is the local roots that are characterised by our brokers having good knowledge and contact with both local businesses and local investors.

SPAREBANKSTIFTELSEN SR-BANK IS ESTABLISHED.

As part of the conversion to a public limited liability bank (ASA) was Sparebankstiftelsen SR-Bank (a savings bank foundation) was established and owned, at the time of the conversion

36,18 %

of the shares. The foundation object is to manage the shares it was allocated on its establishment and to exercise and maintain a significant, long-term and stable ownership of SpareBank 1 SR-Bank ASA.

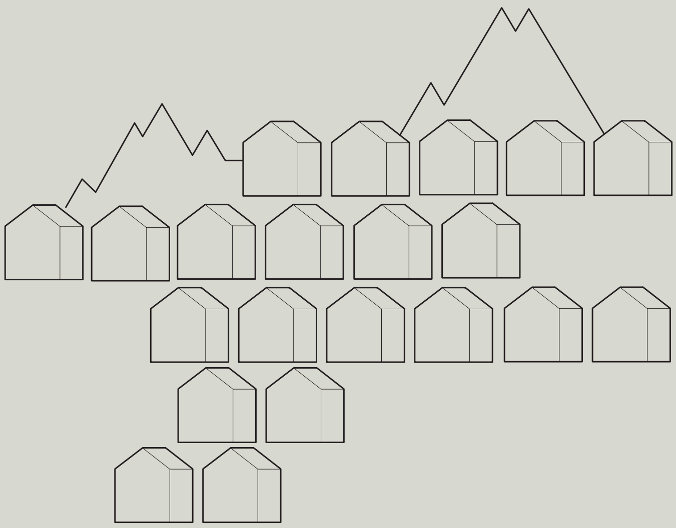
FROM EQUITY CERTIFICATES TO SHARES.

The Ministry of Finance approved the conversion to a public limited liability bank on 21 June 2011. The new ticker is SRBANK and the company had the honour of opening the stock exchange year 2012.

EIENDOMSMEGLER 1 STRENGTHENS ITS MARKET POSITION.

7500

properties were sold in 2011, and Eiendomsmegler 1 SR-Eiendom is the region’s dominant real estate agent.



CHARITABLE CAUSES RECEIVED SUBSTANTIAL AMOUNTS.

NOK 60 MILLION

was paid by the bank from the Endowment Fund.
A new multi-purpose hall at Moi, upgrading of Fort Fjøløy to a recreational area, the Coastal Culture Centre at Obrestad harbour and a new organ for the Osean Art and Culture Centre in Os are all examples of local cost sharing that make the individual community an even better place to live.

ONE DOOR IN - INTERACTION GENERATES RESULTS.

We have for a long time had sharp focus on the interaction between departments and disciplines in order to improve both customer satisfaction and group revenue bases. In 2011, we launched the strategic concept “One door in”. In the years ahead, we will be even better on interaction and dialogue - regardless of which communication channel the customer wishes to use.

THE GROUP

HISTORY

On 1 October 1976, 22 savings banks in Rogaland merged to form Norway's first regional savings bank, Sparebanken Rogaland. At that time, this was the most comprehensive merger that had been carried out among Norwegian savings banks. From the very beginning, the bank was the nation's second largest savings bank, with total assets of NOK 1.5 billion. The regional savings bank grew through active interaction with community and business development in Rogaland and this has been the guiding spirit ever since 1839, when the first of the merged savings banks was founded in Egersund. The intention of the founders of the savings banks in the rural districts was to contribute to a positive community development by channelling value created locally back into the local community.

In 1996, the bank was a co-founder of SpareBank 1 Alliance, which is a banking and product alliance. By participating in the SpareBank 1 Alliance, the Group is linked to and cooperates with independent, locally rooted banks. In this way, we offer competitive products and combine efficient operations and economies of scale with the benefit of being close to our customers and the market. In March 2007, the bank formally changed its name from Sparebanken Rogaland to SpareBank 1 SR-Bank.

On 21 June 2011, 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. The conversion and the establishment of Sparebankstiftelsen SR-Bank were effective from 1 January 2012. At that time, the bank's legal name was changed to SpareBank 1 SR-Bank ASA.

THE GROUP

As at 31 December 2011, SpareBank 1 SR-Bank's employees represented 1 279 full time equivalents, of which 1 213 were members of the permanent staff. The Group comprises the parent bank, SpareBank 1 SR-Bank, and the subsidiaries SpareBank 1 SR-Finans AS, EiendomsMegler 1 SR-Eiendom AS, SR-Investering AS, and SR Forvaltning AS.

THE BANK

The Group's market areas are Rogaland, Agder and Hordaland. Currently, the bank has 53 branch offices and total assets of NOK 131 billion. In addition, the bank has sold approximately NOK 45 billion in housing loans to the partly owned mortgage company SpareBank 1 Boligkreditt AS. The registered head office is in Stavanger. The customer-orientated activity is organised in three divisions – the Retail Market Division,

CEO
Arne Austreid

Executive VP Business Supportand development
Glenn Sæther

Executive VP Capital Market
Stian Helgøy

Executive VP Communication
Thor-Christian Haugland

Executive VP Corporate Market
Tore Medhus

the Corporate Market Division and the Capital Market Division. The bank provides products and services in the fields of financing, investments, money transfers, pensions and life and non-life insurance.

RETAIL MARKET DIVISION

SpareBank 1 SR-Bank is the leading retail customer bank in Rogaland, with 266 710 customers and a market share of about 40 per cent. In addition to the retail customers, the division also serves 9 726 small business and agricultural customers and 3 299 clubs and associations.

CORPORATE MARKET DIVISION

SpareBank 1 SR-Bank has some 8 000 customers in the business sector and the public sector. About 40 per cent of all businesses in Rogaland cite SpareBank 1 SR-Bank as their main bank. In addition, there are small businesses and agricultural customers that are served by the Retail Market Division.

CAPITAL MARKET DIVISION

The Capital Market Division comprises the Group's securities activities. SR-Markets primarily serves the Group's customers and selected customers in our own market area and in the country as a whole.

EIENDOMSMEGLER 1 SR-EIENDOM AS

EiendomsMegler 1 SR-Eiendom AS is our region's market leader and the largest company in the nationwide EiendomsMegler 1 chain. This chain is the largest chain of real estate agents in Norway. In 2011, the company sold 7 502 properties from its 33 real estate offices in Rogaland, Agder and Hordaland. The activities cover commercial real estate, holiday homes, and new builds and used residential properties.

SPAREBANK 1 SR-FINANS AS

SpareBank 1 SR-Finans AS is Rogaland's leading leasing company with approximately NOK 5.4 billion in total assets. Its main products are leasing to trade and industry and car loans to private customers. The leasing portfolio consists of a wide range of products and the company's customers span everything from sole proprietorships and small limited companies to large enterprises.

SR-FORVALTNING AS

SR-Forvaltning AS's objective is to be a local alternative to asset management based in Oslo or outside Oslo or outside Norway. The company manages portfolios for SpareBank 1 SR-Bank's pension fund, current portfolios for SpareBank 1 SR-Bank and portfolios for 3 000 external customers. The external customer base comprises pension funds, public and private enterprises

CFO
Inge Reinertsen

Executive VP HR
Wenche Mikalsen

Executive VP Retail Market
Jan Friestad

Executive VP Head of Risk Management and Compliance
Frode Bø

and affluent private individuals. Total assets amount to approximately NOK 5.9 billion.

SR-INVESTERING AS

SR-Investering AS' object 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 companies in the SMB segment that have a need for capital in order to develop and expand. At the end of 2011, the company had investments and commitments totalling NOK 255.5 million in 23 private equity funds and companies.

THE SPAREBANK 1 ALLIANCE

The Alliance is a bank and product association comprising a number of independent banks. All in all, the Alliance is one of Norway's largest providers of financial products and services. The independent banks in the Alliance are SpareBank 1 SR-Bank, SpareBank 1 SMN, SpareBank 1 Nord-Norge, Sparebanken Hedmark, and Samarbeidende Sparebanker (11 local savings banks in southern Norway). The banks in the SpareBank 1 Alliance distribute financial products from jointly owned companies in major areas such as brand names, work processes, competence building, ITC operations, system development and procurement. The Alliance has entered into a strategic cooperation agreement with the Norwegian Confederation of Trade Unions (LO) and affiliated trade unions.

One overriding goal for the SpareBank 1 Alliance is to secure the individual bank's independence and regional roots through a strong competitiveness, profitability and sound financial strength. At the same time, the SpareBank 1 Alliance represents a competitive, full-service banking alternative on the national level. In order to achieve common goals, the alliance banks have established a national market profile and developed a common strategy for brand name building and communication. This market strategic platform also forms the basis for common product and concept development.

The product companies in the SpareBank 1 Alliance are owned by the banks through the holding company SpareBank 1 Gruppen AS. SpareBank 1 Gruppen 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 AS (membership cards), SpareBank 1 Gruppen Finans AS and 97.2 per cent of the shares in Sparebank 1 Markets AS. The banks that are part of SpareBank 1 Alliance also own SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, EiendomsMegler 1 (chain), the alliance cooperation SpareBank 1 Utvikling DA, Bank 1 Oslo Akershus AS and BN Bank ASA.

THE OBJECT OF SPAREBANK 1 SR-BANK

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

VISION

SpareBank 1 SR-Bank - recommended by the customer

BASIC VALUES

"The courage to have opinions, the strength to create"

By:
- taking a long-term approach
- being open and honest

and by:
- assuming responsibility and showing respect
- having a will and desire to improve

STRATEGY

SpareBank 1 SR-Bank aims 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

THE SPAREBANK 1 SR-BANK GROUP

SpareBank 1 SR-Bank

- **SpareBank 1 SR-Finans AS** 100%
- **SR-Investering AS** 100%
- **SR-Forvaltning AS** 100%
- **Eiendoms-Megler 1 SR-Eiendom AS** 100%
- **Bank 1 Oslo Akershus AS** 19,5%
- **SpareBank 1 Boligkreditt AS** 34,4%
- **SpareBank 1 Gruppen AS** 19,5%
- **BN Bank ASA** 23,5%
- **SpareBank 1 Nærings-kreditt AS** 30,7%

ORGANISATIONAL CHART

General meeting

Supervisory board

Auditor

Audit Committee

Internal Auditor

Board

CEO
Arne Austreid

Executive VP Corporate Market
Glenn Sæther

Executive VP Retail Market
Jan Friestad

Executive VP Capital Market
Frode Bø

Executive VP Business Support and development
Tore Medhus

Executive VP Communication
Thor-Christian Haugland

Executive VP Head of Risk Managemen and Compliance
Stian Helgøy

Executive VP HR
Wenche Mikalsen

CFO
Inge Reinertsen

REPORT OF THE BOARD OF DIRECTORS 2011

In 2011, SpareBank 1 SR-Bank Group achieved a pre-tax profit of NOK 1 495 million. Profit after tax amounted to NOK 1 081 million, compared with NOK 1 317 million in 2010. The after-tax return on equity was 11.2 per cent, compared with 15.5 per cent in 2010. The decline in the profit was due to the unrest in the international financial markets being only partly compensated for by the stable development in banking operations and positive one-time effects.

The Board of Directors is satisfied with the 2011 result. The sound efforts of the staff, the good quality of the loan portfolios, and close customer relationships were important drivers of the sound result, despite the unrest in the financial market. Our market position as the leading financial Group in the west of Norway was consolidated. Net lending growth declined by 4.2 per cent in 2011. Thetotal growth in lending, including the partly owned mortgage companies was 11.2 per cent in 2011, whilst deposits grew by 5.4 per cent. The deposit coverage, that is deposits in terms of gross loans rose from 57.4 per cent to 63.2 per cent in the course of 2011. The rise in deposit coverage was positively impacted by the sale of loan portfolios to the partly owned mortgage companies SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS.

Net interest income totalled NOK 1 756 million in 2011, compared with NOK 1 742 million in the preceding year. In 2011, measured in terms of average total assets, net interest income amounted to 1.31 per cent, down from 1.35 per cent in 2010. This was primarily due to higher funding costs and tough competition.

Net commission and other income totalled NOK 1 192 million in 2011, up from NOK 1 101 million in the preceding year. The increase is primarily due to higher commissions from real estate broking, good sales of insurance products and the increased activity in the Capital Market Division. The net return on investment securities aggregated NOK 319 million in 2011, compared with NOK 571 million in 2010. This includes shares in the profits of SpareBank 1 Gruppen AS, BN Bank ASA, Bank 1 Oslo Akershus AS, SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS.

In addition to the financial market turmoil, the decrease must be seen in light of the fact that NOK 163 million was taken to income in 2010 as a result of the merger of Nordito AS and PBS AS, and the subsequent adjustment of the value of the bank's stake in the merged company, Nets Holding AS.

The Group's ordinary operating expenses totalled NOK 1 633 million in 2011 compared with NOK 1 566 million in 2010. Pension items affected both operating expenses in 2010 and 2011. In 2010, NOK 106 million was reversed from earlier allocations to early retirement pensions (AFP). In 2011, adjustments in the Group's own pension schemes resulted in a cost-reduction of NOK 224 million. The Group's cost ratio (costs in terms of income) rose in the same period from 45.9 per cent to 50.0 per cent.

Good quality in credit management and a good macro-economic situation in the country and the region contributed to the net loan loss provisions in 2011 being reduced to NOK 139 million from NOK 234 million. The low level of impairment confirms the Group's strong loan portfolio.

The distribution of the profit for the year is based on the available profit of the parent bank, which was NOK 936 million in 2011. The Board of Directors proposes that NOK 299 million shall be allocated to dividend (NOK 1.50 per share), while NOK 637 million shall be allocated to other equity.

Core capital adequacy rose to 10.6 per cent from 10.2 per cent in 2010. Solvency is well above the Board of Directors' adopted goal for 2011, namely a minimum core capital adequacy of 9 per cent. SpareBank 1 SR-Bank has a sound financial position and a leading position in the nation's strongest growing region. In addition to retained earnings, the Board of Directors proposes that the equity is strengthened in the first half of 2012 by way of new share issue up to NOK 1.63 billion.

The proposed capital injection will strengthen the Group's ability to satisfy the financing needs of its customers in an offensive manner, and satisfy the European Banking Authority's requirement of 9 per cent pure core capital adequacy by 30 June 2012. At the end of 2011, pure core capital adequacy stood at 8.3 per cent.

The annual accounts for the SpareBank 1 SR-Bank Group and the parent company are prepared in accordance with IFRS, as adopted by the EC.

THE NATURE OF THE OPERATIONS

At the end of 2011, the SpareBank 1 SR-Bank Group comprises the parent bank, and the subsidiaries: SpareBank 1 SR-Finans AS, EiendomsMegler 1 SR-Eiendom AS, SR-Investering AS and SR-Forvaltning AS.

SpareBank 1 SR-Bank's registered head office is in Stavanger. The bank has 53 offices in the counties of Rogaland, Hordaland, Vest-Agder and Aust-Agder. The Group's primary activities are sales and provision of financial products and services and investments services, as well as leasing and real estate brokering

THE GROUP'S DEVELOPMENT

In 2011, SpareBank 1 SR-Bank recorded satisfactory progress in all of the Group's business areas. The Group has further cemented its position as market leader in Rogaland in the retail and the corporate markets. The Capital Market Division recorded good progress and is now perceived as the leading specialist in its field in the region. The position in the real estate broking market has contributed to EiendomsMegler 1 being the largest real estate agency chain in Norway. EiendomsMegler 1 SR-Eiendom AS is market leader in Rogaland and it has strengthened its position in Hordaland and Agder in 2011.

The Group's subsidiaries and its strategic stakes in the SpareBank 1 Alliance's product companies make significant contributions to SpareBank 1 SR-Bank's earnings. Among the subsidiaries, the level of activity in the real estate broking and financing companies in particular was high. Cooperation and collaboration between the various business areas in the Group were further cemented and demonstrated in 2011 through the strategic concept "One door in", and contribute to the Group being able to present a complete and competitive range of products and services to its customers.

In 2011, the banking market was characterised by tough competition for deposits and housing loans. The low interest rate levels, higher funding costs and strong competition have put pressure on interest margins in general, but this pressure has decreased somewhat towards the end of the year. However, earnings were virtually maintained through good growth in the period.

The stock and interest markets were volatile in 2011. Unrest contributed to the securities portfolio falling in value. The result for SpareBank 1 Gruppen AS was also affected by market turmoil.

Net commission and other income rose from 2010 to 2011. The increase can mainly be ascribed to the increased sales of insurance products and a higher activity level in the Capital Markets Division and in real estate brokerage.

Loan losses were significantly lower in 2011 than in 2010. Losses as a percentage of gross lending declined from 0.23 per cent to 0.13 per cent. The Board of Directors is satisfied with the quality of the loan portfolios and considers risk management good.

The Board of Directors believes that it is important to the region's business community and to society in general that SpareBank 1 SR-Bank, as a sound, locally based financial Group, is able to supply the capital that is necessary for growth and development in the Group's market area. Again, in 2011, several millions of kroner were awarded to commercial development measures by the five business development foundations in Dalane and Lister, Haugaland, Southern Norway, and the Bergen and Stavanger regions respectively. The object of these foundations is to contribute to business development that is beneficial to society by providing financial assistance and investments in businesses and business-promoting activities. SpareBank 1 SR-Bank assumes a comprehensive social responsibility by supporting local initiatives in the fields of culture, sport, and research and education. This is done by actively using the bank's endowment fund for public benefit. In 2011, in excess of NOK 70 million was allocated from this fund. Sparebankstiftelsen SR-Bank was established in connection with the conversion to a public limited company and from 2012, the foundation will continue to support charitable causes.

DEVELOPMENT IN THE GROUP'S MARKET AREAS

Mainland-Norway's GDP grew by about 2 per cent in 2011, approximately the same as in the preceding year. Financial unrest and weaker international economic development caused a slowdown also in the Norwegian economy, but economic development is expected to improve moderately in the immediate future.

Demographic development trends are of paramount importance to the Group's framework conditions. For a long time now, the Group's primary area has seen high migration and population growth. The percentage of disabled is also significantly lower than the national average. The population is relatively young in and around the regional centres, and along the coast of Southern and Western Norway. This population growth trend has continued over the last few years. According to Statistics Norway, the country's population rose by 1.2 per cent in 2009, whilst in Rogaland the population growth was higher, namely 1.8 per cent. In Hordaland, the population grew by 1.6 per cent, 1.3 per cent in Vest-Agder and 1.1 per cent in Aust-Agder in 2009. Statistics Norway's projections support the belief that growth in Rogaland and Hordaland in particular will be higher than the national average.

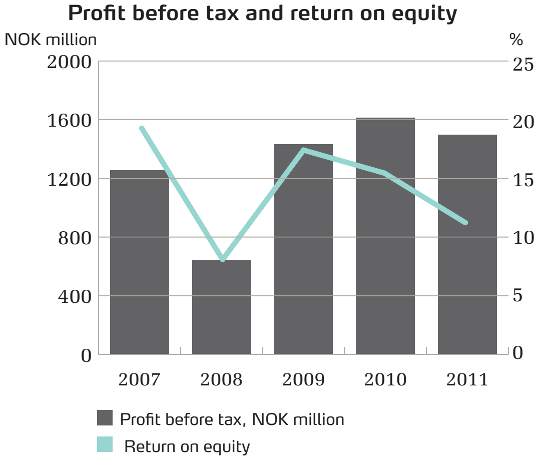
Figures from the Norwegian Labour and Welfare Service (NAV) show that unemployment in Norway as a whole was 2.8 per cent at the end of 2011. In Rogaland, it was 2.0 per cent, in Hordaland 2.4 per cent and in Vest and Aust-Agder 3.0 per cent and 3.5 per cent respectively.

Separate business surveys are published that deal with the economic activity in the Group's market areas. According to these reports, companies in Rogaland, Hordaland and Agder expect positive development in 2012. The business survey shows that for Rogaland in particular growth is reaching the same level as in the record year 2008, before the financial crisis arose. There is still a great deal of uncertainty surrounding what the effect of the increasing Euro crisis and the national debt accumulation will be. Responses from a representative selection of companies in various trades and industry show, despite the uncertainty and low growth in our important market areas, that a 4 per cent increase in employment is expected in 2012 with about 9 000 new jobs being created. The challenge facing many companies will be finding necessary skilled labour. Parts of the business community report that one consequence of the financial crisis and the resulting market unrest is that access to capital is still limited.

Housing prices have continued to rise in 2011 and at year-end, housing prices in the Group's market area were almost 10 per cent higher than one year earlier.

PROFITS

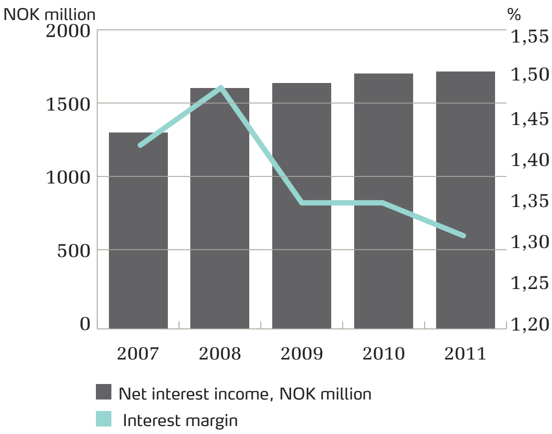
Profit before tax and return on equity



NET INTEREST INCOME

In 2011, the Group's net interest income rose by NOK 14 million to NOK 1 756 million. This amounted to 1.31 per cent of average total assets, down from 1.35 per cent in the preceding year.
 At the end of 2011, the bank had transferred approximately NOK 45 billion in housing loans to SpareBank 1 Boligkreditt AS, against NOK 26 billion at the end of the preceding year. Income from these loans is recorded as commission income. Despite a rise in the volume transferred, commission income declined, mainly as a result of the intense competition. In 2011, this income amounted to NOK 87 million, compared with NOK 157 million in 2010.

Net interest income and interest margin



OTHER INCOME

Net commission and other income in 2011 totalled NOK 1 192 million, up from NOK 1 101 million in 2010. Net commission income was NOK 763 million in 2011, a rise from NOK 721 million in the preceding year. Excluding commission income from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, the increase compared with 2010 was NOK 107 million. This can be explained by higher income from project management, particularly as a result of good interaction between SR-Markets and the Corporate Market Division, together with higher commissions from insurance and guarantees.

Other operating income aggregated NOK 429 million in 201 (NOK 380 million in 2010). This is for the most part income from real estate brokerage.

The net return on investment securities aggregated NOK 319 million in 2011, compared with NOK 571 million in 2010. Of this, NOK 48 million was realised losses on securities (realised gains of NOK 146 million) and gains on foreign exchange and interest trading totalled NOK 137 million (NOK 111 million). Furthermore, income from ownership interests aggregated NOK 209 million (NOK 267 million), and dividends NOK 21 million (NOK 47 million).

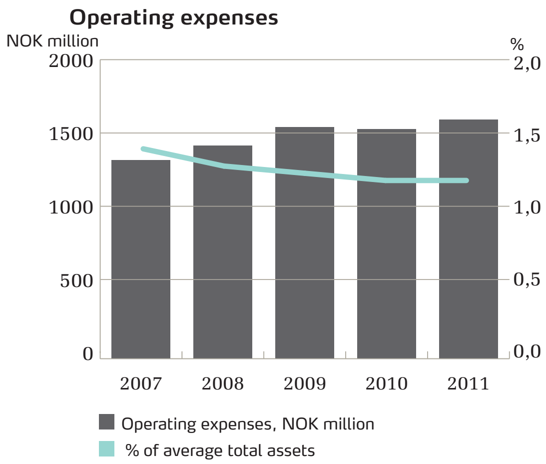
High net income from financial investments in 2010 was due, in part, to the merger of Nordito AS and PBS AS, which generated a gain of NOK 96 million. In addition, the bank's stake in the merged company, Nets Holding AS, was revaluated upwards by NOK 67 million in 2010. In all, the effect on the 2010 accounts was NOK 163 million.

Losses on securities totalled NOK 48 million in 2011, of which NOK 35 million was a loss on the stock and equity portfolio and NOK 13 million was a loss on the fixed income portfolio. The Group is not exposed, directly or indirectly, to European or American national debt.

Income from ownership interests fell from NOK 267 million to NOK 209 million in 2011, and is mainly made up of the Group's share of the profits of SpareBank 1 Gruppen, Bank 1 Oslo Akershus, BN Bank, SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The share from SpareBank 1 Gruppen totalled NOK 96 million (NOK 166 million) in 2011. The share of BN Bank's profit amounted to NOK 36 million (NOK 33 million). Furthermore, NOK 28 million (NOK 7 million) was taken to income as the difference between the estimated and book equity in BN Bank from earlier acquisition valuations. The Group's share from SpareBank 1 Boligkreditt was NOK 24 million (NOK 25 million), SpareBank 1 Næringskreditt NOK 7 million (NOK 2 million), Bank 1 Oslo Akershus NOK 16 million (NOK 37 million) and Samspar Bankinvest NOK 2 million.

OPERATING EXPENSES

The Group's ordinary operating expenses totalled NOK 1 633 million in 2011. This is a rise from NOK 1 566 in 2010. Personnel costs were reduced by NOK 42 million to NOK 828 million, and other expenses rose by NOK 109 million to NOK 805 million. Expenses in both 2010 and 2011 were affected by pension allocations. In 2010, an amount (net) of NOK 106 million relating to AFP (early retirement) allocations was reversed. In 2011, changes in the pension schemes resulted in a reduction in costs of NOK 224 million (one-time effects). Excluding pension items, personnel costs rose by NOK 76 million from 2010 to 2011.



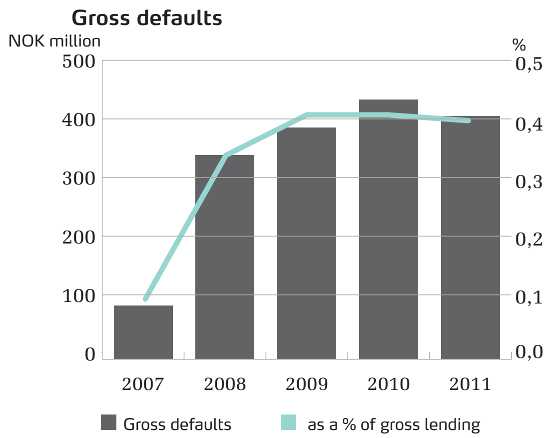
A large part of the Group's increased expenses can be attributed to the merger with Kvinnherad Sparebank in 2010 and higher expenses in EiendomsMegler 1 SR-Eiendom AS in connection with acquisitions and a higher level of activity. The higher level of activity in the parent bank's divisions also has an impact on the cost growth. From 2010 to 2011, the underlying growth in expenses was approximately 5 per cent.

The Group's cost ratio (costs in terms of income) was 50.0 per cent in 2011 compared with 45.9 per cent in 2010.

In 2011, the number of full time equivalents employed rose by 67. The largest growth took place in the real estate brokerage company and the Capital Market Division. At the end of 2011, the Group employed 1 279 full time equivalents, of which 1 213 were members of the permanent staff.

LOSSES AND DEFAULTS

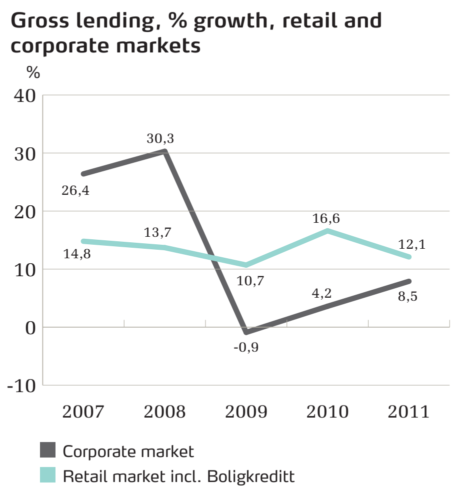
In 2011, the Group recorded net new loan loss provisions of NOK 139 million (NOK 234 million) representing 0.13 per cent (0.23

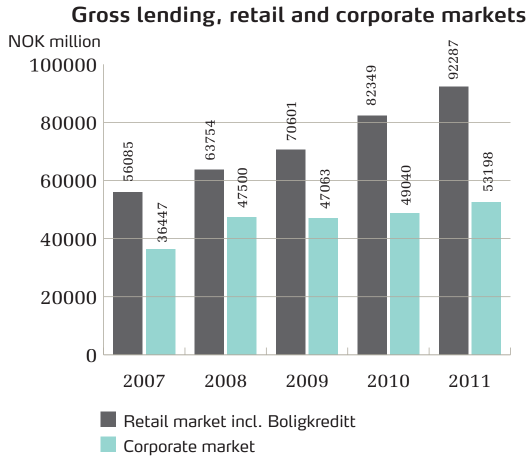


per cent) of gross lending. Write-downs on groups of loans rose by NOK 5 million to NOK 362 million at the end of 2011. Of the total individual loan loss provisions recorded in 2011, NOK 134 million, the corporate market accounted for NOK 88 million and the retail market NOK 46 million.

Gross non-performing commitments totalled NOK 415 million at the end of 2011, compared with NOK 443 million at the same time last year, or 0.41 per cent (0.42 per cent) of gross lending. Problem loans (not in default) totalled NOK 696 million (NOK 762 million), corresponding to 0.69 per cent of gross loans (0.72 per cent). On aggregate, gross non-performing loans and problem loans totalled NOK 1 111 million at the end of 2011, down from NOK 1 205 million at the end of 2010. In terms of gross lending, however, this was a decline from 1.14 per cent to 1.10 per cent.

The provision ratios, measured in terms of individual write-downs as a percentage of non-performing and problem loans were 33 per cent and 41 per cent respectively at the end of 2011, compared with 30 per cent and 35 per cent in 2010.

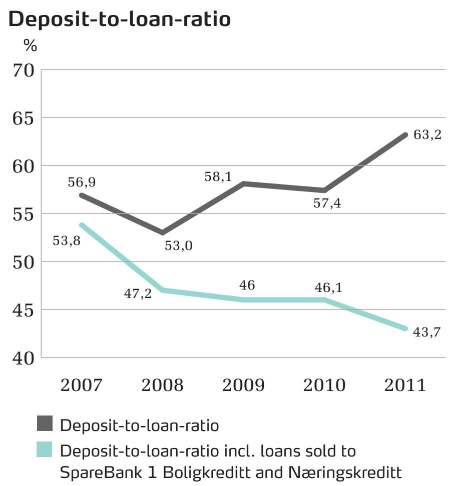




BALANCE SHEET

The Group's total assets declined in 2011 from NOK 134.8 billion at the beginning of the year to NOK 131.1 billion at year-end. This decline is because lending portfolios transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS (jointly owned companies) are not included in total assets. At the end of the year, Sparebank 1 SR-Bank had a portfolio of housing loans with SpareBank 1 Boligkreditt AS totalling NOK 45 billion, compared with NOK 26 billion at the end of 2010.

Growth in lending (including SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) in 2011 was 11.2 per cent and total lending at the end of 2011 aggregated NOK 146.7 billion. Retail market lending rose by 11.2 per cent. Loans to the corporate market and the public sector rose in volume by 11.8 per cent in 2011. The distribution between loans to the retail market (including SpareBank 1 Boligkreditt AS) and the corporate market/public sector (including SpareBank1 Næringskreditt AS) was 63.1 per cent and 36.9 per cent respectively at the end of 2011, against 62.6 per cent and 37.4 per cent at the end of 2010. Through the merger with Kvinnherad Sparebank on 1 November 2010, the Group's lending rose by approximately NOK 4.0 billion.



Total deposits were NOK 64 billion at the end of 2011, up 5.4 per cent from the end of 2010. The growth in the retail and corporate market/public sector was 9.6 per cent and 3.0 per cent respectively.

The deposit-to-loan ratio stood at 63.2 per cent at the end of 2011, against 57.4 per cent at the end of the preceding year. In a market that is experiencing tough competition, the Group has maintained a good deposit-to-loan ratio. In addition to ordinary deposits from customers, at the end of 2011 the Group has NOK 11.2 million (NOK 12.5 million) under management, primarily though SR-Forvaltning and ODIN Funds.

RETAIL MARKET DIVISION

The Retail Market Division's contribution before write-down on loans was NOK 747 million in 2011. Higher funding costs and tough competition are the main reason for the contribution before write-downs on loans being NOK 43 million lower than in 2010.

During 2011, the division increased its lending (including the sale of housing loans to SpareBank 1 Boligkreditt AS) by 11.2 per cent, while deposits increased by 9.6 per cent. The growth is a result of good market growth, combined with a long-term commitment to provide qualified advisory services supported by a strong brand name.

The good net rise in the number of customers, private individuals and small companies, continues at the same rate as in 2010. The development in housing loans is still good as a result of the high level in market activity and the Group's strong distribution model. Impairments of loans and the percentage of non-performing loans remain low. Commission income (excluding income from SpareBank 1 Boligkreditt) rose by NOK 45 million in 2011 compared with 2010. The largest increase comes from insurance commissions and portfolio commissions in the savings and investments field. Rising products sales are a direct result of the Group's commitment to broad advisory services. Sparebank 1 SR-Bank is a market leader when it comes to its percentage of authorised financial advisers. Furthermore, a well-functioning customer centre has resulted in higher sales and a better service to customers, especially in relation to non-life insurance.

CORPORATE MARKET DIVISION

The Corporate Market Division's contribution before any write-down on loans amounted to NOK 762 million in 2011. This was NOK 33 million more than in the preceding year.

The activity level in trade and industry is good, but the market is experiencing tough competition. In 2011, the division's lending volume rose by 11.8 per cent, while deposits rose by 3.0 per cent. Lending margins are under pressure, but were fairly stable in 2011. The division is working intensely on broad-scale sales of the

Group's products, and the product coverage is rising. Commissions and other income rose by NOK 47 million in 2011.

The portfolio quality is good. Cyclical trends affect credit quality, but the repercussions of the financial crisis has not affected the business in the region as hard as previously expected, and a gradual improvement in the quality of the loan portfolio was observed throughout the year. This improvement is due both to improved market prospects, as well as to the effects of risk-reducing measures. A competent organisation, customer portfolio quality and a good and close customer interaction have paved the way for appropriate solutions for customers and for the Group. In 2011, losses totalled NOK 83 million, compared with NOK 165 million in 2010. The proportion of non-performing loans remains low.

CAPITAL MARKET DIVISION

The division's areas of competence complement traditional banking operations and gather the Group's expertise in the fields of security operations and asset management. The securities operation is organised under the brand name SR-Markets and comprises trading in shares, interest rate instruments and foreign exchange for own account and for account of customers, and Corporate Finance services, settlement functions and securities related administrative services. Asset management is organised in a separate subsidiary, SR-Forvaltning AS.

SR-Market's income in 2011 amounted to NOK 214 million, compared with NOK 180 million in the preceding year. Most of the income is still generated by trading in currencies and interest instruments for account of customers. The bond portfolio showed a gain of NOK 5 million, down NOK 23 million on 2010, after positive developments toward the end of the year. The Corporate Finance Department has managed and completed several major projects in the course of 2011, and the department's income more than doubled compared with the preceding year. Toward the end of the year, the department strengthened its workforce and is well positioned for further growth. The newly established stock trading desk returned a positive result in its first full business year.

SUBSIDIARIES

Through their products and services, the subsidiaries allow the Group to offer a broader range to customers and enhance the bank's earnings basis. Through good internal interaction and joint marketing, the Group is a total supplier of financial services and products.

EiendomsMegler 1 SR-Eiendom AS is well represented throughout the Group's entire market area and has 33 offices from Grimstad to Bergen. The company is the leading real estate agent in Rogaland and Vest-Agder and it is gleaning market shares in Hordaland and Aust-Agder.

The company recorded a pre-tax profit of NOK 91 million (NOK 59 million). The improvement in the profit is due to the increase in the number of properties sold, as well as the reversal of earlier allocations for pension liabilities in the Group's pension schemes.

The company sold 7 502 properties in 2011, compared with 7 183 in 2010. The value of the properties sold by the company was NOK 20.8 billion (NOK 17.6 billion). Toward the end of 2011, there was slightly less activity in the housing market than had been expected. However, prospects for 2012 are considered good in the Group's market area, with high employment and low interest rates.

The market for commercial properties was to some extent effected by the uncertainty in the financial markets, and the market is expected to be hesitant in 2012 as well. The rental market is good and is expected to remain so during the entire year.

The company has maintained its strong market position. New offices at Karmøy and Stord, and the establishment of a separate commercial real estate office in Kristiansund will further contribute to strengthen distribution power in the future.

SpareBank 1 SR-Finans AS offers lease financing for trade and industry and secured car loans. In 2011, the company returned a pre-tax profit of NOK 100 million (NOK 78 million in 2010). The improvement in the result is primarily due to lower losses in the corporate portfolio. Profit before write-downs was NOK 117 million compared with NOK 125 million one year earlier. Total assets have grown steadily over the last year and at the end of 2011 amounted to NOK 5 404 million.

New sales of car loans and in the leasing field were good in 2011, and prospects for 2012 are good with increasing order reserves and low defaults.

SR-Forvaltning AS is a securities firm with a licence to provide asset management services. In 2011, the profit before tax was NOK 27 million, compared with NOK 21 million in 2010. At the end of 2011, the company had NOK 5.9 billion under management. This is approximately NOK 300 million less than at the beginning of the year.

SR-Investering AS' object is to contribute to long-term creation of added value through investments in trade and industry in the Group's market area. The company primarily invests in private equity funds and companies in the SMB segment that have a need for capital if they are to develop and grow. In 2011, profit before tax amounted to NOK 11 million, up from NOK 7 million in 2010. At the end of 2011, SR-Investering AS had total investments of NOK 143 million. The residual commitment relating to these investments is NOK 112 million.

SPAREBANK 1 BOLIGKREDITT AS AND SPAREBANK 1 NÆRINGSKREDITT AS

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS are mortgage companies operating under a licence issued by the

Financial Supervisory Authority of Norway and issue covered bond (with pre-emptive rights) on the bank's home mortgage and commercial properties portfolios respectively that are bought from the owner banks. The companies are owned by savings banks that are part of the SpareBank 1 Alliance and contribute to the owner banks having access to stable and long-term funding at competitive rates.

At the end of 2011, SpareBank 1 Boligkreditt AS made loans totalling NOK 128.6 billion, of which NOK 44.7 billion was housing loans transferred from SpareBank 1 SR-Bank. At the end of 2011, the bank owned 34.4 per cent of the company. Ownership stakes are adjusted annually in line with the volumes actually transferred.

At the end of 2011, Sparebank 1 Næringskreditt AS had lent a total of NOK 8.9 billion, of which NOK 600 million was loans transferred from Sparebank 1 SR-Bank. SpareBank 1 SR-Bank has a 30.7 per cent stake in the company.

SPAREBANK 1 ALLIANCE

SpareBank 1 Alliance's object is to acquire and provide competitive financial services and products and to exploit economies of scale in the form of lower costs and/or higher quality. Thus, the alliance contributes to private individuals and companies benefiting from local roots, expertise and a simpler everyday life. Moreover, the alliance is to help secure the banks' value creation to benefit their own regions and the banks' owners. The SpareBank 1 banks manage the alliance cooperation and development of the product companies through SpareBank 1 Gruppen AS, a jointly owned holding company.

SpareBank 1 Gruppen AS is owned by SpareBank 1 SR-Bank (19.5 per cent), SpareBank 1 Nord-Norge (19.5 per cent), SpareBank 1 SMN (19.5 per cent), Sparebanken Hedmark (12 per cent), Samarbeidende Sparebanker AS (19.5 per cent, owned by 11 savings banks in the south of Norway), together with the Norwegian Confederation of Trade Unions (LO)/trade unions affiliated to LO (10 per cent).

SpareBank 1 Gruppen AS owns SpareBank 1 Livsforsikring AS, SpareBank 1 Skadeforsikring AS, ODIN Forvaltning AS, SpareBank 1 Medlemskort AS, SpareBank 1 Gruppen Finans Holding AS, as well as 97.2 per cent of the shares in SpareBank 1 Markets AS (formerly Argo Securities AS). SpareBank 1 Gruppen Finans Holding AS owns 100 per cent of the shares in Actor Fordringsforvaltning AS, 100 per cent of SpareBank 1 Factoring AS and 100 per cent of the shares in Actor Portefølje AS. With effect from 2010, Bank 1 Oslo Akershus AS was demerged from SpareBank 1 Gruppen, and is today owned directly by the banks with the same stakes as in SpareBank 1 Gruppen.

The weak performance of the securities market, work on building up SpareBank 1 Markets AS' operations, together with significant natural catastrophe and major claims resulted in after-tax profits falling from NOK 832 million in 2010 to NOK 479 million in 2011. SpareBank1 SR-Bank's share of the profit was NOK 95.9 million in 2011, down NOK 165.8 million on 2010.

SpareBank 1 Gruppen AS has administrative responsibility for the cooperation processes in the SpareBank 1 Alliance, where technology, brands, expertise, common processes/application of best practice and procurement are key elements. The alliance is also engaged in development work through three centres of excellence for Learning (Tromsø), for Payments (Trondheim) and for Credit (Stavanger). SpareBank 1 banks are heavily involved in the development work in the common arena. In 2011, the alliance has focused, inter alia, on further developing self-service mobile solutions.

BN BANK ASA AND BANK 1 OSLO AKERSHUS AS

SpareBank 1 SR-Bank and the other savings banks in the SpareBank 1 Alliance acquired Glitnir Bank ASA and its subsidiary Glitnir Factoring in the 4th quarter of 2008. The name was later changed to BN Bank ASA. SpareBank 1 SR-Bank's stake rose from 20 per cent to 23.5 per cent in the 4th quarter of 2009. The share of BN Bank ASA's profit rose from NOK 33.1 million in 2010 to NOK 36.1 million in 2011. In addition, NOK 28.2 million was taken to income as a result of the difference between BN Bank's estimated equity and book equity, so that the total contribution to the Group's profit was NOK 64.0 million. In 2010, total income recorded as a result of amortisation and the share of the profit was NOK 39.9 million.

The share of Bank 1 Oslo Akershus' profit was NOK 16.0 million.

ACCOUNTING PRINCIPLES

SpareBank 1 SR-Bank prepares its parent company and consolidated accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The description of the accounting principles applied by the Group, in Note 2 to the accounts, sets out a more detailed account of important factors relating to the treatment for accounting purposes in accordance with IFRS.

CORPORATE GOVERNANCE

Corporate governance in SpareBank1 SR-Bank ASA comprises the objectives and overriding principles according to which the Group is governed and controlled, to secure the interests of shareholders, customers and other groups. Governance of the Group's activities shall ensure prudent asset management and greater assurance that publicly declared goals and strategies are reached and realised.

SpareBank 1 SR-Bank's corporate governance principles are built on three primary pillars: openness, predictability and transparency. The Group has defined the following main corporate governance principles:

- Value creation for equity shareholders and other interest groups
- A structure that ensures goal-oriented and independent management and control
- Systems that ensure measurability and accountability
- Effective risk management
- Well set-out, clear and timely information
- Equal treatment of equity shareholders and a balanced relationship to other interest Groups
- Compliance with legislation, regulations and ethical standards

SpareBank 1 SR-Bank has no provisions in the articles of association that restrict the right to negotiate shares. The Board of Directors is not aware of any agreements between shareholders that limit the opportunities to negotiate shares or to exercise voting rights for shares. The Board of Directors annually approves the guidelines for remuneration to senior executives. The guiding policies for the coming fiscal year are presented to the general meeting for an advisory vote, but the binding guidelines for the allocation of shares, subscription rights, etc. as part of the Group's remuneration scheme for the coming financial year are presented to the general meeting for approval.

The Norwegian Code of Practice for Corporate Governance has been followed when preparing SpareBank 1 SR-Bank's corporate governance policy. Further information on corporate governance, pursuant to section 3-3b of the Accounting Act, is to be found on SpareBank 1 SR-Bank's web site (www.sr-bank.no).

RISK MANAGEMENT

The banking industry's core activity is to create values by assuming recognised and acceptable risks. The Group invests, therefore, significant resources in developing risk management systems and processes that are in line with leading international practice.

Risk and capital management in SpareBank 1 SR-Bank underpins the Group's strategic development and the achievement of its goals, while at the same time ensuring financial stability and prudent asset management. This is achieved through:

- A strong corporate culture that is characterised by a high awareness of risk management
- A good understanding of which risks drive earnings
- Striving for optimal capital utilisation within the adopted business strategy
- Avoiding unexpected single incidents that can seriously harm the Group's financial situation
- Exploiting synergies and diversification effects

The Group's risk is quantified, inter alia, by computing expected losses and risk-adjusted capital to be able to uncover any unexpected losses. Expected losses describe the losses that statistically must be expected over a 12-month period. Risk-adjusted capital describes how much capital the Group believes it needs to cover the real risk that the Group has assumed.

The most important risks the Group assumes are the credit risk, market risk, liquidity risk, operational risk and ownership risk. These risks are described in more detail below.

CREDIT RISK

Credit risk is managed through the framework for credit granting, monitoring and portfolio management. The overriding credit strategy stipulates that the Group shall have a moderate risk profile. Defaults and losses have shown a positive trend in 2011 and the market area is characterised by persistent high activity and low unemployment. Together with constant focus on risk management, this contributes to the maintenance of portfolio's good quality.

The quality of the corporate portfolio is solid and virtually unchanged. The quality of the retail market portfolio is very good and the trend is characterised by stability where the low risk profile is maintained. Most of the portfolio is secured by mortgages on real property, and loan to value ratio is moderate. This implies a limited loss potential as long as these values are not significantly impaired.

MARKET RISK

Management of market risk is based on conservative limits for positions in interest instruments and currencies, as well as investments in shares and bonds. The Board of Directors reviews and approves the limits at least once a year.

Part of the Group's market risk is linked to investments in bonds and commercial papers. At the end of 2011, the Group had liquid assets in the form of bonds totalling NOK 19.8 billion of which NOK 7.8 billion was covered bonds used in the authorities' swap scheme.

When quantifying risk linked to impairment in the value of the liquidity portfolio, SpareBank 1 SR-Bank distinguishes between systematic risk (market risk) and unsystematic risk (default risk). Default risk associated with the portfolio mentioned is quantified as credit risk.

Risk activities relating to trading in foreign exchange, interest rate instruments and securities arise within the limits that are adopted at any time, authorities and credit lines for counterparties. SpareBank 1 SR-Bank assumes, to a limited extent, the interest rate and foreign exchange risk in connection with trading activities for own account. As far as possible, income from operations is in the form of customer margins in order to ensure maximum stability and reliability of earnings.

The Group's exposure to market risk is considered moderate.

LIQUIDITY RISK

The bank's framework for managing liquidity risk shall reflect the bank's conservative risk profile. Liquidity risk shall be low.

The Group's lending is financed primarily by way of customer deposits and long-term funding, including the sale of housing loan portfolios to SpareBank1 Boligkreditt AS. The liquidity risk is restricted through diversification of markets, funding sources, instruments and maturity periods

The Group had adequate access to liquidity in 2011. Deposits from customers are the most important funding source. For the Group as a whole, deposits grew by NOK 3.3 billion from the end of 2010 to the end of 2011. The deposit-to-loan ratio rose from 57.4 per cent at the end of 2010 to 63.2 per cent at the end of 2011.

Over the last year, the market situation was characterised by the debt challenges in Southern Europe and the fear of this spreading to the entire Eurozone. This has had an impact on the Group's funding. At times, the market has been closed for new issues and prices have risen. Because of the market challenges, and the price difference between secured and unsecured debt, the bank has exploited reserves ready for securitisation. In 2011, the sale of high-quality mortgage loans to SpareBank 1 Boligkreditt AS helped dampen the need for funding and thus SpareBank 1 SR-Bank's liquidity risk. The Group's securities debt is evenly distributed among international and national capital sources.

OPERATIONAL RISK

The processes for management of operational risk in SpareBank 1 SR-Bank shall ensure, as far as possible, that no single incident caused by operational risk is able to harm the Group's financial position seriously. Risk management is based on insight, an understanding of what creates and drives operational risk in the Group, and to the extent possible reconciles effective processes with low risk exposure.

The Group uses a systematic process to identify and quantify operational risks that the Group is at any time exposed to, and it has established its own systems for reporting adverse events and follow-up of improvement measures. This helps SpareBank 1 SR-Bank continue to be a dominant organisation over time, through proper prioritisation and continuous improvement.

As part of the on-going competence build-up, SpareBank 1 SR-Bank has established a partnership with the University of Stavanger and the SpareBank 1 Alliance covering a research and development project that will deliver new knowledge and specific tools for better management of operational risk in the financial industry. The project aims at establishing Norway as a professional centre in Europe for education, innovation and applications relating to methods and processes for managing operational risk in the financial industry, and to position the alliance and University of Stavanger as a leading environment within the management of operational risk in Europe. The project was started in the autumn of 2007 and is scheduled for completion in 2015.

OWNERSHIP RISK

Ownership risk is the risk that SpareBank 1 SR-Bank bears if it suffers negative results from stakes in strategically owned companies and/or the need to inject fresh capital into these companies. Ownership is defined as companies in which SpareBank SR-Bank has a significant stake and influence. In principal, Sparebank 1 SR-Bank bears ownership risk primarily through its stakes in SpareBank 1 Gruppen AS (19.5 per cent), SpareBank 1 Boligkreditt AS (34.4 per cent), SpareBank 1 Næringskreditt AS (30.7 per cent), Bank 1 Oslo Akershus AS (19.5 per cent) and BN Bank ASA (23.5 per cent).

COMPLIANCE

SpareBank 1 SR-Bank is very cognisant of the need to have good processes to ensure compliance with legislation and regulations. The Board of Directors adopts the Group's compliance policy that describes the main principles for responsibility and organisation.

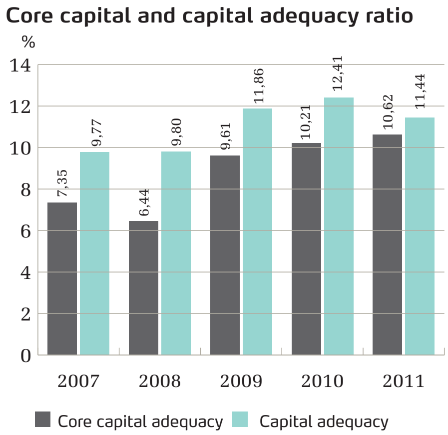
EU's deliberate work on the harmonisation of legislation within the EU/EEA imposes new regulations to which the Group must adapt. Work is on-going to assess the best adaptation to new regulations and new bodies of rules to ensure compliance and effectiveness of the organisation. New regulations and new bodies of rules governing the operations of the Group shall continuously be included in routines and guidelines. Among other things, work on a new remuneration scheme for the Group was important in 2011. Furthermore, the monitoring of compliance with money laundering regulations has received much attention, in addition to the authorisation scheme for financial advisers.

SpareBank 1 SR-Bank's compliance function is the responsibility of the Department for risk management and compliance and is organised independently of the business units. The department has overall responsibility for the framework, monitoring and reporting within the compliance area.

CAPITAL MANAGEMENT

Capital management shall ensure that SpareBank 1 SR-Bank balances the relationship between:

- Effective funding and capital allocation in relation to the Group's strategic objectives and adopted business strategy
- Competitive return on equity
- Satisfactory capital adequacy on the basis of the adopted risk profile and the regulations issued by the authorities, as well as the demands of market players at any time
- Competitive terms and ample access to long-term funding from the capital markets
- Exploitation of growth opportunities in the Group's defined market area, and
- That no single incident is able to harm the Group's financial position seriously



A capital plan is drawn up every year, to ensure long-term and effective capital management. These projections take into account both expected developments in the coming years and a situation involving a serious economic recession over several years. Stress tests are an important tool for analysing a situation with a serious recession. Stress tests are carried out of both individual factors and scenario analyses where the Group is exposed to a range of different negative macro-economic proceedings over several years. In addition, SpareBank 1 SR-Bank has prepared contingency plans to be able to deal with such crises as effectively as possible should they nevertheless arise.

On 21 June 2011, the Ministry of Finance authorised the conversion of SpareBank 1 SR-Bank from a savings bank to a public limited company ("share savings bank") and the establishment of a savings bank foundation on specific conditions. The conversion and the establishment of Sparebankstiftelsen SR-Bank were implemented with effect from 1 January 2012.
A key objective of the reorganisation is to strengthen the Group's access to equity and long-term funding in the market. The Board of Directors' goal for the Group is that the capital adequacy ratio shall be a minimum of 11 per cent and the core capital ratio shall be at least 9 per cent for 2011. The financial strength of SpareBank 1 SR-Bank was strengthened in the 4th quarter 2011 by issuing hybrid bonds in the amount of NOK 1 000 million, and taking up a subordinated loan of NOK 750 million. At the end of 2011, the capital adequacy of the Group was 11.4 per cent and the core capital ratio was 10.6 per cent.

SpareBank 1 SR-Bank is financially very sound and holds a leading position in the country's fastest growing region. In addition to retained earnings, the Board of Directors proposes that equity shall be strengthened through new issues totalling up to NOK 1.63 billion. The proposed capital injection will strengthen the Group's ability to satisfy the financing needs of its customers, and satisfy the European Banking Authority's requirement of 9 per cent pure core capital adequacy by 30 June 2012. There is also some regulatory uncertainty surrounding the increase in capital adequacy requirements from the Financial Supervisory Authority, while awaiting the final clarification and the implementation of Basel III, and the proposed equity issue will help strengthen the Group's capital ahead of possible changes.

It is proposed that there shall be two issues: 1) A public rights issue of NOK 1.5 billion. An underwriting syndicate has been established that guarantees full subscription. The subscription period will be 18 May 2012 to 1 June 2012. Allotment of shares will take place on 7 June 2012 and payment of shares allotted will take place approximately 10 June 2012. 2) Private placement among the employees with up to NOK 100 000 per employee in the Group, corresponding to up to NOK 130 million. The issues will be floated in parallel and assume final approval by the extraordinary general meeting that is planned to be held on 9 May 2012.

AUDIT

EXTERNAL AUDIT

The Group's external auditor is PricewaterhouseCoopers AS.

INTERNAL AUDIT

Ernst & Young AS carries out the internal audit. The internal auditors report directly to the Board of Directors.

EMPLOYEES AND THE WORKING ENVIRONMENT

SpareBank 1 SR-Bank's most important resources with which to create values beneficial to customers, the region and the bank, are its employees.
At 31 December 2011, the Group had staff equivalent to 1 279 full time equivalents of which 1 213 were permanent staff. In 2011, the number of employees rose by 67 full time equivalents. The Group is an important knowledge-based workplace in the region and is perceived as an attractive employer providing good development opportunities.

The Group's organisational and working environment surveys for 2011 show that employees thrive and have a good relationship with the Group as an employer. The surveys are reviewed and followed up in all units in order to prevent negative development trends, and to strengthen a health promoting working environment characterised by a long-term approach, openness, honesty and security in line with the Group's basic values.

DEVELOPMENT OF EXPERTISE

For many years, the Group has invested purposely in developing in-house expertise in order to satisfy the growing demands from customers and the regulatory authorities alike. The goal is to have the customers recognise that the company offers better advice and service than the competition. On average, between 5 and 10 per cent of the working hours are spent on updating and developing expertise, and in 2011 about NOK 20 000 per employee was spent on competence enhancing measures.

At the end of 2011, 81 per cent of the bank's financial advisers and investment consultants were authorised, compared to the national average of 63 per cent. EiendomsMegler1 SR-Eiendom AS has carried out a similar training scheme for its real estate agents pursuant to new regulatory requirements.

SpareBank 1 SR-Bank participates in the insurance industry's authorisation scheme for specialists and advisers that provide non-life insurance solutions in Norway. At year-end, 70 per cent of the specialists were authorised, as were 75 per cent of the advisers, which is in line with the plans adopted at the beginning of the year.

HEALTH, THE ENVIRONMENT AND SAFETY

Work on health, the environment and safety (HES) is given high priority by the Group. A good working structure has been established and we consider that cooperation with the employees' representatives is very good. In 2011, 12 robbery exercises were carried out. 14 threats against employees were reported. All these incidents have been studied, but they have not called for the introduction of any extra security measures. In the same period, six accidents/near-accidents were reported. These were reported and have been followed up in accordance with the current guidelines.

The Group strives to ensure sustainable environmental management and seeks to contribute both through its own operations and by influencing customers and suppliers to make environmental and climate-friendly choices. The Group's direct environmental impact is primarily related to greenhouse gas emissions and waste production through office operations, while the indirect impact is through the purchase of goods and services and demands made on customers and suppliers

SICK LEAVE AND THE INCLUSIVE WORKPLACE SCHEME

The Group has long-time goal of less than 3 per cent absence from work due to illness, i.e. 97 per cent presence. At the end of 2011, this stood at 96.6 per cent.

Over time, the Group has worked comprehensively and systemically to promote and improve the employees' health, maintain this over time and help those who become sick to return to work. Through participation in the Inclusive Workplace scheme (IA) and good follow-up by managers, we are continually working to decrease sick leave due to illness.

SpareBank 1 SR-Bank has prepared a life-phase document that was revised in 2011. The purpose of the life-phase document is to offer employees a range of measures that are suited to the individual's life-phase, which on the whole will improve the employee's everyday life and ensure a rise in the retirement age. The goal of a retirement age of 63 years was reached in 2011 and has been maintained in 2011 through individual adjustments and flexibility.

EQUAL OPPORTUNITIES

SpareBank 1 SR-Bank shall provide men and women with equal opportunities for personal development, pay and other career-related issues. In 2011, women accounted for 56.8 per cent of the full time equivalents in the Group and 43.2 per cent were men. This is virtually the same gender distribution as in 2010. The average age is 43 years and the average length of service is 12 years. Group management comprises 8 men and 1 woman. In 2011, 41 per cent of the Group's managers were women.

A range of measures has been implemented to promote gender equality:

- Diversity and equal opportunity are subjects in management development programmes and management groups
- All vacant positions are advertised internally
- Schemes are available with flexible working hours
- Mandatory implementation of goals and development reviews for all who have leave of absence
- Participation in FUTURA (a development programme for women in finance) or other management training programmes for women with a view to developing future female management talents in the financial industry

BANK ADVISORY COUNCILS

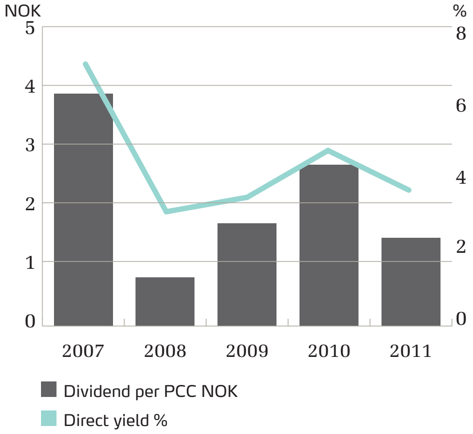
SpareBank 1 SR-Bank has local bank advisory councils in all of the municipalities in which the Group is represented. These advisory councils shall help recognise opportunities and identify signals regarding the bank's activities in the local markets. They are made up of local resource persons and they act as listening posts and as advisers to the local offices in their marketing work. The bank advisory councils administer portions of the bank's endowment fund for public benefit, and have committed themselves to ensuring that the funds are put to good use in the local community.

THE BANK'S EQUITY CERTIFICATES/SHARES

The conversion of SpareBank 1 SR-Bank from and equity certificate bank to a public limited company (ASA) took place with effect from 2012. The last day that ROGG was listed was 30 December 2011. With effect from 2 January 2012, the ticker on Oslo Stock Exchange was changed to SRBANK. The price fell from NOK 57.0 to NOK 40.70 in 2011. This represented a negative return of 23.8 per cent in 2011, taking into account dividend paid, NOK 2.75. The Oslo Stock Exchange Benchmark Index fell approximately 12.5 per cent in the same period. The equity certificate index fell 21.6 per cent in 2011.

There were 11 887 (12 031) owners of ROGG at the end of 2011. 9.6 per cent (9.7 per cent) were held by companies and individuals abroad, while 46.8 per cent (47.5 per cent) were held by people and companies from Rogaland, the Agder counties and Hordaland. The 20 largest holders held 40.3 per cent (43.0 per cent) of the certificates at 31 December 2011. The bank owned 133 248 of its own equity certificates. Group employees owned 3.5 per cent of the equity certificates at the end of the year.

Dividend per PCC and direct yield



Sparebankstiftelsen SR-Bank was established in connection with the conversion and on establishment it received 72 176 308 shares. This number of shares corresponded to the relative ownership of the former primary capital in SpareBank 1 SR-Bank. Former owners of ROGG received, at the time of the conversion, one share for each equity certificate they held. This aggregated 127 313 361 shares. Subsequent to the conversion the number of shares issued is 199 489 669.

Earnings per share in the Group were NOK 5.42. The parent bank's profit available for distribution, which forms the basis for the distribution of dividend, was somewhat lower at NOK 4.70 per share in 2011. In accordance with the Group's dividend policy, the Board of Directors proposes that NOK 1.50 per share be paid in dividend for 2011. The dividend for the 2010 accounting year was NOK 2.75.

GOING CONCERN

The Group's financial health was further strengthened in 2010. Earnings prospects and macro-economic business fundamentals also appear to be relatively good. Together with implemented and planned measures, this contributes to good prospects of further progress for the Group in 2012. The annual accounts are therefore prepared on the basis of a going concern assumption.

ALLOCATION OF PROFIT FOR THE YEAR/DIVIDEND

SpareBank 1 SR-Bank's financial goal for its activity is to achieve results that provide a good and stable return on the bank's equity, thus creating values for the owners in the form of a competitive dividend and increase in the share value. When deciding on the annual dividend, consideration is given to financial needs including the capital adequacy requirements, and the Group's targets and strategic plans. Unless capital adequacy requirements require otherwise, the Board of Directors goal is that half of the profit for the year after tax shall be distributed as dividend.

The parent's company profit available for distribution is the point of departure for distribution of the dividend. The parent company's available profit for the 2011 accounting year was NOK 936 million or NOK 4.70 per share (taking into account the number of shares at 2 January 2012, subsequent to the conversion into a public limited company and the establishment of the foundation Sparebankstiftelsen SR-Bank). On the basis of an overall assessment, the Board of Directors of Sparebank 1 SR-Bank proposes a dividend of NOK 1.50 per share. This represents a pay-out ratio of 32 per cent. .

The Board proposes the following allocation of the profit for 2011:

	NOK million
Parent company profit after tax	936
Transferred from the revaluation reserve	0
Available for allocation	936
Dividend (NOK 1.50 per share)	299
Retained earnings	637
Total	**936**

In addition to retained earnings, SpareBank 1 SR-Bank strengthened its solvency in the 4th quarter of 2011 by issuing hybrid bonds for NOK 1 000 million and the issuance of subordinated debt in the amount of NOK 750 million. The Board of Directors considers that SpareBank 1 SR-Bank, after the proposed allocations, and other completed and planned actions, has good financial strength and sufficient flexibility to support the Group's business in the time to come.

OUTLOOK FOR 2011

Norwegian state finances are sound. At the beginning of 2012, Norway was among those countries in the world with the highest trade surplus, mainly because of the export of oil and gas. This contributes to an ever-growing petroleum fund and gives the country economic room to manoeuvre. Gross domestic product (GDP) for mainland Norway grew by approximately 2 per cent in 2011. The Norwegian economy is assumed to be moving up to a normal activity level again, investments in the mainland economy are rising and the unemployment level seems to have stabilised at a low level. Nevertheless, uncertainty is high, if Norwegian trade and industry were to be affected by the international recession more than has been the case so far, this could result in higher losses and a decline in credit demand. The Board of Directors would stress that there is a great deal of uncertainty surrounding the assessment of future conditions.

Expectations of a rise in national key performance indicators in 2012 are also confirmed regionally, where the business surveys for Rogaland, published inter alia by SpareBank 1 SR-Bank, confirm expectations of a higher activity level, low unemployment and a growth particularly in the offshore industry.

While domestic expectations for 2012 point toward continued growth, there is a great deal of focus on the unsolved national debt situation for a number of European countries. Risk pricing is higher in the international market at the beginning of 2012 than it was at the beginning of 2011. SpareBank 1 SR-Bank still expects to have good access to funding, but the price level is not expected to return to the level it was prior to the financial crisis, because, among other things, changes in framework conditions contribute to a significantly greater funding need for the banking sector as a whole. On the whole, it is expected that the European banking sector will continue to have a need for larger liquidity and capital buffers than was the case prior to the financial crisis in 2008.

However, national and regional key indicators give grounds for expecting the Group's overall activity to develop well in 2012. SpareBank 1 SR-Bank's primary markets are largely influenced, directly and indirectly, by the activity in the petroleum sector. This activity was high in 2011 as well. Generally, prospects appear to be relatively good for this sector's activity inter alia as a result of new field discoveries on the Norwegian Continental Shelf in 2011. Norges Bank's estimate for petroleum investments in the years to come indicates that the sound investment level will probably persist, with good field development and further development of fields in operation. This is confirmed by the latest forecast from Statistics Norway. It is expected that the development in the Group's market area in 2012 will reflect a moderate growth in the Norwegian mainland economy and high investments in the petroleum sector. In light of this, we expect a moderate increase in lending volume and good profit development for the Group, with loan loss provisions at the same level as in 2011.

SpareBank 1 SR-Bank has a sound financial position and a leading position in the nation's strongest growth region. Planned capital injections will strengthen the Group's ability to continue meeting the customers' financing requirements in an offensive manner.

SpareBank 1 SR-Bank's liquidity is good and it has focus on efficient operations and income from many product and service areas. Through high customer satisfaction, SpareBank 1 SR-Bank has a good base on which to further strengthen its market position. The Board of Directors believes the Group is well positioned to take advantage of interesting business opportunities and growth. The Board of Directors expects continued strong underlying operations and the Group will further consolidate its leading position in 2012 and emerge as a profitable and solid Group that contributes to value creation for customers, shareholders, employees and local communities

The Board of Directors would like to thank the Group's employees and elected representatives for their good efforts and positive cooperation in 2011. The positive interaction between inhabitants, the business community and the bank is important for the development of our market region. In conjunction with this, the Board of Directors would like to thank the Group's customers, owners and other partners for their loyal support of SpareBank 1 SR-Bank in 2011 and will make every effort to ensure that this interaction continues in 2011.

More information about the board members on www.sr-bank.no under Investor Relations.

Odd Torland | Birthe Cecilie Lepsøe | Oddvar Rettedal | Sally Lund-Andersen | Kristian Eidesvik

Stavanger, 29.2.2012

Kristian Eidesvik
Styreleder

Gunn-Jane Håland

Erling Øverland

Erik Edvard Tønnesen

Birthe Cecilie Lepsøe

Catharina Hellerud

Odd Torland

Sally Lund-Andersen
Ansattes representant

Oddvar Rettedal
Ansattes representant

Arne Austreid
Administrerende direktør

Erik Edvard Tønnesen Gunn-Jane Håland Erling Øverland Catharina Hellerud

ANNUAL ACCOUNTS

INCOME STATEMENT

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011	(figures in NOK million)	Note	Group 2011	Group 2010	Group 2009
4 821	4 655	**5 132**	Interest income	6	**5 287**	4 820	5 015
3 346	3 087	**3 543**	Interest expenses	6	**3 531**	3 078	3 339
1 475	1 568	**1 589**	**Net interest income**		**1 756**	1 742	1 676
718	743	**791**	Commission income	7	**834**	792	760
-86	-70	**-74**	Commission expenses	7	**-71**	-71	-87
11	10	**5**	Other operating income	7	**429**	380	325
643	683	**722**	**Net commission and other operating income**		**1 192**	1 101	998
22	54	**20**	Dividends		**21**	47	23
244	214	**269**	Income from ownership interests	24	**209**	267	298
390	249	**70**	Net income from financial instruments	8	**89**	257	384
656	517	**359**	**Net yield from financial investments**		**319**	571	705
2 774	2 768	**2 670**	**Total net income**		**3 267**	3 414	3 379
666	632	**604**	Personnel expenses	9	**828**	870	881
560	535	**631**	Other operating expenses	10	**805**	696	698
1 226	1 167	**1 235**	**Total operating expenses before loan losses**		**1 633**	1 566	1 579
1 548	1 601	**1 435**	**Operating profit before loan losses**		**1 634**	1 848	1 800
333	187	**121**	Losses on loans and guarantees	15	**139**	234	368
1 215	1 414	**1 314**	**Profit before tax**		**1 495**	1 614	1 432
273	288	**378**	Taxes	11	**414**	297	321
942	1 126	**936**	**Profit after taxes available for distribution**		**1 081**	1 317	1 111
942	1 126	**936**	Majority interests		**1 081**	1 317	1 109
-	-	**-**	Minority interests		**-**	-	2
			Earnings per equity certificate (majority)				
5,85	5,85	**4,70**	Earnings per equity certificate 1)		**5,42**	6,84	6,88
5,85	5,85	**4,70**	Diluted earnings per equity certificate		**5,42**	6,84	6,88

1) Earnings multiplied by equity certificate percentage divided by average number of outstanding certificates.
(Earnings * 63.1 per cent / 127 180)

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011		Group 2011	Group 2010	Group 2009
			Expanded accounts			
942	1 126	**936**	Profit before tax	**1 081**	1 317	1 111
-143	-49	**-291**	Estimate deviations/pensions	**-346**	-73	-139
40	14	**82**	Tax effect estimate deviations/pensions	**97**	20	39
-	1	**-**	Change in value of financial assets held for sale	**-**	1	-
-	-	**-**	Share of expanded profit in associated companies and joint ventures	**-19**	-12	-1
-103	-34	**-209**	**Total profit items recorded against equity**	**-268**	-64	-101
839	1 092	**727**	**Total profit**	**813**	1 253	1 010
			Distribution of total profit:			
839	1 092	**727**	Majority interests	**813**	1 253	1 008
-	-	**-**	Minority interests	**-**	-	2

BALANCE SHEET

Parent Bank					Group		
2009	2010	**2011**	(figures in NOK million)		**2011**	2010	2009
			Assets				
781	1 235	**263**	Cash and balances at central bank	23	**263**	1 235	781
5 747	5 611	**5 391**	Loans to and deposits with credit institutions	12	**723**	1 273	1 301
88 301	100 069	**95 278**	Net loans to customers	13,16,18	**100 588**	105 033	92 824
22 558	18 736	**19 846**	Certificates and bonds	19	**19 850**	18 742	22 582
2 444	3 247	**3 728**	Financial derivatives	20	**3 716**	3 241	2 438
441	541	**491**	Shares, units and other equity interests	21	**631**	661	439
23	92	**84**	Activities to be sold	41	**85**	93	23
2 253	2 448	**3 352**	Investments in ownership interests	24	**4 389**	3 499	3 127
574	694	**716**	Investments in Group companies	24	**-**	-	-
-	-	**-**	Intangible assets	28	**54**	60	40
309	366	**380**	Fixed assets	27	**401**	392	935
330	435	**277**	Other assets	29	**442**	549	419
123 761	133 474	**129 806**	**Total assets**		**131 142**	134 778	124 909
			Liabilities				
8 854	7 361	**4 785**	Debt to credit institutions	12	**4 782**	7 359	8 852
8 832	8 832	**7 395**	Debt to Norwegian authorities relating to covered bond scheme		**7 395**	8 832	8 832
54 512	60 939	**64 214**	Deposits from customers	30	**64 042**	60 770	54 336
37 523	40 307	**36 338**	Debt raised through issuance of securities	31	**36 338**	40 307	37 523
1 576	2 212	**2 010**	Financial derivatives	20	**2 010**	2 212	1 576
221	289	**58**	Taxes payable	11	**130**	326	223
91	64	**296**	Deferred tax	11	**329**	138	162
1 210	1 063	**1 161**	Other liabilities	32,33	**1 384**	1 288	1 461
3 871	4 144	**4 975**	Subordinated loan capital	34	**4 975**	4 144	3 871
116 690	125 211	**121 232**	**Total liabilities**		**121 385**	125 376	116 836
			Equity				
3 014	3 180	**3 180**	Equity capital	36	**3 180**	3 180	3 014
458	625	**625**	Premium reserve		**625**	625	458
759	1 175	**1 448**	Dividend equalisation reserve		**1 448**	1 175	759
212	336	**191**	Allocated to dividend		**191**	336	212
2 241	2 477	**2 631**	Savings bank reserve		**2 631**	2 477	2 241
20	55	**55**	Compensation fund		**55**	55	20
240	372	**293**	Endowment fund		**293**	372	240
-	-	**108**	Allocated to dividend to Sparebankstiftelsen SR-Bank		**108**	-	-
127	43	**43**	Other equity		**43**	43	127
-	-	**-**	Minority interests		**1 183**	1 139	1 002
7 071	8 263	**8 574**	**Total equity**		**9 757**	9 402	8 073
123 761	133 474	**129 806**	**Total liabilities and equity**		**131 142**	134 778	124 909

Stavanger 29.2.2012

Kristian Eidesvik
Chairman of the Board

Gunn-Jane Håland

Catharina Hellerud

Odd Torland

Erling Øverland

Sally Lund-Andersen
Employee-elected

Oddvar Rettedal
Employee-elected

Erik Edvard Tønnesen

Birthe Cecilie Lepsøe

Arne Austreid
Chief Executive Officer

CHANGES IN EQUITY

(figures in NOK million)

	Paid in equity			Earned equity					
Parent Bank	Equity certificate capital	Premium reserve	Compensation fund	Savings bank's reserve	Endowment fund	Dividend equalisation reserve	Reserve for unrealised gains	Other equity	Total equity
Equity as at 31.12.2008	1 865	92	-	2 066	122	913	69	-	5 127
Bonus issue	373	-50	-	-	-	-323	-	-	-
Private placement	776	432	20	-	-	-	-	-	1 228
Issue costs	-	-16	-	-	-	-	-	-	-16
Grants from endowment fund	-	-	-	-	-41	-	-	-	-41
Price adjustment own equity certificates	-	-	-	-	-	8	-	-	8
Dividend 2008, finally resolved 2009	-	-	-	-	-	-75	-	-	-75
Profit after tax	-	-	-	220	159	505	58	-	942
Estimate deviation after tax on pension schemes	-	-	-	-45	-	-57	-	-	-102
Total income statement items recorded against equity	-	-	-	-45	-	-57	-	-	-102
Total profit	-	-	-	175	159	448	58	-	840
Equity s at 31.12.2009	3 014	458	20	2 241	240	971	127	-	7 071
Turnover of own equity certificates	6	-1	-	-	-	7	-	-	12
Issue Kvinnherad Sparebank	152	161	35	-	-	-	-	-	348
Private placement with employees	8	8	-	-	-	-	-	-	16
Issue costs	-	-1	-	-	-	-	-	-	-1
Grants from endowment fund	-	-	-	-	-65	-	-	-	-65
Corrections	-	-	-	-	-	2	-	-	2
Dividend 2009, finally resolved 2010	-	-	-	-	-	-212	-	-	-212
Profit after tax	-	-	-	250	197	765	-86	-	1 126
Estimate deviation after tax on pension schemes	-	-	-	-14	-	-22	-	-	-36
Financial assets held for sale	-	-	-	-	-	-	2	-	2
Total income statement items recorded against equity	-	-	-	-14	-	-22	2	-	-34
Total profit	-	-	-	236	197	743	-84	-	1 092
Equity as at 31.12.2010	3 180	625	55	2 477	372	1 511	43	-	8 263
Grants from endowment fund	-	-	-	-	-79	-	-	-	-79
Corrections	-	-	-	-	-	-1	-	-	-1
Dividend 2010, finally resolved in 2011	-	-	-	-	-	-336	-	-	-336
Profit after tax	-	-	-	339	-	597	-	-	936
Estimate deviation after tax on pension schemes	-	-	-	-77	-	-132	-	-	-209
Total income statement items recorded against equity	**-**	**-**	**-**	**-77**	**-**	**-132**	**-**	**-**	**-209**
Total profit	**-**	**-**	**-**	**262**	**-**	**465**	**-**	**-**	**727**
Equity as at 31.12.2011	**3 180**	**625**	**55**	**2 739**	**293**	**1 639**	**43**	**-**	**8 574**

Group	Majority interests									
	Paid in equity			Earned equity						
	Equity capital	Premium reserve	Compensation fund	Savings bank's reserve	Endowment fund	Dividend equalisation reserve	Fund for unrealised gains	Other equity	Minority interests	Total equity
Equity as at 31.12.2008	1 865	92	-	2 066	122	913	69	827	12	5 966
Bonus issue	373	-50	-	-	-	-323	-	-	-	-
Private placement	776	432	20	-	-	-	-	-	-	1 228
Issue costs	-	-16	-	-	-	-	-	-	-	-16
Grants endowment fund	-	-	-	-	-41	-	-	-	-	-41
Price adjustment own equity certificates	-	-	-	-	-	8	-	-	-	8
Dividend 2008, finally resolved in 2009	-	-	-	-	-	-75	-	-	-10	-85
Decline in minority	-	-	-	-	-	-	-	-	-4	-4
Adjusted equity associated companies	-	-	-	-	-	-	-	7	-	7
Profit after tax	-	-	-	220	159	505	58	166	2	1 110
Estimate deviation after tax on pension scheme	-	-	-	-45	-	-57	-	3	-	-99
Share of expanded profit associated companies	-	-	-	-	-	-	-	-1	-	-1
Total income statement items recorded against equity	-	-	-	-45	-	-57	-	2	-	-100
Total profit	-	-	-	175	159	448	58	168	2	1 010
Equity as at 31.12.2009	3 014	458	20	2 241	240	971	127	1 002	-	8 073
Turnover own equity certificates	6	-1	-	-	-	7	-	-	-	12
Issue Kvinnherad Sparebank	152	161	35	-	-	-	-	-	-	348
Private placement with employees	8	8	-	-	-	-	-	-	-	16
Issue costs	-	-1	-	-	-	-	-	-	-	-1
Grants endowment fund	-	-	-	-	-65	-	-	-	-	-65
Corrections	-	-	-	-	-	2	-	-	-	2
Dividend 2009, finally resolved in 2010	-	-	-	-	-	-212	-	-	-	-212
Adjusted equity associated companies	-	-	-	-	-	-	-	-23	-	-23
Profit after tax	-	-	-	250	197	765	-86	190	-	1 316
Estimate deviation after tax on pension scheme	-	-	-	-14	-	-22	-	-17	-	-53
Financial assets held for sale	-	-	-	-	-	-	2	-	-	2
Share of expanded profit associated companies	-	-	-	-	-	-	-	-13	-	-13
Total income statement items recorded against equity	-	-	-	-14	-	-22	2	-30	-	-64
Total profit	-	-	-	236	197	743	-84	160	-	1 252
Equity as at 31.12.2010	3 180	625	55	2 477	372	1 511	43	1 139	-	9 402
Grants endowment fund	-	-	-	-	-79	-	-	-	-	-79
Corrections	-	-	-	-	-	-1	-	5	-	4
Dividend 2010, finally resolved in 2011	-	-	-	-	-	-336	-	-	-	-336
Adjusted equity associated companies	-	-	-	-	-	-	-	-47	-	-47
Profit after tax	-	-	-	339	-	597	-	145	-	1 081
Estimate deviation after tax on pension scheme	-	-	-	-77	-	-132	-	-40	-	-249
Share of expanded profit associated companies	-	-	-	-	-	-	-	-19	-	-19
Total income statement items recorded against equity	**-**	**-**	**-**	**-77**	**-**	**-132**	**-**	**-59**	**-**	**-268**
Total profit	**-**	**-**	**-**	**262**	**-**	**465**	**-**	**86**	**-**	**813**
Equity as at 31.12.2011	**3 180**	**625**	**55**	**2 739**	**293**	**1 639**	**43**	**1 183**	**-**	**9 757**

CASH FLOW STATEMENT

(figures in NOK million)

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011		Note	Group 2011	Group 2010	Group 2009
1 215	1 414	**1 314**	Profit before tax		**1 495**	1 614	1 432
-	-	**-**	Income from ownership interests	24	**-209**	-267	-298
-	-	**-185**	Changes in pension liabilities over income statement	33	**-224**	-	-
-8	-8	**-**	Gain on disposal of non-financial assets	27	**-**	-10	-8
65	62	**68**	Write-down of non-financial assets	27, 28	**80**	72	69
333	187	**121**	Losses on loans	15	**139**	234	368
-9	-221	**-291**	Taxes paid	11	**-307**	-223	-22
1 596	1 434	**1 027**	**Cash flow from operations**		**974**	1 420	1 541
6 695	-11 846	**4 779**	Change in gross lending to customers	13	**4 424**	-12 319	6 598
84	242	**-5**	Change in receivables from credit institutions	12	**317**	134	26
829	6 427	**3 275**	Change in deposits from customers	30	**3 272**	6 434	1 286
7 396	-	**-1 437**	Change in debt to Norwegian authorities relating to covered bond scheme		**-1 437**	-	7 396
-2 318	-1 493	**-2 576**	Change in debt to credit institutions	12	**-2 577**	-1 493	-2 318
-13 468	3 822	**-1 110**	Change in certificates and bonds	19	**-1 108**	3 840	-13 451
-2 313	1 285	**-505**	Other accruals		**-412**	1 438	-2 042
-1 499	-129	**3 448**	**A Net change in liquidity from operations**		**3 453**	-546	-964
-67	-119	**-82**	Investments in tangible fixed assets	27	**-103**	477	-686
16	10	**-**	Proceeds from sale of tangible fixed assets	27	**-**	10	16
-1 294	-415	**-876**	Change in shares and ownership interests	21,24	**-861**	-594	-1 209
-1 345	-524	**-958**	**B Net change in liquidity from investments**		**-964**	-107	-1 879
3 029	10 756	**2 032**	Debt raised by issuance of securities	31	**2 032**	10 756	3 029
-7 789	-9 427	**-6 350**	Redemption – issuance of securities		**-6 350**	-9 427	-7 789
786	-	**1 750**	Subordinated loan capital raised	34	**1 750**	-	786
-641	-	**-783**	Repayment – subordinated loan capital	34	**-783**	-	-641
1 228	160	**-**	Issue equity capital certificates	36	**-**	160	1 228
-75	-212	**-336**	Dividend to equity capital certificate holders		**-336**	-212	-75
-3 462	1 277	**-3 687**	**C Net change in liquidity from financing**		**-3 687**	1 277	-3 462
-6 306	624	**-1 197**	**A + B + C Net change in liquidity for the year**		**-1 198**	624	-6 305
7 260	954	**1 578**	Cash and cash equivalents 1 January		**1 586**	962	7 267
954	1 578	**381**	Cash and cash equivalents 31 December		**388**	1 586	962
-6 306	624	**-1 197**	**Net change in liquid capital for the year**		**-1 198**	624	-6 305
			Specification of liquid holdings				
781	1 235	**263**	Cash and balances with central banks		**263**	1 235	781
173	343	**118**	Deposits with credit institutions at call		**125**	351	181
954	1 578	**381**	**Liquid holdings 31.12.**		**388**	1 586	962

The liquid holdings include cash and balances with central banks, and the share of loans and deposits with credit institutions that refer to pure placements in credit institutions. The cash flow statement shows how the Parent bank and the Group generated liquid assets and how these were applied. In all, liquid holdings in the Group rose by NOK 1 198 million in 2011.

NOTE 1 GENERAL INFORMATION

SpareBank 1 SR-Bank Group comprises the parent bank, SpareBank 1 SR-Bank ("the bank"), and its subsidiaries SpareBank 1 SR-Finans AS, EiendomsMegler 1 SR-Eiendom AS, SR-Investering AS, SR-Forretningsservice AS, SR-Forvaltning AS, Kvinnherad Sparebank Eigedom AS and the subsidiaries' subsidiary EiendomsMegler 1 Drift AS. The former subsidiary EiendomsMegler 1 Sunnhordland AS was merged with EiendomsMegler 1 SR-Eiendom with effect from 1 September 2011.

As at 31 December 2011, the bank owns 34.3 per cent of SpareBank 1 Boligkreditt AS and 30.7 per cent of SpareBank 1 Næringskreditt AS. The Group treats these as associated companies.

The bank also has a 19.5 per cent stake in SpareBank 1 Gruppen AS, owns 19.5 per cent of Bank 1 Oslo Akershus AS, 23.5 per cent of BN Bank ASA and 17.7 per cent of the alliance cooperation SpareBank 1 DA. These shareholdings are dealt with as joint ventures.
SpareBank 1 SR-Bank, SpareBank 1 SMN, SpareBank 1 Nord-Norge and Samarbeidende Sparebanker AS each own 19.5 per cent of Sparebank 1 Gruppen AS and Bank 1 Oslo Akershus AS. The other owners are Sparebanken Hedmark (12.0 per cent) and The Norwegian Confederation of Trade Unions (LO) (10.0 per cent). The management structure for the SpareBank 1 cooperation is regulated by an agreement between the owners. SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge each own 23.5 per cent of BN Bank ASA. SpareBank 1 SMN owns 33.0 per cent while Samarbeidende Sparebanker AS owns 20.0 per cent. The management structure of BN Bank ASA is governed by an agreement between the owners.

The bank's registered head office is in Stavanger, and has 53 offices in Rogaland, Vest-Agder, Aust-Agder and Hordaland. Some of the offices are co-located with EiendomsMegler 1 SR-Eiendom AS. All of the subsidiaries have their head offices in Stavanger.

SpareBank 1 SR-Bank was a savings bank through to 31.12.2011, but was converted into a public limited company from 1 January 2012. Please refer to note 42 regarding the conversion.

The Group's core activities are sales and brokering of financial products and services, as well as leasing and real estate brokering.

The General Meeting adopted the Group's accounts on 29 March 2012. The General Meeting is the bank's highest body.

NOTE 2 ACCOUNTING PRINCIPLES

BASIS FOR PREPARATION OF THE ACCOUNTS FOR THE YEAR

The parent bank's and the Group's accounts for 2011 for SpareBank 1 SR-Bank ("the Group") have been prepared in accordance with International Finance Reporting Standards (IFRS) as adopted by the EU. This includes interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor the Standing Interpretations Committee (SIC).

The consolidated Group accounts for SpareBank 1 SR-Bank have been prepared in accordance with IFRS since 1 January 2005. These standards could only be applied to the savings bank's accounts with effect from 1 January 2007. Hence, the financial statements for 2011 are presented according to IFRS for both the parent bank and the Group.

The basis for both the parent bank's accounts and the consolidated accounts is historical costs with the following modifications: financial derivatives, financial assets and financial liabilities are recorded at fair value with changes in value through profit or loss. The preparation of the accounts in accordance with IFRS calls for the use of estimates. Furthermore, the application of the international reporting standards calls for management to exercise discretion. Areas that involve a great deal of discretionary estimates, a high degree of complexity, or areas where assumptions and estimates are significant for the parent bank's and the Group's accounts are described in note 4.

The annual accounts are presented in accordance with IFRS and interpretations that are obligatory for accounts presented as at 31 December 2011. The annual accounts are presented under the going concern assumption.

The following standards have been implemented in the accounts for 2011:

- IAS 24 Related parties disclosure. There are significant amendments and clarifications in the definition of related parties. The change has resulted in more extensive notes for information on related parties.
- IFRS 7 Financial Instruments - Disclosure. There was an easing of the requirements for note disclosures about credit risk.
- IAS 19 Employee Benefits was amended in June 2011. The amendments mean that all actuarial gains and losses are recognised in extended profit and loss account. This has no effect on the company's accounts as estimate deviations have been recognised in the extended accounts since the implementation of IFRS.

The following standards, interpretations and amendments are obligatory for accounts that start on 1 January 2009 or later, but are not considered relevant for the 2011 accounts:

- IFRS 9 Financial Instruments regulates the classification, measurement and accounting of financial assets and financial liabilities. IFRS 9 was published in November 2009 and October 2010, and replaces those parts of IAS 39 which deal with accounting, classification and measurement of financial instruments. Under IFRS 9, financial assets are divided into two categories based on the measurement method: those that are measured at fair value and those measured at amortised cost. Classification assessment takes place at the time of the initial recognition. The classification will depend on the company's business model for dealing with its financial instruments and the characteristics of the contractual cash flows generated by the instrument. For financial liabilities, the requirements are generally the same as for IAS 39. The main change, in cases where the company has chosen the fair value of financial liabilities, is that the part of a change in fair value due to changes in the company's own credit risk are recognised in the extended accounts instead of income statement, if this does not involve accrual errors in measuring the profit. The Group plans to apply IFRS 9 when the standard comes into force and is approved by the EU. The standard is effective for accounting periods beginning on or after 1.1.2015.

- IFRS 10 Consolidated Financial Statements is based on the current principles of using the control concept as the key criterion for determining whether a company should be included in the consolidated financial statements of the parent company. The standard provides expanded guidance on determining whether control exists in cases where this is difficult. The Group has not considered all the possible consequences of IFRS 10. The Group plans to apply the standard for accounting periods beginning on 1.1.2013 and later.
- IFRS 12 Disclosures of Interest in Other Entities contains disclosure requirements for financial interests in subsidiaries, joint ventures, associated companies, special purpose entities (SPE) and other companies not recognised in the balance sheet. The Group has not considered the full impact of IFRS 12. The Group plans to apply the standard for accounting periods beginning 1.1.2013 and later.
- IFRS 13 Fair Value Measurement defines what is meant by fair value when the term is used in IFRS, provides a unified description of how fair value should be determined by IFRS, and defines what additional information is to be provided when fair value is used. The standard does not expand the scope of accounting at fair value, but provides guidance on the application method in which the use is already required or permitted by other IFRSs. The Group applies fair value as the measurement criterion for certain assets and liabilities. The Group has not considered the full impact of IFRS 13. The Group plans to (pre) apply IFRS 13 for accounting periods beginning on 1.1.2012 and later.

Otherwise, no other IFRSs and IFRIC interpretations not yet in force are expected to have a material impact on the accounts.

PRESENTATION CURRENCY

The presentation currency is Norwegian kroner (NOK), which is also the Group's functional currency. All figures are in NOK million unless otherwise stated.

SUBSIDIARIES

In the parent bank's accounts, subsidiaries' assets are valued in accordance with the cost method of accounting. Investments are assessed at the acquisition cost of the shares assuming that no write-down has been necessary.

Dividends, group contribution and other distributions are taken to income in the year that they are resolved by the general meeting. If the dividend/group contribution exceeds the share of the retained profit after the acquisition, the excessive amount represents a repayment on invested capital, but pursuant to the amendment of IAS 27 is taken to income in the year that it is paid.

CONSOLIDATION

The Group accounts include all the subsidiaries. Subsidiaries are defined as units in which the Group has a decisive influence on the entity's financial and operational strategy, normally through direct or indirect ownership of more than half of the voting capital. When deciding whether there is a decisive influence, the effect of potential voting rights that can be exercised or converted on the balance sheet date is included. Subsidiaries are consolidated from the date the bank has taken over control and are no longer consolidated from the date the bank relinquishes control.

The purchasing method is applied when recording the acquisition of subsidiaries. On acquisition of control of an enterprise (business combination), all identifiable assets and liabilities are recognised at fair value in accordance with IFRS 3. A positive difference between the fair value of the purchase price and fair value of identifiable assets and liabilities is carried as goodwill, while any negative difference (badwill) is recorded as income at the time of the acquisition.
The Group has not applied IFRS 3 retrospectively to business combinations that were carried out prior to 1.1. 2004.

Intra-group transactions, intra-company balances and realised and unrealised profit between Group companies are eliminated. The accounting principles applied to the subsidiaries are changed when this is necessary to ensure consistency in the Group's accounting principles.

The minority interests' share of the Group's profit is presented on a separate line in the income statement under profit after tax. Their share of the equity is shown as a separate item.

ASSOCIATED COMPANIES

Associated companies are entities in which the Group has a significant interest but not control. Normally, significant influence arises when the Group has a stake of between 20 and 50 per cent of the voting capital. Associated companies are recorded in accordance with the cost method of accounting in the company's accounts and the equity method in the Group accounts.

In the Group accounts, new investments are recorded at acquisition cost. Investments in associated companies include goodwill/badwill identified at the time of the acquisition, reduced by any possible later write-downs.
The Group's share of profits or losses in associated companies are recorded and added to the book value of the investments, together with the share of unrecognised changes in equity.

JOINT VENTURES

Joint ventures can be jointly owned operations, jointly controlled assets or jointly controlled enterprises. Joint control implies that the Group, by agreement, exercises control together with other participants. Jointly controlled enterprises are dealt with in accordance with the cost method of accounting in the company's accounts and the equity method in the Group accounts.

LOANS AND LOSSES ON LOANS

Loans with floating interest rates are measured at amortised cost in accordance with IAS 39. Amortised cost is acquisition cost minus repayments on the principal takes into account transaction costs, plus or minus cumulative amortisation using the effective interest method, less any amount for impairment in value or exposure to loss. The effective interest is the interest that exactly discounts estimated future cash receipts and payments over the expected life of the financial instrument.

Fixed interest loans to customers are earmarked upon initial recognition at fair value, with value changes through profit or loss, in accordance with IAS 39.9. Gains and losses resulting from changes in fair value are recorded through profit or loss as a change in value. Earned interest and premiums/discounts are recorded as interest. The interest risk inherent in fixed interest loans is managed by way of operational interest rate swaps that are recorded at fair value. The bank uses the fair value option for measuring fixed interest loans, as this largely will eliminate inconsistency in measuring other instruments Groups in the balance sheet.

ASSESSMENT OF IMPAIRMENT OF FINANCIAL ASSETS

On each balance sheet date, the Group assesses whether there is any objective evidence that the expected cash flow when initially recording the item will not be realised and that the value of the financial asset or group of financial assets has been reduced. An impairment in value of a financial asset assessed at amortised cost or group of financial assets assessed at amortised cost has been incurred if, and only if, there is objective evidence of impairment that can result in a reduction in future cash flows to service the commitment. The impairment must be the result of one or more events that have occurred after the initial recognition (a loss event) and it must be possible to measure the result of the loss event (or events) in a reliable manner. Objective evidence that the value of a financial asset or group of financial assets has been reduced includes observable data that is known to the Group relating to the following loss events:

- Significant financial difficulty for the issuer or borrower
- Breach of contract, such as a default or delinquency in payment of instalments and interest
- The bank granting the borrower special terms on the basis of financial or legal reasons relating to borrower's financial situation
- Likelihood of the debtor entering into debt negotiations or other financial reorganisation
- Disappearance of an active market for the financial asset because of financial difficulties
- Observable data indicating that there is a measurable decline in future cash flows from a group of financial assets since the initial recognition of those assets, even though the decline cannot yet be fully identified with the individual financial assets in the Group including:
  - adverse changes in the payment status of the borrowers in the group
  - national or local economic conditions that correlate with defaults of the assets in the group

The Group first considers whether there is individual objective evidence of impairment of financial assets that are significant individually. For financial assets that are not individually significant, the objective evidence of impairment is considered individually or collectively. If the Group decides that there is no objective evidence of impairment of an individually assessed financial asset, significant or not, the asset is included in a portfolio of financial assets with the same credit risk characteristics. The group is tested for any impairment on a portfolio basis. Assets that are tested individually for impairment and where impairment can be identified or is still identified are not included in the portfolio assessment of impairment. See note 4.

If there is objective evidence that impairment has occurred, the amount of the loss is calculated as the difference between the asset's book (carrying) value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's latest effective interest rate. The book value (carrying value) of the asset is reduced using an allowance account and the loss is recorded in the income statement.

Future cash flows from a group of financial assets that are tested for impairment on a portfolio basis are estimated on the basis of the contractual cash flows for the group and historical losses on assets with a similar credit risk. Historical losses are adjusted for existing observable data in order to take into account the effects of existing circumstances that were not present at the time of the historical losses and to adjust for the effect of earlier circumstances that do not exist today.

COMPLEX FINANCIAL INSTRUMENTS

In the case of structured capital-guaranteed products, gains, including subscription costs and possible structuring gains, are recorded as day 1 gains. Structuring gains are calculated by discounting the Group's future receivables (option premium) and liabilities (guaranteed capital) using the swap curve. The Group no longer offers these products.

NON-PERFORMING COMMITMENTS/DOUBTFUL LOANS

The total commitment to a customer is considered to be in default (non-performing) and included in the Group's summaries of defaulted loans when an instalment or interest is not paid 90 days after due date or a line of credit is overdrawn for 90 days or more. Loans and other commitments that are not in default, but where the customer's financial situation makes it likely that the Group will incur a loss, are classified as doubtful loans.

REALISED LOSSES

When it is highly probable that the losses are final, the losses are classified as realised losses. Realised losses that are covered by earlier specific loss provisions are recorded against the provisions. Realised losses without cover by way of loan loss provisions and over or under coverage in relation to previous loan loss provisions are recognised in profit or loss.

REPOSSESSED ASSETS

As part of the handling of non-performing loans and guarantees, the Group acquires, in some cases, assets that have been lodged as collateral security for such commitments. At the time of takeover, the assets are valued at their assumed realisation value and the value of the loan commitment is adjusted accordingly. Repossessed assets that are to be realised are classified as holdings or fixed assets held for sale and recorded in accordance with the relevant IFRS standards (normally IAS 16, IAS 38, IAS 39 or IFRS 5).

LEASES

Financial leases are recorded in the balance sheet under the main item "Gross loans to customers" in the balance sheet and recognised in accordance with the amortised cost principle. All fixed income during the expected term of the lease is included when calculating the lease's effective interest.

The Group has no sale and lease back contracts covering property, plant and equipment.

SECURITIES

Securities comprise shares and units, commercial paper and bonds. Shares and units are recognised either as held for sale or at fair value with change in value through profit or loss. Commercial papers and bonds are classified either as held for sale, at fair value with value change through profit or loss, as held to maturity or as a receivable.
The Group uses the price on the trade date upon initial recognition of securities.

All financial instruments that are classified as held for sale or at fair value with value change through profit or loss, are measured at fair value, and changes in the value from the opening balance are recorded as income from financial investments. The Group is of the opinion that financial instruments classified at fair value with value change through profit or loss provide more relevant information about the values in these items in the balance sheet than if they were assessed at amortised cost. The financial instruments included in this category are regularly reported and managed based on fair value.
Certificates and bonds that are classified as held to maturity or as a receivable are measured at amortised cost using an effective interest method. See description of this method in the section on loans.

In conjunction with the extraordinary and negative developments in the world's financial markets in the 3rd quarter of 2008, the IASB adopted on 13 October 2008 amendments to IAS 39 Financial instruments – Recognition and measurement and IFRS 7 Financial instruments - Disclosure. The amendments were approved by the EU on 15 October 2008 and adopted by the Norwegian Ministry of Finance through a regulation dated 16 October 2008. The amendments resulted in permission, under certain conditions, to reclassify financial assets in the categories held for sale at fair value with change in value through profit or loss and available for sale to the categories held to maturity, and loans and receivables with effect from 1 July 2008. The bank chose to make use of this option.

Instruments that are traded in an active market where observable market prices usually exist were reclassified to the category held to maturity, whilst instruments where market prices do not exist and the value is normally determined based on alternative valuation methods, were reclassified to the category loans and receivables. The reclassification called for a reversal of unrealised losses at the time of reclassification. The reversed amount is amortised over the individual instrument's remaining term and is included in the line interest income/interest expenses.
The reclassification is carried out based on major and abnormal fluctuations that have arisen owing to the turbulent financial markets. The bank has traditionally deposited a large part of the portfolio in Norges Bank and held these bonds to maturity. These bonds have generally had extremely high creditworthiness and therefore, in the bank's opinion, abnormal price fluctuations have adversely affected the result in the period. The bank is both willing and able to hold the reclassified portfolio to maturity.

DERIVATIVES AND HEDGING

Derivatives comprise currency and interest rate instruments as well as instruments linked to structured products. Derivatives are recognised at fair value through profit or loss.

The Group uses derivatives for hedging purposes to minimise the interest rate risk inherent in fixed interest instruments (bonds and commercial papers). The efficiency of the hedging is assessed and documented both when the initial classification is made and on an on-going basis. In the case of complete hedging, both the hedging instrument and the hedged object are recognised at fair value, and changes in these values compared to the opening balance are recorded in the income statement. See note 20 for further information.

GOODWILL/BADWILL

Goodwill is the positive difference between the cost of acquiring a business and the fair value of the bank's share of the net identifiable assets in the business at the time of acquisition. Goodwill on the acquisition of subsidiaries is classified as intangible assets. Goodwill on the acquisition of shares in associated companies and joint ventures is included in the investment and tested for depreciation as part of the book (carrying) value of the investment. Goodwill is not amortised, but is subject to an annual impairment test with a view to ascertaining any impairment in value, pursuant to IAS 36. When assessing any impairment, the assessment is carried out at the lowest level where it is possible to identify cash flows. Any write-down of goodwill is not reversible.

In those cases where the cost of acquiring a business is lower than the fair value of the bank's share of net identifiable assets at the time of acquisition, so-called badwill, the difference is immediately recorded as income and included in income from ownership interests.

TANGIBLE FIXED ASSETS

Fixed assets comprise buildings, plots of land and operating equipment. Buildings and operating equipment are recognised at cost less depreciation and write-downs. Plots of land are recorded at cost price less write-downs. The cost price includes all direct costs related to the acquisition of the asset. Depreciation is on a straight-line basis in order to allocate the cost price, less possible residual value, over the useful life of the operating equipment.

Plots of land, buildings or sections of buildings owned by the Group with rental income and/or capital gains in mind are classified as investment properties. In the case of buildings where the Group uses a significant part for its own operations, no part of the property is dealt with as an investment property, even though a minor part is rented out. The bank has elected to recognise investment properties in accordance with the cost method of accounting.

ACTIVITIES TO BE SOLD

These items in the balance sheet are the Group's activities that are resolved sold. The items include assets and liabilities relating to repossessed properties and property companies that are to be syndicated and disposed of by selling parts to customers. The items are recognised at fair value.

FUNDING

Funding is initially recorded at the cost at which it is raised, which is fair value of the proceeds received after deducting transaction costs. Loans raised with floating interest are thereafter measured at amortised cost, and any discount/premium is accrued over the term of the loan. Fixed interest funding is assessed at fair value with discounting according to the applicable interest curve, though not taking into account changes in credit spreads and transaction costs. The Group applies the fair value option when measuring fixed interest loans, since this largely eliminates inconsistency in measuring of comparable instruments in the balance sheet. The same applies to derivatives on the liability side. Deposits from customers are assessed at amortised cost.

PENSIONS

Currently, Sparebank 1 SR-Bank has two types of pension schemes.

Defined benefits schemes

All Group companies have pension schemes linked to the Group's own pension fund. The agreements are secured through payments to the pension fund, and are determined by periodic calculations carried out by an actuary. A defined benefit plan is a pension scheme that entitles the insured to a defined future benefit on reaching retirement age, normally fixed by factors such as age, number of years of service and salary. The liability recorded in the balance sheet in respect of a defined benefit plan is the present value of the defined liability reduced by the fair value of pension assets. Independent actuaries calculate the liability relating to the defined benefit plan annually. The present value of future defined benefits is calculated by discounting future payments using the interest rate for Norwegian government bonds adjusted for differences in maturity dates.

With effect from 2005, IAS 19 allowed for recording actuarial gains and losses (estimate deviations) directly against equity. The Group has elected to apply this principle.

The defined benefits plan was closed for new members with effect from 1 April 2011.

Defined contribution scheme

In the case of defined contribution plans, the company pays a contribution to an insurance company. The company has no further payment obligations after the subscriptions have been paid. The subscriptions are recorded as a wage cost. Any pre-paid subscription is recorded as an asset (pension asset) to the extent that the subscription can be refunded or reduces future subscription payments.

CONTINGENT LIABILITIES

The Group issues financial guarantees as part of its ordinary business. Gross latent liability is set out in note 32. The assessment of losses is part of the assessment of losses on loans, and follows the same principles and is reported together with these, cf. note 15. Provisions are made for other contingent liabilities if it is probable that a liability will materialise and the financial consequences of this can be reliably calculated. Information is given on contingent liabilities that do not satisfy the criteria for balance sheet recording if they are significant.

Allocations for restructuring costs are made when the Group has a contractual or legal obligation.

SUBORDINATED LOANS AND TIER I PERPETUAL BONDS (HYBRID INSTRUMENTS)

Subordinated loans have a lower priority than all other debt. 50 per cent of the non-perpetual subordinated loans can be regarded as core capital in the capital adequacy ratio, whilst 100 per cent of perpetual subordinated loans can be included in core capital. Subordinated loans are classified as subordinated loan capital in the balance sheet and are measured at fair value with value change through profit or loss or amortised cost in the same way as other long-term loans. The bank applies the fair value option when measuring fixed interest rate loans as this largely eliminates inconsistency in measuring comparable instruments in the balance sheet.

A Tier I perpetual bond (hybrid instrument) is a bond with nominal interest, but the Group is not obliged to pay any interest in periods when no dividend is paid and the investor cannot later claim any interest that has not been paid, i.e. interest is not accumulated. Hybrid instruments are approved as core capital elements limited upward to 15 per cent or 35 per cent of the total core capital depending on the type of hybrid instrument. The Financial

Supervisory Authority of Norway (Finanstilsynet) can demand that hybrid instruments are written down proportionally with equity if the bank's core capital adequacy falls below 5 per cent, or the capital adequacy falls below 8 per cent. Write-downs on hybrid instruments must be written up again before any dividend can be paid to shareholders or the equity capital is written up. Hybrid instruments are classified as subordinated loan capital in the balance sheet and are measured at fair value with changes in value through profit or loss.

DIVIDEND

Dividend on equity certificates is recognised as equity in the period through to it being adopted by the bank's General Meeting.

INTEREST INCOME AND INTEREST EXPENSES

Interest income and interest expenses related to assets and liabilities that are measured at amortised cost are recorded continuously in the income statement in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of the expected cash flow over the expected life of a financial asset or liability being equal to the book value (carrying value) of the respective financial asset or liability. When calculating an effective interest rate, the cash flow effect inherent in the agreement is estimated, without taking into account future impairment. The calculations take therefore into account inter alia fees, transaction costs, premiums and discounts.

If a financial asset is written down due to impairment, a new effective interest rate is calculated based on adjusted estimated cash flows.

Interest income and interest expenses on financial instruments that are measured at fair value are classified as interest income or interest expenses respectively. Other changes in value are classified as income from financial instruments.

COMMISSION INCOME AND COMMISSION EXPENSES

Commission income and commission expenses are generally accrued in line with the delivery/receipt of a service. Fees relating to interest-bearing instruments are not recognised as commissions, but are included in the calculation of the effective interest rate and recognised accordingly in profit and loss. Advisory/consultancy fees are accrued in accordance with the agreement, typically at the time the service is delivered. The same applies to day-to-day management services. Fees and charges related to the sale or brokerage of financial instruments, properties or other investment objects that do not generate balance sheet items in the Group's accounts, are recognised when the transaction is completed.

TRANSACTIONS AND BALANCE SHEET ITEMS IN FOREIGN CURRENCY

Transactions involving foreign currencies are converted into Norwegian kroner using the exchange rates at the time of the transactions. Gains and losses related to completed transactions, or to the conversion of balance sheet items in foreign currencies on the balance sheet date, are recognised through profit or loss. Gains and losses on non-monetary items are included in the income statement in the same way as the corresponding balance sheet item. The exchange rate on the balance sheet date is used when converting balance sheet items.

TAXES

Taxes consist of the tax payable and deferred taxes. Taxes payable are the estimated taxes on the year's taxable profit.

Deferred taxes are accounted for by means of the liability method in accordance with IAS 12. Deferred tax assets or liabilities are calculated based on all the temporary differences, which are the differences between the book values of assets and liabilities for accounting purposes and for taxation purposes. However, no liabilities or assets are calculated for deferred taxes on goodwill that do not give a tax deduction, nor items that are recognised for the first time and do not affect the financial or taxable profit. Deferred tax assets are calculated for tax loss carry forwards. Assets with deferred tax are included only to the extent that future taxable profits are expected to make it possible to exploit the related tax benefit.

Under IFRS, the company's wealth tax is not defined as a tax cost. This is therefore recognised as an operating expense.

SEGMENT REPORTING

A business segment is part of an entity that is engaged in providing individual products or services that are subject to risks and returns that are different from those of other business segments. A geographic market (segment) is a part of a business that supplies products and services within a limited geographic area that is subject to risks and returns that are different from other geographic markets. As regards segment reporting, Group management is considered to be the highest decisive body. The figures in the segment reporting are based on internal reporting to Group management.

EVENTS AFTER THE BALANCE SHEET DATE

The annual accounts are published after the Board of Directors has approved them. The Supervisory Board, the general meeting and the regulatory authorities may refuse to approve the published annual accounts subsequent to this but they cannot change them.
Events occurring up to the time when the annual accounts are approved for publication involving issues that were already known on the balance sheet date will form part of the information basis for determining accounting estimates and will thus be fully reflected in the financial statements. Events that were not known on the balance sheet date will be reported if they are significant.

The annual accounts have been prepared on the assumption that the Group will continue as a going concern. In the Board of Directors' opinion, this assumption was valid at the time the financial statements were approved for publication.

The Board's dividend proposal is stated in the Directors' Report and in note 43. Proposed dividends are classified as equity until they are finally resolved.

NOTE 3 FINANCIAL RISK MANAGEMENT

The banking industry's core activity is to create values by accepting recognised and acceptable risks. SpareBank 1 SR-Bank invests, therefore, significant resources in developing risk management systems and processes in line with leading international practice.

SpareBank 1 SR-Bank is exposed to several types of risk:

- Credit risk: the risk of loss resulting from the customer's inability or unwillingness to fulfil his obligations
- Liquidity risk: The risk that the Group is unable to refinance its debt or does not have the ability to fund increases in assets without significant additional costs
- Market risk: The risk of loss due to changes in observable market variables such as interest rates, foreign exchange rates and securities markets
- Operational risk: the risk of loss resulting from inadequate or failed internal processes or systems, human error or external events
- Ownership risk: the risk that the bank might incur negative results from its holdings in strategic companies owned and/ or must provide these companies with fresh capital. Ownership is defined as companies in which SpareBank 1 SR-Bank has a substantial interest and influence
- Compliance risk: the risk that the Group incurs public sanctions/penalties or financial loss as a result of non-compliance with legislation and regulations
- Business risk: the risk of unexpected revenue and cost variations due to changes in external factors such as market conditions or government regulations
- Reputation risk: the risk of failure in earnings and access to capital because of lack of trust and reputation in the market, i.e. customers, counterparties, stock market and authorities
- Strategic risk: the risk of loss resulting from failure of strategic initiatives

Risk and capital management in SpareBank 1 SR-Bank underpins the Group's strategic development and the achievement of its goals. Risk management ensures financial stability and prudent asset management.
This is achieved through a strong organisational culture that is characterised by:

- A high awareness of risk management
- A good understanding of which risks drive earnings
- Striving for optimal capital utilisation within the restraints of the adopted business strategy
- Avoiding unexpected single events that can seriously damage the Group's financial situation
- Exploiting synergies and diversification effects

In order to ensure an effective and adequate process for risk and capital management, the framework is based on a variety of elements that reflect the manner in which the Board of Directors and the management run the company. The principal elements are described below:

The Group's strategic targets: SpareBank 1 SR-Bank shall be the most attractive provider of financial services in the south and west of Norway based on:

- Good customer experiences
- A strong team spirit and professionalism
- Local roots and decision-making power
- Financial soundness, profitability and market confidence

Risk identification and analysis: The process for risk identification is based on the Group's strategic target. The process is forward-looking and covers all of the Group's significant risk areas. In areas where the effect of the established control and management measures is not considered satisfactory, improvement measures are implemented. Probability-reducing measures shall be given priority ahead of measures aimed at reducing consequences.

Capital allocation: The return on risk-adjusted capital is one of the most important strategic performance goals in the internal management of SpareBank 1 SR-Bank. This implies that capital is allocated to business areas in accordance with the calculated risk of the operation and the return on capital is monitored continually.

The Group's risk is quantified, inter alia, through calculations of expected losses and the need for risk-adjusted capital to be able to cover any unexpected losses. Expected losses describe the loss that statistically must be expected on a portfolio over a 12-month period (long-term outcome). Risk-adjusted capital describes how much capital the Group believes it needs to cover the real risk that the Group has assumed.

The Group has decided that the risk-adjusted capital, in principle, shall cover 99.97 per cent of possible unexpected losses. In the case of ownership risk in SpareBank1 Gruppen AS the Group has elected a confidence level of 99.5 per cent as a result of the risk being, to a great extent, insurance risk with a different loss distribution. A 99.5 per cent confidence level for insurance risk is in line with the international Solvency II rules. This has been applied to statistic methods for calculating risk-adjusted capital, and qualitative assessments are also carried out.

Financial projections and stress tests:, Projections of expected financial development are made for the next 5 years, based on the strategic targets and the business plan. In addition, projections are made of a situation involving a serious economic recession. To assess consequences of an economic recession on SpareBank 1 SR-Bank, the Group focuses sharply on those areas of the economy that impact the financial development. These are primarily credit demand trends, stock market performance, the interest market and changes in credit risk. In addition to having an impact on the yield of the underlying assets, an economic recession will also have an impact on the customer savings habits. The purpose of these projections is to calculate how the financial development in activities and the macro-economic situation will impact on the Group' financial development, including the return on equity, the funding situation and capital adequacy.

Evaluation and measures: The above-mentioned financial projections provide management and the Board of Directors with sufficient understanding of the risk so that they can assess whether the Group has an acceptable risk profile, and ensure that the Group is adequately capitalised in light of the risk profile and strategic targets.

SpareBank 1 SR-Bank prepares capital plans in order to achieve long-term and effective capital management and ensure that the Group's capital adequacy is acceptable taking into account the risk exposure. The capital plan takes into account both expected developments and a situation with a serious economic downturn over a number of years. In addition, SpareBank 1 SR-Bank prepares contingency plans to tackle such crises in the best possible manner.

Reporting and follow-up: The Group's overriding risk exposure and risk development are followed up through periodic risk reports that are submitted to the executive management and the Board of Directors. The overriding risk monitoring and reporting is the responsibility of the Department for Risk Management and Compliance, which is independent of the business units. The department reports directly to the Chief Executive Officer.

Organisation and corporate culture: SpareBank 1 SR-Bank strives to have a strong and robust corporate culture that is characterised by a high degree of awareness for risk management. The corporate culture comprises management philosophy and the people in the organisation with their personal attributes, such as integrity, basic values and ethics. It is difficult to compensate for an inadequate organisational culture by using other control and management measures. SpareBank 1 SR-Bank has established clear basic values and ethical guidelines and made the entire organisation aware of them.

SpareBank 1 SR-Bank seeks independence in its risk management and the responsibility for risk management is therefore split between various roles in the organisation.

RISK EXPOSURE IN SPAREBANK 1 SR-BANK

SpareBank 1 SR-Bank is exposed to various types of risk and the most important risk groups are described below.

Credit risk is managed through the limits for granting credit, commitment follow-up and portfolio management. The Group's credit strategy comprises overriding credit strategy limits to ensure a diversified portfolio and a satisfactory risk profile. This limits the probability of default, expected losses, risk adjusted capital and how high the total loan exposure can be in the corporate market.

Concentration risk is defined as the risk that arises by concentrating exposure to a single customer, industry or geographic area. The Group has special focus on exposure to large individual customers and certain industries. In order to avoid undesirable concentration risk, the strategic credit limits also set restrictions linked to exposure and risk profile at portfolio level, and for different industries and individual customers. These restrictions are additional to the limits stipulated by the Regulation regarding major commitments. The Group's credit-political guidelines stipulate minimum requirements that apply to all types of financing, except commitments granted as part of the exercise of special credit hedging authorities. In addition to the general credit policy guidelines, a series of more specific credit policy guidelines have been prepared relating to industries or segments that might involve special risks. For example, for financing of property commitments, minimum requirements are imposed for equity, advance sales of housing projects and degree of financing in relation to rental income on rental property.

The Board of Directors is responsible for the Group's granting of loans and credit, but delegates the responsibility to the Chief Executive Office, within certain limits. The CEO then delegates these within his own authority. The delegated authorities are linked to a commitment's expected loss and probability of default. The authorities are personal. Credit management procedures regulate all issues related to the Group's granting of credit and commitment follow-up in detail.

The Group uses credit models for risk classification, risk pricing and portfolio management. The risk models are based on three main components:

1. Probability of default: Customers are classified in a default class on the basis of the probability that the customer will default on his obligations during a period of 12 months, based on a long-term outcome. The probability of default is calculated based on historical data series for key financial figures linked to earnings and losses, as well as non-financial criteria such as behaviour and age. Nine default classes (A – I) are used to classify the customers according to the probability of default. In addition, the Group has two default classes (J and K) for customers with defaulted and/or written down commitments.

2. Exposure at default: This is an estimate of what the Group's exposure will be if a customer were to default. This exposure consists of lending volume, guarantees and approved, but not drawn limits respectively. Guarantees and approved, but not drawn limits on the corporate market are multiplied by a conversion factor of 75 per cent. For the retail market, approved, but not drawn limits are multiplied by a conversion factor of 100 per cent.

3. Loss given default: This is an estimate of how much the Group can potentially lose if the customer defaults on his obligations. This estimate takes into account the value of underlying collateral security and the costs that the Group will incur in collecting defaulted commitments. The Group sets realisation values on collateral security lodged based on experience over time, and such that these, based on a conservative assessment reflect the expected realisation value in a period of recession. Seven classes (1 – 7) are used for classifying commitments in respect to loss in the event of default.

The Group carries out continuous further development and testing of the risk management system and credit procedures to ensure that this maintains a high quality over time. The quantitative validation is to ensure that the estimates utilised for probability of default, exposure at default and loss given default maintain a sufficiently high quality. Analyses are carried out to assess the models' ability to rank the customers according to risk (discrimination ability), and the ability to determine the correct level for the risk parameters. In addition, the stability in the models' estimates is analysed as is the models' cyclical sensitivity. In some cases, the quantitative validation will be supplemented by more qualitative assessments especially if the amount of statistical data available is limited.

In addition to the credit risk in the lending portfolio, the Group has credit risk through exposure in the liquidity reserve portfolio. This portfolio consists mainly of low risk bonds and certificates that qualify for loans from Norges Bank. The Group is also exposed to credit risk through the portfolio in SpareBank 1 SR-Finans AS, which consists principally of leasing and car loans. The portfolio accounts for around 5 per cent of total lending exposure.

For further information, see notes 13, 14, 16, 17 and 18.

Liquidity risk is managed through the Group's overriding liquidity strategy that is reviewed and adopted by the Board of Directors at least once a year. Liquidity management builds on conservative limits and reflects the Group's moderate risk profile. The Group's Treasury Department is responsible for liquidity management, while the Department for Risk Management and Compliance monitors and reports on the utilisation of limits in accordance with the liquidity strategy.

Customer deposits and long-term securities debt principally finance the Group's lending. Liquidity risk is restricted by the securities debt being distributed between different markets, funding sources, instruments and maturity dates. Sales of well-secured housing loans to SpareBank 1 Boligkreditt help dampen the funding needs and thus the liquidity risk that SpareBank 1 SR-Bank is exposed to. For further information please see note 38.

Market risk is managed through the market risk strategy, which defines the Group's willingness to assume risk. The strategy, with related specifications of necessary risk ceilings, reporting procedures and authorities are reviewed and adopted by the Board at least once a year.

Market risk in SpareBank 1 SR-Bank relates primarily to the Group's long-term investments in securities. In addition, the Group has a certain exposure to market risk from trading activities in the interest rate and currency markets, as well as from activities that underpin ordinary funding and lending activities. The Group's market risk is measured and monitored based on conservative limits that the Board of Directors reviews and approves at least once a year. The size of the limits is determined based on stress tests and analyses of negative market movements. The Group's exposure to market risk is moderate.

Interest rate risk is the risk of losses because of interest rate fluctuations. The Group's interest rate risk is regulated by limits for maximum value change following a change in the interest rate level of one per cent. The interest rate commitments for the Group's instruments are mostly short term and the Group's interest rate risk is low.

Currency rate risk is the risk of losses due to fluctuations in foreign exchange rates. The Group measures the currency risk based on the net positions of the various currencies to which the bank is exposed. The currency risk is regulated by nominal limits for maximum aggregate currency positions and maximum positions in individual currencies. The scope of the Group's trading in foreign currency is modest and the currency rate risk is considered moderate.

The securities risk is the risk of losses that arise following changes in the value of the Group's bonds, commercial papers and equity capital instruments. In quantifying of risk attached to a fall in value of the liquidity portfolio, SpareBank 1 SR-Bank distinguishes between systematic risk (market risk) and unsystematic risk (default risk). Default risk is quantified as credit risk. Of the liquidity portfolio's total holdings amounting to NOK 19.9 billion, bonds classified as held to maturity account for NOK 8.5 billion. These investments are recognised at amortised cost and are therefore not exposed to market risk from an accounting point of view. The Group's risk exposure to this type of risk is regulated through limits for maximum investments in the different portfolios.

For further details, reference is made to notes 20, 39 and 40.

Operational risk is managed through the risk strategy for operational risk which is adopted annually be the Board and which sets ceilings for expected losses and risk-adjusted capital. The processes for management of operational risk in SpareBank 1 SR-Bank shall ensure, as far as possible, that no single incident caused by operational risk is able to damage seriously the Group's financial position. Risk management shall be based on insight and an understanding of what create and drives the Group's operational risk, and to the extent possible reconciles effective processes with low risk exposure.

As part of its continual development of knowhow, SpareBank 1 SR-Bank entered into a cooperation with the University of Stavanger and SpareBank 1 Alliance regarding an R&D project that will provide access to new methods and expertise in the work of managing operational risk. The project started in 2007 and is expected to be completed in 2012.

The Group has a system for reporting and monitoring undesirable incidents. In order to learn from own mistakes, and the mistakes of others, and to ensure continual focus on quality and never-ending improvement, SpareBank 1 SR-Bank uses a separate system for registering and monitoring improvement measures. This will ensure that the Group remains a potent organisation over time, by giving priority and by continually improving the organisation's total ability to be innovative and to perform.

Ownership risk is managed through limits for risk-adjusted capital that are reviewed and adopted by the Board at least once a year. Ownership is defined as companies in which SpareBank SR-Bank has a significant stake and influence. Sparebank 1 SR-Bank's principal ownership risk relates to its stakes in SpareBank 1 Gruppen AS (19.5 per cent), Bank 1 Oslo Akershus AS (19.5%), BN Bank ASA (23.5 per cent), SpareBank 1 Boligkreditt AS (34.4 per cent) and SpareBank 1 Næringskreditt AS (30.7 per cent).

Compliance risk is managed through the framework regulations for compliance that are built primarily on EBA's internal governance, Basel Committee on Banking Supervision, Compliance and the compliance function in banks, and the FSA's Module for evaluating overriding management and control. Sparebank 1 SR-Bank's compliance policy shall ensure that Group does not incur any public sanctions/penalties, or any financial loss, as a result of it failing to implement or comply with legislation and regulations. The Group's compliance policy is adopted by the Board and defines the main principles for responsibility and organisation.

SpareBank 1 SR-Bank seeks to have good processes to ensure compliance with applicable laws and regulations.
One of the most important areas in 2011 has been working on a new remuneration scheme for the Group. Other areas include the monitoring of compliance with money laundering regulations, technical adjustments in accordance with the specification of a license for the treatment of personal information and the authorisation system for financial advisers.

Sparebank 1 SR-Bank's compliance function lies in the Department for Risk Management and Compliance, which is organised in such a way that it is independent of the business units. The department has the overriding responsibility for framework, following up and reporting on matters in the compliance field.

NOTE 4 CRITICAL ESTIMATES AND ASSESSMENTS REGARDING THE USE OF ACCOUNTING PRINCIPLES LOSSES ON LOANS AND GUARANTEES

The Group assesses its entire corporate market portfolio annually. Large commitments, non-performing loans and high-risk exposures are subject to quarterly assessments. Loans to private customers are subject to evaluation when they are in default for more than 60 days. Large non-performing loans are evaluated on a quarterly basis.

The Group's risk classification systems are described under financial risk management.

The Group makes write-downs if there is objective evidence that can be identified for an individual commitment, and the objective evidence entails a reduction in future cash flows for servicing the commitment. Objective evidence may be default, bankruptcy, insolvency or other significant financial difficulties.

Individual write-downs are calculated as the difference between the loan's book (carrying) value and the present value of future cash flows based on the effective interest rate at the time of the calculation of the initial individual write-down. Subsequent changes in interest rates are taken into account for loan agreements with floating interest rates if these changes affect the expected cash flow.

Group write-downs are calculated on groups of loans where there is objective evidence indicating that a loss event has occurred after the initial recording of the loans. Objective evidence comprises observable data that result in a measurable reduction in estimated future cash flows from the loan group. The development of probability for default is one such objective evidence that is used to identify a possible need to make a write-down. Where a need to make group write-downs has been identified, losses on loans shall be calculated as the difference between the carrying value (book value) and the present value of the estimated future cash flows, discounted at the effective interest rate. The basis for calculating this difference (which corresponds to the level of the group write-downs) is based on the loans' expected losses.

The assessment of individual and group write-downs will always call for a considerable degree of discretionary judgment. Predictions based on historical data may prove to be incorrect because of the uncertainty of the relevance of historical data as a decision-making basis. When the value of assets pledged as collateral is linked to special objects or industrial sectors in a crisis, it may be necessary to realise the collateral in markets that are rather illiquid and, therefore, the assessment of collateral securities' values may be subject to considerable uncertainty.

FAIR VALUE OF EQUITY INTERESTS

Financial assets assessed at fair value through profit or loss will normally be traded in active markets and the fair value can thus be determined with reasonable certainty. For assets classified as held for sale, this is not necessarily the case. Similarly, market values for assets and liabilities that are recognised at amortised cost and appear in notes may be estimates based on discounted expected future cash flows, multiplier analyses or other calculation methods. Such methods can be subject to significant uncertainty. With the exception of a few shares, liquidity in the Norwegian stock market is poor. Share prices will under most circumstances be the last known traded price.

FAIR VALUE OF DERIVATIVES

The fair value of derivatives is usually determined by using valuation methods where the price of the underlying object, for example, interest and currency rates, is obtained from the market. In the case of share options, volatility will be either observed implicit volatility or calculated volatility based on historical share price movements for the underlying object. If the Group's risk position is relatively neutral, middle rates will be used. A neutral risk position means, for example, that the interest rate risk within a re-pricing interval is approximately zero. Otherwise, the relevant purchase or sales price is used to assess the net position. For derivatives where the other party has a weaker credit rating than the Group, the price will reflect the underlying credit risk. To the extent that market prices are obtained from transactions with a lower credit risk, this will be taken into account by amortising the original price difference measured against such transactions with a lower credit risk over the maturity period.

PENSIONS

Net pension liabilities and the pension expenses for the year are based on a number of estimates, the most important of which are the yield on pension assets, future interest and inflation rates, future wage development, staff turnover, development in the Norwegian National Insurance base amount (G) and the general development in the number of persons receiving disability benefits and life expectancy. Uncertainty is largely related to gross liabilities and not to net liabilities that are shown in the balance sheet. Changes in estimates because of changes in the above parameters will be recorded directly against equity on an on-going basis.

INCOME TAX

When calculating the Group's income tax, a considerable degree of discretion is called for. For many transactions and calculations, uncertainty will be linked to the final tax liability. The Group records tax liabilities linked to future decisions in tax cases and disputes based on the additional tax liability that will accrue. If the final outcome of a case differs from the amount originally allocated amount, the difference will affect the recorded tax costs and allocations for deferred tax in the period the difference is established.

SIGNIFICANT ACQUISITIONS

Kvinnherad Sparebank was acquired with, for accounting purposes, effect from 1 November 2010 by Sparebank 1 SR-Bank taking over all of Kvinnherad Sparebank's assets and liabilities. See note 25.

NOTE 5 SEGMENT INFORMATION

Management has assessed which segments are reportable based on the form of distribution, products and customers. The primary reporting format is based on the risk and return profile of the assets, and it is divided between the retail market (including self-employed people), the corporate market, capital market and subsidiaries of significant importance. The bank's own investment activities are not a separate reportable segment and are included in the item "other activities" together with activities that cannot be allocated to the retail market, the corporate market, capital market or subsidiaries of considerable significance. The figures for business areas and geography are based on internal management reporting. Commission income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are reported under "Net commission and other income".

Reporting by business segment

(figures in NOK million)

2011	Retail market	Corporate market	Capital market	Eiendoms-Megler 1	SR-Finans	SR-Forvaltning	SR-Investering	Other activities	SR-Bank group
Net external interest income	847	737	32	-12	317	-	-	-166	1 756
Net internal interest income	-	-1	-	21	-157	1	2	134	-
Net interest income	847	736	32	9	160	1	2	-31	1 756
Net commission and other income	480	211	170	426	-7	45	3	-136	1 192
Net yield on financial investments	-	-	12	-	-	-	10	297	319
Operating expenses	-580	-185	-67	-345	-35	-18	-4	-399	-1 633
Profit/Loss before losses	**747**	**762**	**147**	**91**	**117**	**27**	**11**	**-269**	**1 634**
Losses on loans and guarantees	-36	-83	-	-	-17	-	-	-3	-139
Profit/Loss before tax	**712**	**679**	**147**	**91**	**100**	**27**	**11**	**-272**	**1 495**
Lending to customers	49 655	45 147	-	-	5 420	-	-	1 146	101 368
Individual loan write-downs	-109	-246	-	-	-63	-	-	-	-418
Group loan write-downs	-17	-300	-	-	-45	-	-	-	-362
Other assets	-	-	683	309	92	51	197	29 221	30 554
Total assets per segment	**49 529**	**44 601**	**683**	**309**	**5 404**	**51**	**197**	**30 367**	**131 142**
Deposits from customers	36 694	23 525	-	-	-	-	-	3 823	64 042
Other liabilities	-	-	683	260	4 922	37	16	51 425	57 343
Total liabilities per segment	**36 694**	**23 525**	**683**	**260**	**4 922**	**37**	**16**	**55 248**	**121 385**
Equity	-	-	-	49	482	14	181	9 031	9 757
Total liabilities and equity per segment	**36 694**	**23 525**	**683**	**309**	**5 404**	**51**	**197**	**64 279**	**131 142**
Total loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	**43 399**	**704**						**1 226**	**45 329**

(continuation note 5)

2010	Retail market	Corporate market	Capital market	Eiendoms-Megler 1	SR-Finans	SR-Forvaltning	SR-Investering	Other activities	SR-Bank group
Net external interest income	820	724	29	-5	300	-	-	-126	1 742
Net internal interest income	-	-5	-	12	-131	1	1	122	-
Net interest income	820	719	28	7	169	1	1	-4	1 742
Net commission and other income	498	164	135	369	-6	42	2	-103	1 101
Net yield on financial investments	-	-	16	-	-	-	9	546	571
Operating expenses	-528	-154	-40	-317	-38	-22	-5	-462	-1 566
Profit/Loss before losses	**790**	**729**	**140**	**59**	**125**	**21**	**7**	**-23**	**1 848**
Losses on loans and guarantees	-7	-165	-	-	-47	-	-	-15	-234
Profit/Loss before tax	**783**	**564**	**140**	**59**	**78**	**21**	**7**	**-38**	**1 614**
Lending to customers	58 430	40 694	-	-	5 065	-	-	1 603	105 792
Individual loan write-downs	-54	-292	-	-	-56	-	-	-	-402
Group loan write-downs	-11	-303	-	-	-43	-	-	-	-357
Other assets	-	-	625	231	39	46	187	28 617	29 745
Total assets per segment	**58 365**	**40 099**	**625**	**231**	**5 005**	**46**	**187**	**30 220**	**134 778**
Deposits from customers	33 478	21 745	-	-	-	-	-	5 547	60 770
Other liabilities	-	-	625	194	4 565	34	7	59 181	64 606
Total liabilities per segment	**33 478**	**21 745**	**625**	**194**	**4 565**	**34**	**7**	**64 728**	**125 376**
Equity	-	-	-	37	440	12	180	8 733	9 402
Total liabilities and equity per segment	**33 478**	**21 745**	**625**	**231**	**5 005**	**46**	**187**	**73 461**	**134 778**
Total loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	**24 658**	**321**						**1 182**	**26 161**

2009	Retail market	Corporate market	Capital market	Eiendoms-Megler 1	SR-Finans	SR-Forvaltning	SR-Investering	Other activities	SR-Bank group
Net external interest income	818	624	25	-4	327	1	-	-115	1 676
Net internal interest income	-	-21	-	8	-133	-	1	145	-
Net interest income	818	603	25	4	194	1	1	30	1 676
Net commission and other income	470	152	151	316	-12	55	2	-136	998
Net yield on financial investments	-	-	-7	-	-	-	-6	718	705
Operating expenses	-493	-154	-39	-279	-33	-37	-5	-539	-1 579
Profit/Loss before losses	**795**	**602**	**130**	**41**	**149**	**19**	**-8**	**73**	**1 800**
Losses on loans and guarantees	-5	-248	-	-	-35	-	-	-80	-368
Profit/Loss before tax	**790**	**354**	**130**	**41**	**114**	**19**	**-8**	**-7**	**1 432**
Lending to customers	47 047	39 859	-	-	5 040	-	-	1 527	93 473
Individual loan write-downs	-47	-248	-	-	-34	-	-	-	-329
Group loan write-downs	-15	-272	-	-	-33	-	-	-	-320
Other assets	-	-	244	182	115	43	176	31 325	32 085
Total assets per segment	**46 985**	**39 339**	**244**	**182**	**5 088**	**43**	**176**	**32 852**	**124 909**
Deposits from customers	29 471	18 594	-	-	-	-	-	6 271	54 336
Other liabilities	-	-	244	159	4 678	35	5	57 379	62 500
Total liabilities per segment	**29 471**	**18 594**	**244**	**159**	**4 678**	**35**	**5**	**63 650**	**116 836**
Equity	-	-	-	23	410	8	171	7 461	8 073
Total liabilities and equity per segment	**29 471**	**18 594**	**244**	**182**	**5 088**	**43**	**176**	**71 111**	**124 909**
Total loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	**24 534**	**18**						**202**	**24 754**

(continuation note 5)

The Group operates in a geographically limited area from Grimstad in the southeast to Bergen in the northwest. In addition, important classes of assets (loans and deposits) are distributed geographically in separate notes under deposits and loans.

	Rogaland			Agder			Hordaland			SR-Bank Group		
Geographic distribution	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Net interest income	**1 442**	1 461	1 444	**140**	160	147	**174**	121	85	**1 756**	1 742	1 676
Net commission and other income	**987**	941	862	**115**	107	103	**90**	53	33	**1 192**	1 101	998
Net yield on financial investments	**314**	567	702	**2**	2	1	**2**	1	2	**319**	571	705
Operating expenses	**-1 358**	-1 356	-1 399	**-137**	-124	-118	**-138**	-86	-62	**-1 633**	-1 566	-1 579
Profit/loss before losses on loans	**1 385**	1 613	1 609	**121**	145	133	**129**	89	58	**1 634**	1 848	1 800
Losses on loans and guarantees	**-77**	-124	-255	**-44**	-70	-88	**-19**	-40	-26	**-139**	-234	-368
Profit loss before tax	**1 308**	1 489	1 355	**77**	75	45	**110**	49	32	**1 495**	1 614	1 432
Gross lending to customers	**80 037**	84 472	78 086	**10 213**	10 473	9 717	**11 118**	10 847	5 670	**101 368**	105 792	93 473
Individual loan write-downs	**-240**	-223	-190	**-110**	-104	-111	**-68**	-75	-28	**-418**	-402	-329
Group loan write-downs	**-353**	-349	-317	**-4**	-3	-1	**-5**	-5	-2	**-362**	-357	-320
Other assets	**30 548**	29 744	32 085	**3**	1	-	**4**	1	-	**30 554**	29 745	32 085
Total assets per segment	**109 992**	113 644	109 664	**10 101**	10 367	9 605	**11 048**	10 768	5 640	**131 142**	134 778	124 909
Deposits from customers	**57 194**	55 214	51 559	**2 521**	2 119	2 024	**4 328**	3 437	754	**64 042**	60 770	54 336
Other liabilities	**56 282**	63 670	61 718	**459**	390	324	**602**	546	457	**57 343**	64 606	62 500
Total liabilities per segment	**113 476**	118 884	113 277	**2 979**	2 509	2 348	**4 930**	3 983	1 211	**121 385**	125 376	116 836
Equity	**9 644**	9 311	8 004	**49**	38	29	**64**	53	41	**9 757**	9 402	8 073
Total liabilities and equity per segment	**123 120**	128 195	121 280	**3 028**	2 547	2 377	**4 994**	4 036	1 252	**131 142**	134 778	124 909

NOTE 6 NET INTEREST INCOME

(figures in NOK million)

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
			Interest income			
189	177	**189**	Interest on receivables from credit institutions	**33**	45	56
4 037	3 884	**4 285**	Interest on lending to customers	**4 594**	4 175	4 362
544	535	**598**	Interest on certificates and bonds	**598**	536	544
		-	Interest on written-down financial assets			
51	59	**60**	- Loans and receivables from customers	**62**	64	53
4 821	4 655	**5 132**	**Total interest income**	**5 287**	4 820	5 015
			Interest expenses			
392	365	**237**	Interest on debt to credit institutions	**248**	370	396
1 519	1 450	**1 882**	Interest on deposits from customers	**1 858**	1 436	1 509
1 272	1 062	**1 262**	Interest on securities issued	**1 263**	1 062	1 271
102	141	**162**	Interest on subordinated loan capital	**162**	141	102
61	69	**-**	Fee to the Banks' Guarantee Fund	**-**	69	61
3 346	3 087	**3 543**	**Total interest expenses**	**3 531**	3 078	3 339
1 475	1 568	**1 589**	**Net interest income**	**1 756**	1 742	1 676

NOTE 7 NET COMMISSION AND OTHER INCOME

(figures in NOK million)

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011		Group 2011	Group 2010	Group 2009
56	60	**81**	Guarantee commissions	**78**	57	52
13	13	**14**	Interbank commissions	**14**	13	13
34	19	**22**	Securities trading	**18**	13	28
-	-	**-**	Management	**68**	73	57
59	83	**87**	Brokerage commission	**56**	54	37
146	157	**87**	Commission from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt	**87**	157	146
246	248	**254**	Money transfers	**254**	248	246
107	110	**149**	Insurance services	**153**	113	108
57	53	**97**	Other commission income	**106**	64	73
718	743	**791**	**Total commission income**	**834**	792	760
6	-	**-**	Guarantee commissions	**-**	-	6
15	13	**11**	Interbank commissions	**11**	13	15
64	56	**60**	Money transfers	**60**	56	64
1	1	**3**	Other commission expenses	**-**	2	2
86	70	**74**	**Total commission expenses**	**71**	71	87
3	3	**5**	Operating income from real estate	**5**	1	2
-	-	**-**	Real estate brokerage	**424**	369	315
8	7	**-**	Other operating income	**-**	10	8
11	10	**5**	**Total other operating income**	**429**	380	325
643	683	**722**	**Net commission and other income**	**1 192**	1 101	998

NOTE 8 NET INCOME FROM FINANCIAL INSTRUMENTS

(figures in NOK million)

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011		Group 2011	Group 2010	Group 2009
			Changes in value of interest rate instruments			
122	11	**-12**	Bonds and certificates – held for sale	**-13**	11	122
-90	48	**65**	Net change in value hedged fixed interest loans	**65**	48	-90
421	-252	**-278**	Net change in value hedged bond debt	**-278**	-252	421
			Changes in values hedging and derivatives			
-6	-4	**-15**	Net change in values derivatives hedged against bonds (assets)	**-15**	-4	-6
96	-53	**-47**	Net change in value of derivatives hedged against fixed interest lending	**-47**	-53	96
-377	241	**274**	Net change in value of derivatives hedged against bonds (debt)	**274**	241	-377
			Change in value of equity instruments			
18	8	**-59**	Equity instruments held for sale	**-59**	8	18
59	119	**4**	Equity instruments at fair value	**24**	127	53
243	118	**-68**	**Total net income from financial instruments at fair value**	**-49**	126	237
-	-	**-**	Realised instruments held for sale	**-**	-	-
-	-	**-**	**Total net income from securities held for sale**	**-**	-	-
			Currency trading			
147	131	**138**	Net gain foreign exchange	**138**	131	147
390	249	**70**	**Net income from financial instruments**	**89**	257	384

NOTE 9 PERSONNEL COSTS, REMUNERATION STATEMENT AND BENEFITS TO THE EXECUTIVE EMPLOYEES AND ELECTED REPRESENTATIVES

BOARD STATEMENT OF DETERMINATION OF SALARIES AND REMUNERATION OF SENIOR EXECUTIVES

Sparebank 1 SR-bank ASA's remuneration policy
Sparebank 1 SR-bank ASA has established a remuneration scheme that applies to all employees.

The Group's remuneration scheme shall:

- be consistent with the Group's overall objectives, risk tolerance and long-term interests
- help to promote and provide incentives for good management and control of the Group's risk, discourage excessive or unwanted risk taking, and help to avoid conflicts of interest
- comply with the Regulations governing remuneration schemes in financial institutions, investment firms and management companies dated 1 December 2010

The total remuneration shall be competitive but the Group shall not be a wage leader. It shall ensure that the Group attracts, develops and retains the most competent employees over time. The scheme will ensure a reward model that is perceived to be fair, predictable and future-oriented and motivating.

Decision Process
Board of SpareBank 1 SR-Bank ASA has established a Remuneration Committee consisting of three Board members.

The Remuneration Committee prepares matters for the Board and has mainly responsible for:

- Annually reviewing and proposing the total salary and remuneration for the CEO
- Annually considering proposals for corporate scorecard (CEO's scorecard)
- Annually considering the Group's remuneration scheme, including strategy and guiding principles for variable remuneration
- Advising the CEO on matters relating to remuneration and other key benefits and other personnel-related issues for the Group's senior management
- Ensuring that the practice of the Group's remuneration arrangements are reviewed annually by an independent control function
- Prepare statement of fixing of salaries and other remuneration to senior executives (cf. Public Limited Companies Act, section 6-16 a)
- Considering other conditions as determined by the Board and/or the Remuneration Committee
- Reviewing other personnel-related matters concerning the Group's remuneration scheme that are likely to involve significant reputation risk.

Guidelines for the coming fiscal year
Remuneration to the Chief Executive Officer

The CEO's salary and other financial benefits shall be determined annually by the Board on the recommendation of the Remuneration Committee. Fixed salary is determined on the basis of results achieved, and market trends for similar positions. The CEO's variable remuneration is determined on the basis of a comprehensive assessment based on the following factors: customer/market perspective, internal processes, organisation and competence and the financial perspective. Variable compensation can be earned annually, but must be based on goals achieved in the last two years. The CEO can receive group bonuses on a par with other employees. Any variable compensation, including group bonus (excluding any loyalty shares), may amount to up to 25 per cent of fixed salary including holiday pay. No performance-based benefits are paid over and above the said schemes. Variable pay is not included in pensionable salary.

Half of the variable remuneration is paid in the form of shares in SpareBank 1 SR-Bank ASA, where 1/3 can be disposed of each of the next three years. Group bonus received in the form of shares may be disposed of when allotted. That part of the variable remuneration that is paid in shares will be reduced if the recalculation basis for calculating the variable remuneration in the qualifying year shows that the calculation basis is considerably lower than the calculation basis that was assumed in the qualifying year.

The CEO may also receive benefits in kind to the extent that the benefits are naturally related to the CEO's function in the Group and are in line with market practice in general.

A life-long pension scheme has been entered into for the CEO with pensionable age being the end of the year in which he reaches the age of 64 years, and then with an annual salary up to the age of 67 representing 67 per cent of pensionable salary. From the age of 67, the CEO will receive a supplementary retirement pension which, together with the SpareBank 1 SR-Bank's pension fund pension, pension from NIS and early retirement (AFP) will constitute 67 per cent of pensionable pay, assuming full earning period.

The CEO has no agreement covering severance pay if he leaves his post prior to reaching retirement age.

Remuneration to other senior executives
The CEO determines the remuneration of senior executives in accordance with SpareBank 1 SR-Bank's at any time adopted remuneration scheme. With senior management means employees who report to the CEO, that is corporate management.

Salaries are determined after considering the performance and conditions in the market for the various areas. Salary will promote good performance and ensure that the Group achieves its strategic goals. Remuneration should not be detrimental to the Group's

(continuation note 9)

reputation nor shall the Group be a market leader. Salaries should ensure that the Group has the ability to attract and retain executives with the skills and experience required.
Variable remuneration is determined on the basis of a comprehensive assessment based on the following factors: customer/market perspective, internal processes, organisation and competence and financial perspective. Variable compensation can be earned annually, but must be based on goals achieved over the last two years. Executives may receive a group bonus on a par with other employees. Any variable remuneration, including group bonuses, may amount to up to 25 per cent of fixed salary including holiday pay. For the Executive Vice President Capital Markets variable pay, including group bonus may be up to 50 per cent of fixed salary including holiday pay. No performance-based benefits are paid over and above the said schemes. Variable pay is not included in pensionable salary.

Half of the variable remuneration is paid in the form of shares in SpareBank 1 SR-Bank ASA, where 1/3 can be disposed of each of the next three years. Group bonus received in the form of shares may be disposed of when allotted. That part of the variable remuneration that is paid in shares will be reduced if the recalculation basis for calculating the variable remuneration in the qualifying year shows that the calculation basis is considerably lower than the calculation basis that was assumed in the qualifying year

Benefits in kind can be offered to senior employees to the extent that benefits are naturally linked to each function in the Group and are in line with market practice in general.

The pension schemes should be seen in the context of other remuneration and should provide competitive terms. Members of the executive management have a retirement age of 62 years, with the exception of the last member to be employed, who has a retirement age of 67. Corporate executives are members of the closed defined benefit plan which, with full pension earnings, entitles them to a pension of 70 per cent of pensionable income, including pension from National Insurance and AFP from the age of 67. This does not apply to the last member to be employed, where the pension is limited to 12G. Members of the executive management who have a retirement age of 62 years are entitled to a pension equivalent to 70 per cent of pensionable income in the form of service pension, from age 62 to age 67.

No senior executives have an agreement on severance pay on leaving his/her post prior to reaching retirement age.

Variable remuneration of other employees

Group bonus

The Group has a bonus scheme which includes all employees. Group bonuses are set at an equal percentage of salary, and can, as a maximum, amount to 1.5 months salary. The Group bonus is determined on the basis of corporate scorecards set by the Board and in relation to financial and non-financial targets that are weighted 70 per cent and 30 per cent respectively. The Group bonus will be paid half in cash and half in the form of shares issued by SpareBank 1 SR-Bank ASA. For employees who do not have a lock-in period pursuant to legislation or regulations for allotted shares, there is no lock-in period, but employees who elect to keep allotted shares for a minimum of one year will be allotted ½ extra share (loyalty share) for every share previously allotted.

Individual bonus

Individual bonuses can be used as a tool for the Group to reward extraordinary achievements while at the same time they may be a good tool to maintain a reasonable fixed salary development. Any individual bonus will follow the same principles as for variable remuneration to executive management in relation to the criteria for allocation and disbursement and as a maximum may amount to 25 per cent of fixed salary including bonus group.

Special schemes

The competitive situation and market practice may indicate that it is desirable to establish special arrangements related to variable remuneration in some areas. For employees covered by special schemes who are to be regarded as senior management, employees with duties essential to the company's risk exposure or other employees and representatives with similar remuneration (according to the Regulations on remuneration schemes in financial institutions, investment firms and management companies of 1 December 2010) , the same principles that apply to executive management in relation to criteria for the allocation and payment of variable remuneration shall apply. Employees with control functions cannot be covered by special arrangements.

Binding guidelines for shares, subscription rights, options, etc. for the coming fiscal year

The CEO and senior management are given, on an equal footing with other employees, access to participate in private placements among employees.

Of all variable pay CEO and executive management have earned in 2012, half will be paid in the form of shares issued by SpareBank 1 SR-Bank ASA. Group bonus, including any loyalty shares, may be disposed of on allocation. For other shares that are allotted as variable remuneration, up to 1/3 of the shares could be traded in each of the next three years.

Report on executive pay policy in the preceding financial year

The Board confirms that the guidelines on executive pay for 2011 given in last year's declaration have been followed.

(continuation note 9)

Personnel expenses
(figures in NOK million)

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011		Group 2011	Group 2010	Group 2009
472	486	**589**	Salaries	**795**	672	637
96	35	**- 116**	Pension costs (defined benefits plan, note 33)	**- 138**	47	115
65	68	**78**	Social benefits	**109**	94	88
33	43	**53**	Other personnel expenses	**62**	57	41
666	632	**604**	**Total personnel expenses**	**828**	870	881
929	997	**1 039**	Average number of employees	**1 306**	1 237	1 178
867	952	**1 023**	No. of employees (full time equivalents) as at 31.12.	**1 213**	1 163	1 093
941	1 004	**1 075**	No. of employees as at 31.12.	**1 350**	1 268	1 183

Remuneration to group management
(Amounts in NOK 000s)

2011		**Salary and other short-term benefits**	**Of which bonus** [2]	**Other remune-ration**	**Earned pension rights**	**Loans**	**No. of equity certifica-tes** [1]	**Pension cost**
Arne Austreid	Chief Executive Officer	2 613	-	121	2 726	-	5 000	2 664
Terje Vareberg (to 31.12.2010)	Chief Executive Officer		511					
Stian Helgøy	EVP Capital Market	2 008	292	262	7 084	7 540	14 799	500
Inge Reinertsen	CFO	1 978	292	224	7 236	3 800	18 154	548
Tore Medhus	EVP Corporate Market	2 008	292	184	12 482	3 893	19 132	572
Rolf Aarsheim (to 10.08.2011)	EVP Retail Market	1 324	292	349	15 016			259
Jan Friestad (from 11.08.2011)	EVP Retail Market	1 490	224	151	9 023	3 749	16 489	127
Glenn Sæther	EVP Business support and development	1 652	235	219	1 678	7 950	4 040	225
Thor-Christian Haugland	EVP Communication	1 444	210	201	6 662	4 248	6 736	509
Frode Bø	EVP Risk management and compliance	1 597	219	135	6 442	1 321	8 641	451
Wenche Mikalsen	EVP organisation and HR	1 502	219	204	4 468	2 434	3 390	696

2010								
Terje Vareberg	Chief Executive Officer	2 822	-	303	34 378	7 828	137 780	2 404
Stian Helgøy	EVP Capital Market	4 995	3 220	192	5 306	7 792	14 799	382
Inge Reinertsen (from 01.02.2010)	CFO	1 329	20	218	5 547	3 450	13 154	218
Tore Medhus	EVP Corporate Market	1 624	20	189	10 241	3 900	19 132	612
Rolf Aarsheim	EVP Retail Market	1 621	20	231	18 375	3 540	58 980	803
Glenn Sæther	EVP Business support and development	1 292	20	159	1 668	7 950	4 040	344
Thor-Christian Haugland	EVP Communication	1 175	20	177	5 707	4 263	6 732	614
Frode Bø	EVP Risk management and compliance	1 286	20	152	4 709	924	8 641	453
Wenche Mikalsen	EVP organisation and HR	1 174	20	198	3 332	2 396	3 390	725
Erling Øverland (to 15.02.2010)	CFO	-	-	177 [3]				

2009								
Terje Vareberg	Chief Executive Officer Executive Officer	2 649	-	321	25 972	7 918	132 030	2 821
Sveinung Hestnes	EVP Capital Market	1 588	-	206	13 801	2 405	44 324	1 032
Erling Øverland	CFO	-	-	1 983 [3]	-	-	8 648	-
Tore Medhus	EVP Corporate Market	1 484	-	125	8 495	2 075	18 182	624
Rolf Aarsheim	EVP Retail Market	1 491	-	205	15 403	3 507	58 030	833
Svein Ivar Førland (to 27.11.2009)	EVP Business support and development	1 154	-	173	591			549
Glenn Sæther (from 28.11.2009)	EVP Business support and development	158	-	26	1 354	4 950	3 090	291
Thor-Christian Haugland	EVP Communication	1 112	-	169	4 895	4 273	5 786	629
Frode Bø	E Risk management and compliance	1 028	-	122	3 473	2 117	7 691	457
Wenche Mikalsen (from 01.05.2009)	EVP organisation and HR	715	-	128	2 104	2 295	3 190	269
Arild L. Johannessen (to 30.04.2009)	EVP organisation and HR	350	-	36				

(continuation note 9)

For further information on remuneration to senior executives, reference is made to the Board's statement on the remuneration of senior executives.

[1] Number of equity certificates owned in SpareBank 1 SR-Bank at 31.12. This also includes equity certificates belonging to the immediate family and known companies in which he /she has a decisive influence, see section 1-2 of the Companies Act.

[2] Bonus is paid in the current year but earned and accrued in the preceding fiscal year.
Bonuses to Stian Helgøy in 2010 were earned as head of Capital Markets. The bonus to Jan Friestad was paid as Director, Business Development Retail Market.

[3] The amounts are inclusive of VAT.

Remuneration to the Board of Directors and the Audit Committee

(Amounts in NOK 000s)

2011		**Fees**	**Other remuneration**	**Loans**	**No. of equity certificates [4]**
Kristian Eidesvik	Chairman of the Board	330	2	-	84 006
Gunn-Jane Håland	Vice Chairman of the Board	190	-	9 317	-
Einar Risa	Board member	165	-	-	3 837
Sally Lund-Andersen	Board member (employee-elected)	150	705	2 306	1 281
Elin Rødder Gundersen	Board member	162	-	-	-
Erik Edvard Tønnesen	Board member	180	-	4 038	3 000
Birthe Cecilie Lepsø	Board member	180	-	-	-
Erling Øverland	Board member	195	-	-	14 648
Tor Magne Lønnum (to 19.05.2011)	Board member	75	8		
Mari Rege (from 19.05.2011)	Board member	50	-	3 844	1 557
Odd Rune Torstrup	Chairman Audit Committee	125	-	-	22 133
Siv Gausdal Eriksen	Member Audit Committee	102	-	4 437	3 034
Vigdis Wiik Jacobsen	Member Audit Committee	90	-	-	14 533
Egil Fjogstad	Member Audit Committee	103	-	-	722 564
Odd Broshaug	Vice Chairman Audit Committee	90	-	1 501	-

2010					
Kristian Eidesvik	Chairman of the Board	315	9	-	84 006
Gunn-Jane Håland	Vice Chairman of the Board	181	9	5 353	-
Einar Risa	Board member	156	9	2 740	3 837
Sally Lund-Andersen	Board member (employee-elected)	150	654	2 225	1 281
Elin Rødder Gundersen	Board member	162	9	-	-
Tor Magne Lønnum	Board member	144	-	-	20 713 065
Erik Edvard Tønnesen	Board member	168	9	4 033	3 000
Birthe Cecilie Lepsø	Board member	181	13	-	-
Erling Øverland (from 25.03.2010)	Board member	92	9	-	8 648
Odd Rune Torstrup	Chairman Audit Committee	137	-	-	13 133
Siv Gausdal Eriksen	Member Audit Committee	103	-	8 650	3 034
Vigdis Wiik Jacobsen	Member Audit Committee	90	-	-	13 133
Egil Fjogstad	Member Audit Committee	110	-	-	701 034
Odd Broshaug	Vice Chairman Audit Committee	90	-	1 612	-

(continuation note 9)

2009

Kristian Eidesvik	Chairman of the Board	300	-	-	84 006
Gunn-Jane Håland	Vice Chairman of the Board	178	-	1 005	-
Einar Risa	Board member	153	-	2 500	5 837
Sally Lund-Andersen	Board member (employee-elected)	150	561	2 105	1 081
Elin Rødder Gundersen (from 01.04.2009)	Board member	75	-	-	-
Tor Magne Lønnum (from 01.11.2009)	Board member	-	-	-	-
Erik Edvard Tønnesen	Board member	162	-	4 006	-
Birthe Cecilie Lepsø	Board member	181	-	-	-
Ingrid Landråk (to 31.03.2009)	Board member	87	-	-	-
Erling Øverland (to 12.1.2009)	Board member	44	-	-	8 648
Odd Rune Torstrup	Chairman Audit Committee	125	-	-	13 133
Odd Broshaug	Member Audit Committee	90	-	1 615	-
Vigdis Wiik Jacobsen	Member Audit Committee	90	-	-	13 133
Siv Gausdal Eriksen	Member Audit Committee	103	-	4 731	3 034
Egil Fjogstad	Vice Chairman Audit Committee	103	-	-	722 564

[4] Number of equity certificates owned in SpareBank 1 SR-Bank at 31.12. This also includes equity certificates belonging to the immediate family and known companies in which he/she has a decisive influence, see section 1-2 of the Companies Act. . In addition, it includes equity certificates owned by the institution on whose behalf the person is elected.

NOTE 10 OTHER OPERATING EXPENSES

(figures in NOK million)

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
173	176	**212**	IT expenses	**223**	184	180
48	58	**65**	Marketing	**88**	76	63
89	84	**81**	Other administration expenses	**99**	102	103
65	62	**68**	Ordinary depreciation (note 27 and 28)	**80**	72	69
68	36	**61**	Operating expenses real estate	**60**	39	70
8	8	**14**	Wealth tax	**14**	8	8
30	33	**42**	External fees	**51**	39	34
79	78	**88**	Other operating expenses	**190**	176	171
560	535	**631**	**Total operating expenses**	**805**	696	698

Specification of fees for external audit

(figures in NOK 000s)

2 297	2 152	**2 536**	Statutory audit	**3 615**	3 042	3 192
130	292	**135**	Tax advice [1]	**298**	497	355
313	605	**1 141**	Other attestation services	**1 141**	656	329
345	566	**393**	Other services that are not audit [1]	**499**	647	400
3 085	3 615	**4 205**	**Total**	**5 553**	4 842	4 276

[1] Tax advice and other services other than audit for 2011 includes fees to the law firm PriceWaterhouseCoopers AS, with NOK 0.1 million for the parent bank and NOK 0.3 million for the Group.
In 2010, services other than audit include fees to the law firm PriceWaterhouseCoopers AS, with NOK 0.3 million for the parent bank and NOK 0.5 million for the Group.
In 2009, services other than audit include fees to the law firm PriceWaterhouseCoopers AS, with NOK 0.1 million.
All figures include VAT.

NOTE 11 TAXES

(figures in NOK million)

Parent Bank 2009	2010	2011		Group 2011	2010	2009
1 215	1 414	**1 314**	Profit before taxes	**1 495**	1 614	1 432
-282	-386	**-208**	Permanent differences [1]	**-171**	-393	-331
-13	58	**-19**	Group contribution	**-**	-	-
2 224	-36	**-629**	Changes in temporary differences	**-599**	22	2 051
-143	-49	**-290**	-of which recorded directly against equity	**-301**	-72	-149
20	-	**-**	Reduction for tax-deductible loss	**-**	-	36
-2 263	-	**-**	Carry forward losses	**-**	-	-2 261
758	1 001	**168**	**Tax base/taxable income for the year**	**423**	1 171	779
212	280	**47**	Of which is tax payable 28%	**118**	319	218
4	18	**37**	Tax effect of group contribution	**-**	-	-
6	-	**-**	Tax effect of issue costs recorded against equity	**-**	-	6
11	9	**211**	Change in deferred tax	**196**	6	57
40	14	**81**	- of which change not recorded in income statement	**95**	5	40
-	-34	**2**	Excess/insufficient tax allocation in previous years	**4**	-33	-
273	288	**378**	**Total tax charge**	**414**	297	321
			Explanation of why the tax charge for the year is not 28 % of the year's profit before tax			
340	396	**368**	28 % tax on profit before tax	**419**	452	402
-79	-90	**-58**	28 % tax on permanent differences [1]	**-48**	-92	-93
6	-	**-**	Tax effect of package of measures	**-**	-	6
6	-	**-**	Tax effect of issue costs recorded against equity	**-**	-	6
-	-34	**2**	Excess/insufficient tax allocation in previous years	**9**	-33	-
-	16	**66**	Excess/insufficient tax asset allocation in previous years	**33**	-30	-
273	288	**378**	**Estimated tax charge**	**414**	297	321
			Deferred tax assets			
-146	-152	**-169**	- deferred tax assets that reverse in more than 12 months	**-207**	-183	-175
-9	-52	**-29**	- deferred tax assets that reverse within 12 months	**-**	-53	-9
-155	-204	**-198**	**Total deferred tax assets**	**-207**	-236	-184
			Deferred tax			
242	253	**459**	- deferred tax that reverse in more than 12 months	**536**	342	341
4	15	**35**	- deferred tax that reverses within 12 months	**-**	32	4
246	268	**494**	**Total deferred tax**	**536**	374	345
91	64	**296**	**Net deferred tax/deferred tax asset**	**329**	138	162
			Specification of temporary differences			
23	25	**20**	Gains and loss account	**16**	23	11
841	761	**1 625**	Differences related to financial items	**1 638**	810	847
-	-	**-**	Loans	**27**	25	22
-511	-517	**-584**	Pension liabilities	**-703**	-617	-592
-31	-3	**-**	Accounting provisions	**-3**	-5	-32
-	-	**-**	Leasing operating equipment	**234**	285	338
-10	-21	**-23**	Tangible fixed assets	**-34**	-26	-16
14	-16	**19**	Group contribution paid	**-**	-	-
-	-	**-**	Carry forward tax loss	**-**	-3	-3
325	**229**	**1 057**	**Total temporary differences**	**1 176**	**492**	**575**
28 %	28 %	**28 %**	Tax rate applied	**28 %**	28 %	28 %

[1] Includes tax-exempted dividends, non-tax-deductible expenses, net tax-exempt gains on realisation of shares in the European Economic Area (EEA), and tax allowances for profit attributable to associated companies (the percentage of the profit is extracted as it has already been taxed in the individual company). Pursuant to IFRS, wealth tax is classified as a levy and not as a tax charge. For 2011, the wealth tax is calculated to be NOK 14 million and is classified as other operating expenses.

NOTE 12 CREDIT INSTITUTIONS- RECEIVABLES AND LIABILITIES

(figures in NOK million)

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
			Loans to and deposits with credit institutions			
173	343	**118**	Loans and deposits at call	**125**	351	181
5 574	5 268	**5 273**	Loans and deposits with agreed maturities or notice	**598**	922	1 120
5 747	5 611	**5 391**	**Total**	**723**	1 273	1 301
			Specified by major currencies			
4 533	4 114	**4 279**	NOK	**51**	108	447
284	919	**615**	EUR	**566**	858	240
757	305	**324**	USD	**22**	34	441
173	273	**173**	Other currencies	**84**	273	173
5 747	5 611	**5 391**	**Total**	**723**	1 273	1 301
2,5 %	2,3 %	**2,7 %**	**Average interest rate**	**2,7 %**	2,3 %	2,5 %
			Debt to credit institutions			
3 157	4 474	**1 652**	Debt to credit institutions at call	**1 650**	4 473	3 155
5 585	2 795	**3 038**	Debt to credit institutions with agreed maturities or notice	**3 037**	2 794	5 585
112	92	**95**	Earned interest	**95**	92	112
8 854	7 361	**4 785**	**Total**	**4 782**	7 359	8 852
			Specified by major currencies			
6 848	5 518	**3 360**	NOK	**3 357**	5 516	6 846
1 694	759	**971**	EUR	**971**	759	1 694
184	992	**351**	USD	**351**	992	184
16	-	**8**	Other currencies	**8**	-	16
112	92	**95**	Interest earned	**95**	92	112
8 854	7 361	**4 785**	**Total**	**4 782**	7 359	8 852
2,2 %	2,4 %	**2,2 %**	**Average interest rate**	**2,2 %**	2,4 %	2,2 %

The average interest rate is calculated on the actual interest expense during the year as a percentage of the average outstanding debt to credit institutions.

NOTE 13 LENDING TO AND RECEIVABLES FROM CUSTOMERS

(figures in NOK million)

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
			Distribution by type of receivable			
-	-	**-**	Financial leasing	**4 118**	3 917	3 868
16 836	19 988	**14 099**	Overdraft facilities and operating credits	**14 099**	19 988	16 836
3 741	3 228	**3 978**	Building loans	**4 090**	3 279	3 930
68 034	77 190	**77 420**	Instalment loans	**78 595**	78 286	68 562
51	87	**150**	Excess value of fixed interest lending/amortisation of front-end fees	**150**	76	56
221	236	**303**	Earned interest	**316**	246	221
88 883	100 729	**95 950**	**Gross lending**	**101 368**	105 792	93 473
-295	-346	**-355**	Individual write-downs	**-418**	-402	-329
-287	-314	**-317**	Write-downs on groups of loans	**-362**	-357	-320
88 301	100 069	**95 278**	**Net lending**	**100 588**	105 033	92 824
			Distribution by market			
44 950	55 516	**46 547**	Retail market	**47 593**	56 492	45 847
43 590	44 845	**48 453**	Corporate market	**52 563**	48 736	47 063
71	45	**497**	Public sector	**746**	241	286
51	87	**150**	Undistributed	**150**	76	56
221	236	**303**	Earned interest	**316**	247	221
88 883	100 729	**95 950**	**Gross lending**	**101 368**	105 792	93 473
-295	-346	**-355**	Individual write-downs	**-418**	-402	-329
-287	-314	**-317**	Write-downs on groups of loans	**-362**	-357	-320
88 301	100 069	**95 278**	**Net lending**	**100 588**	105 033	92 824
			Of which subordinated loan capital			
60	60	**60**	Subordinated loan capital in credit institutions	**-**	-	-
42	43	**43**	Subordinated loan capital in other credit institutions	**43**	43	42
102	103	**103**	**Subordinated loan capital recorded as lending**	**43**	43	42
1 776	1 856	**1 693**	**Loans to employees**	**2 197**	2 457	2 242
313	539	**877**	Of which loans in SpareBank 1 Boligkreditt AS	**1 131**	690	376
			The terms are one percentage point lower than the standardised rate set by the Ministry of Finance			
24 754	25 857	**44 694**	Loans sold to SpareBank 1 Boligkreditt	**44 694**	25 857	24 754
146	156	**85**	Commission received from SpareBank 1 Boligkreditt	**85**	156	146
-	304	**635**	Loans sold to SpareBank 1 Næringskreditt	**635**	304	-
-	1	**2**	Commission received from SpareBank 1 Næringskreditt	**2**	1	-
			Total lending distributed by risk class			
52 383	69 383	**61 213**	Lowest risk	**62 075**	71 226	54 290
35 390	39 390	**40 447**	Low risk	**43 255**	41 506	37 290
13 932	8 509	**11 461**	Medium risk	**12 697**	9 148	14 654
418	1 209	**304**	High risk	**382**	1 342	656
2 556	1 599	**2 777**	Highest risk	**3 005**	1 790	2 783
1 075	1 063	**966**	Non-performing loans	**1 172**	1 205	1 118
105 754	121 153	**117 168**	**Total**	**122 586**	126 217	110 791
			Gross lending by risk group			
45 120	26 291	**48 206**	Lowest risk	**49 063**	28 242	47 022
29 084	64 012	**32 950**	Low risk	**35 754**	66 025	30 984
10 941	6 948	**10 599**	Medium risk	**11 833**	7 587	11 216

(continuation note 13)

Parent Bank 2009	2010	2011		Group 2011	2010	2009
281	750	**272**	High risk	**350**	883	519
2 184	1 342	**2 519**	Highest risk	**2 746**	1 533	2 411
1 001	1 063	**951**	Non-performing	**1 156**	1 205	1 044
272	323	**453**	Undistributed	**466**	317	277
88 883	100 729	**95 950**	**Total**	**101 368**	105 792	93 473

			Individual write-downs distributed by risk class [1]			
303	346	**357**	Non-performing	**420**	402	337
303	346	**357**	**Total**	**420**	402	337

[1] When writing down, the capital of all loans are moved to the default class irrespective of earlier classification.

			Expected annual average net loss by risk class [2]			
1	1	**1**	Lowest risk	**1**	1	2
53	79	**55**	Low risk	**60**	81	57
133	67	**95**	Medium risk	**108**	73	137
9	18	**9**	High risk	**10**	21	12
113	80	**115**	Highest risk	**128**	91	119
38	12	**23**	Non-performing	**23**	14	39
347	257	**298**	**Total**	**330**	281	366

[2] 2) The expected average annual net loss is the amount that the parent bank and the Group statistically expect to lose on the lending portfolio over a 12-month period. The calculations are based on a long-term average over an economic cycle.

			Total commitments distributed by sector and industry			
3 520	3 959	**4 257**	Agriculture/forestry	**4 502**	4 181	3 744
691	323	**510**	Fisheries/fish farming	**615**	396	742
2 491	3 074	**2 699**	Mining operations and extraction	**2 809**	3 142	2 565
4 120	3 758	**2 311**	Industry	**2 910**	4 420	4 801
3 955	6 226	**5 640**	Power and water supply/building and construction	**6 540**	7 151	4 884
3 377	3 378	**3 150**	Retail trade, hotels and restaurants	**3 573**	3 715	3 726
6 493	8 191	**10 651**	Overseas shipping, pipeline transport and other transport	**11 034**	8 562	6 858
23 940	24 691	**26 694**	Property management	**26 860**	24 928	24 075
5 853	5 915	**8 039**	Service sector	**9 203**	6 890	6 965
1 438	850	**3 319**	Public sector and financial services	**3 591**	1 067	1 658
55 878	60 365	**67 270**	**Total industry**	**71 637**	64 452	60 018
49 876	60 788	**49 898**	Retail customers	**50 949**	61 765	50 773
105 754	121 153	**117 168**	**Total**	**122 586**	126 217	110 791

			Gross lending distributed by sector and industry			
2 915	3 208	**3 528**	Agriculture/forestry	**3 773**	3 430	3 139
556	292	**311**	Fisheries/fish farming	**416**	365	607
2 104	2 168	**2 618**	Mining operations and extraction	**2 728**	2 236	2 178
2 289	1 929	**1 087**	Industry	**1 686**	2 591	2 970
1 386	2 957	**3 123**	Power and water supply/building and construction	**4 022**	3 882	2 315
2 507	2 167	**2 064**	Retail trade, hotels and restaurants	**2 487**	2 504	2 856
5 302	5 756	**6 173**	Overseas shipping, pipeline transport and other transport	**6 553**	6 127	5 667
21 934	21 868	**23 586**	Property management	**23 749**	22 105	21 622
4 423	4 036	**5 664**	Service sector	**6 827**	5 011	5 535
245	509	**796**	Public sector and financial services	**1 068**	726	460
43 661	44 890	**48 950**	**Total industry**	**53 309**	48 977	47 349
44 950	55 516	**46 547**	Retail customers	**47 593**	56 492	45 847
272	323	**453**	Undistributed	**466**	323	277
88 883	100 729	**95 950**	**Total**	**101 368**	105 792	93 473

(continuation note 13)

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011		Group 2011	Group 2010	Group 2009
			Individual write-downs distributed by sector and industry			
1	6	**4**	Agriculture/forestry	**10**	9	7
1	1	**-**	Fisheries/fish farming	**-**	1	1
-	-	**-**	Mining operations and extraction	**8**	7	-
10	13	**17**	Industry	**31**	21	15
13	28	**16**	Power and water supply/building and construction	**21**	35	20
13	21	**12**	Retail trade, hotels and restaurants	**19**	29	14
36	46	**39**	Overseas shipping, pipeline transport and other transport	**50**	57	43
95	118	**127**	Property management	**128**	119	96
88	56	**48**	Service sector	**57**	63	91
-	-	**-**	Public sector and financial services	**-**	-	-
257	289	**263**	**Total industry**	**324**	341	287
46	57	**94**	Retail customers	**96**	61	50
303	346	**357**	**Total**	**420**	402	337
			Expected annual average net loss by sector and industry			
1	3	**3**	Agriculture/forestry	**5**	4	2
5	-	**1**	Fisheries/fish farming	**1**	1	5
25	14	**27**	Mining operations and extraction	**27**	14	26
20	16	**9**	Industry	**19**	19	23
19	16	**13**	Power and water supply/building and construction	**18**	20	23
13	12	**12**	Retail trade, hotels and restaurants	**21**	14	14
38	29	**32**	Overseas shipping, pipeline transport and other transport	**33**	31	40
147	99	**98**	Property management	**98**	100	147
54	38	**58**	Service sector	**63**	43	59
-	-	**4**	Public sector and financial services	**4**	1	-
322	227	**257**	**Total industry**	**289**	247	339
25	30	**41**	Retail customers	**41**	34	27
347	257	**298**	**Total**	**330**	281	366
			Gross loans distributed by geographic area			
67 495	72 685	**67 736**	Rogaland	**71 256**	75 869	70 526
8 345	9 165	**8 355**	Agder- counties	**8 872**	9 657	8 724
6 706	12 483	**11 998**	Hordaland	**12 660**	13 139	7 265
402	430	**738**	International	**738**	431	402
5 663	5 643	**6 670**	Other	**7 376**	6 373	6 279
272	323	**453**	Undistributed	**466**	323	277
88 883	100 729	**95 950**	**Total**	**101 368**	105 792	93 473

Loans and receivables related to financial leasing	2011	2010	2009
Gross investments related to financial leasing			
Up to 1 year	**1 306**	1 217	1 162
Between 1 and 5 years	**2 824**	2 594	2 554
More than 5 years	**533**	593	574
Total	**4 663**	4 404	4 290
Net investments related to financial leasing			
Up to 1 year	**1 123**	1 060	1 014
Between 1 and 5 years	**2 532**	2 338	2 322
More than 5 years	**474**	528	516
Total	**4 129**	3 926	3 852

NOTE 14 AGE BREAKDOWN OF LOANS FALLEN DUE BUT NOT WRITTEN DOWN

(figures in NOK million)

The table shows the amounts fallen due on loans and overdrafts /deposits by number of days after due date that are not a result of delays in payment services.

Parent Bank

2011	Less than 30 days	31 - 60 days	61 - 90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	1 298	45	18	60	1 421
- Corporate market	583	29	42	60	714
Total	**1 881**	**74**	**60**	**120**	**2 135**
2010					
Loans to and receivables from customers					
- Retail market	732	72	36	77	917
- Corporate market	718	35	17	88	858
Total	1 450	107	53	165	1 775
2009					
Loans to and receivables from customers					
- Retail market	360	29	11	34	434
- Corporate market	107	9	-	79	195
Total	467	38	11	113	629

Of the total amount of gross loans fallen due but not written down and receivables from customers, the fair value of the associated collateral security was NOK 1 923 mill at 31.12.2011 (NOK 1 685 million and NOK 513 million for 2010 and 2009 respectively).

Group

2011	Less than 30 days	31 - 60 days	61 - 90 days	More than 91 days	Total
Loans to and receivables from customers					
- Retail market	1 298	48	18	72	1 436
- Corporate market	583	46	51	64	744
Total	**1 881**	**94**	**69**	**136**	**2 180**
2010					
Loans to and receivables from customers					
- Retail market	732	78	37	81	928
- Corporate market	718	74	19	95	906
Total	1 450	152	56	176	1 834
2009					
Loans to and receivables from customers					
- Retail market	360	38	11	38	447
- Corporate market	107	197	7	81	392
Total	467	235	18	119	839

Of the total amount of gross loans fallen due but not written down and receivables from customers, the fair value of the associated collateral security was NOK 1 966 mill kroner at 31.12.2011 (NOK 1 744 million and NOK 723 million for 2010 and 2009 respectively).

NOTE 15 LOSSES ON LOANS AND GUARANTEES

(figures in NOK million)

Parent Bank									
2009			2010			**2011**			
RM	CM	Total	RM	CM	Total	**RM**	**CM**	**Totalt**	**Losses on loans and guarantees**
-3	-18	-21	4	11	15	**39**	**-30**	**9**	Change in individual write-downs in the period
-1	82	81	-4	18	14	**6**	**-3**	**3**	Change in group write-downs in the period
13	207	220	5	162	167	**9**	**53**	**62**	Realised losses on commitments previously written down
2	50	52	1	18	19	**-**	**64**	**64**	Realised losses on commitments not previously written down
-	-	-	-	-	-	**-**	**7**	**7**	Change in losses on repossessed assets in the period
4	13	17	1	5	6	**2**	**4**	**6**	Amortised loans
-13	-3	-16	-5	-29	-34	**-2**	**-28**	**-30**	Recoveries on loans and guarantees previously written down
2	331	333	2	185	187	**54**	**67**	**121**	**Total losses on loans and guarantees**
									Individual write-downs
46	278	324	42	261	303	**50**	**296**	**346**	Individual write-downs to cover losses on loans and guarantees as at 1.1
-13	-207	-220	-5	-162	-167	**-9**	**-53**	**-62**	Realised losses in the period on loans and guarantees previously written down individually
-14	-99	-113	-13	-58	-71	**-16**	**-80**	**-96**	Reversal of write-downs in previous years
2	97	99	2	64	66	**4**	**26**	**30**	Increase in write-downs on commitments previously written down individually
3	13	16	-1	-6	-7	**-**	**1**	**1**	Amortised costs
18	175	193	20	167	187	**61**	**77**	**138**	Write-down of commitments not previously written down individually
-	4	4	-	-	-	**-**	**-**	**-**	Write-down of guarantees not previously written down individually
-	-	-	5	30	35	**-**	**-**	**-**	Write-down relating to acquisition of Kvinnherad Sparebank
42	261	303	50	296	346	**90**	**267**	**357**	**Individual write-downs to cover losses on loans and guarantees as at 31.12.**
									Write-downs on groups of loans
16	190	206	15	272	287	**11**	**303**	**314**	Write-downs to cover losses on loans and guarantees as at 1.1
-1	82	81	-4	18	14	**6**	**-3**	**3**	Write-downs to cover losses and loans and guarantees in the period
-	-	-	-	13	13	**-**	**-**	**-**	Write-down relating to acquisition of Kvinnherad Sparebank
15	272	287	11	303	314	**17**	**300**	**317**	**Group write-downs to cover losses on loans and guarantees as at31 De**
									Losses by sector and industry
	0 %	1		2 %	4		**-1 %**	**-1**	Agriculture/forestry
	0 %	-		0 %	-		**-1 %**	**-1**	Fisheries/fish farming
	0 %	-		0 %	-		**0 %**	**-**	Mining operations and extraction
	21 %	71		-10 %	-19		**-3 %**	**-4**	Industry
	2 %	8		7 %	13		**2 %**	**3**	Power and water supply/building and construction
	8 %	25		2 %	4		**2 %**	**3**	Retail trade, hotels and restaurants
	11 %	38		2 %	4		**11 %**	**13**	Overseas shipping, pipeline transport and other transport
	26 %	88		73 %	137		**24 %**	**29**	Property management
	5 %	18		13 %	25		**23 %**	**28**	Service sector
	24 %	81		7 %	13		**2 %**	**3**	Transferred from write-downs of groups of loans
	1 %	3		3 %	6		**40 %**	**48**	Retail customers
	100 %	333		100 %	187		**100 %**	**121**	**Losses on loans to customers**

2007	2008	2009	2010	**2011**	**Non-performing and doubtful commitments**
90	332	355	408	**384**	Non-performing commitments
617	1 214	696	656	**587**	Other doubtful commitments
707	1 546	1 051	1064	**971**	**Total doubtful commitments**
-92	-324	-303	-346	**-357**	Individual write-downs
9	7	1	13	**11**	Interest on reversal of discounted write-downs
624	1 229	749	731	**625**	**Net doubtful commitments**

Interest income from non-performing and written down commitments totals NOK 60 million in the parent bank and NOK 62 million in the Group in 2011. Fair value of collateral security furnished for loans and receivables that are subject to individual write-down is equal to the book value plus write-downs. Collateral security is in the form of cash, securities, guarantees and properties.

				Group					
	2011			2010			2009		
	RM	**CM**	**Total**	RM	CM	Total	RM	CM	Total
	37	**-21**	**16**	5	33	38	-2	-10	-12
	8	**-3**	**5**	-3	27	24	-	91	91
	9	**57**	**66**	6	169	175	14	213	227
	3	**71**	**74**	4	26	30	5	58	63
	-	**7**	**7**	-	-	-	-	-	-
	2	**4**	**6**	1	5	6	4	13	17
	-5	**-30**	**-35**	-6	-33	-39	-13	-5	-18
	54	**85**	**139**	7	227	234	8	360	368

	54	**349**	**403**	49	288	337	50	299	349
	-9	**-57**	**-66**	-6	-169	-175	-14	-213	-227
	-19	**-89**	**-108**	-14	-69	-83	-15	-111	-126
	4	**28**	**32**	2	65	67	2	97	99
	-	**-**	**-**	-1	-7	-8	3	13	16
	63	**96**	**159**	24	205	229	23	199	222
	-	**-**	**-**	-	-	-	-	4	4
	-	**-**	**-**	5	30	35	-	-	-
	93	**327**	**420**	59	343	402	49	288	337

	19	**338**	**357**	22	298	320	22	207	229
	8	**-3**	**5**	-4	28	24	-	91	91
	-	**-**	**-**	-	13	13	-	-	-
ecember	**27**	**335**	**362**	18	339	357	22	298	320

		-1 %	**-1**		2 %	5		1 %	4
		-1 %	**-1**		0 %	-		0 %	-
		0 %	**-**		0 %	-		0 %	-
		3 %	**4**		-3 %	-8		20 %	75
		4 %	**6**		6 %	15		1 %	4
		3 %	**4**		6 %	13		8 %	28
		11 %	**15**		2 %	4		13 %	46
		22 %	**30**		62 %	144		24 %	90
		22 %	**31**		13 %	31		6 %	22
		4 %	**5**		10 %	23		25 %	91
		33 %	**46**		3 %	7		2 %	8
		100 %	**139**		100 %	234		100 %	368

	2011	2010	2009	2008	2007
	415	443	395	348	92
	696	762	753	1 264	647
	1 111	1 205	1 148	1 612	739
	- 420	-402	-337	-349	-105
	11	13	1	7	9
	702	816	812	1 270	641

NOTE 16 CREDIT EXPOSURE FOR EACH INTERNAL RISK RATING

(amounts in NOK million)

Parent Bank	**Average unsecured risk 2011**	**Total commitment 2011**	Average unsecured risk 2010	Total commitment 2010	Average unsecured risk 2009	Total commitment 2009
Lowest risk	**0,00**	**61 213**	4,27	69 383	0,07	52 383
Low risk	**2,74**	**40 447**	5,71	39 390	3,85	35 390
Medium risk	**25,45**	**11 461**	11,76	8 509	17,77	13 932
High risk	**12,28**	**304**	5,65	1 209	36,41	418
Highest risk	**46,50**	**2 777**	23,92	1 599	53,32	2 556
Non-performing and written down	**6,85**	**966**	6,64	1 063	7,17	1 075
Total	**4,63**	**117 168**	5,88	121 153	5,06	105 754

Group	**2011**	**2011**	2010	2010	2009	2009
Lowest risk	**0,00**	**62 075**	4,14	71 226	0,06	54 290
Low risk	**3,17**	**43 255**	5,42	41 506	3,67	37 290
Medium risk	**25,84**	**12 697**	11,09	9 148	17,01	14 654
High risk	**28,60**	**382**	4,60	1 342	24,58	656
Highest risk	**47,19**	**3 005**	21,74	1 790	48,81	2 783
Non-performing and written down	**11,81**	**1 172**	6,11	1 205	7,01	1 118
Total	**5,47**	**122 586**	5,63	126 217	4,85	110 791

SpareBank 1 SR-Bank sets the realisation value of lodged collateral security so that these, based on a conservative estimate, reflect the assumed realisation value in a recession. For example, lodged security in the form of a negative pledge and unlisted shares will, according to the Group's internal guidelines not be given any realisation value and thus are regarded as unsecured. The conservative estimate implies that the realisation actually achieved may be higher than the estimated realisation value.

NOTE 17 MAXIMUM CREDIT RISK EXPOSURE

(figures in NOK million)

Maximum exposure to credit risk for balance sheet components, including derivatives

The exposure is shown gross before collateral security lodged and permitted offsets.

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
			Assets			
541	1 024	**3**	Receivables from central banks	**3**	1 024	541
5 747	5 611	**5 391**	Loans to and deposits with credit institutions	**723**	1 273	1 301
88 301	100 069	**95 278**	Loans to and receivables from customers	**100 588**	105 033	92 824
22 558	18 736	**19 846**	Certificates and bonds	**19 850**	18 742	22 582
2 444	3 247	**3 728**	Derivatives	**3 716**	3 241	2 438
119 591	128 687	**124 246**	**Total credit risk exposure balance sheet items**	**124 880**	129 313	119 686
			Liabilities			
6 253	8 512	**9 768**	Guarantees issued	**9 768**	8 512	6 253
12 312	12 955	**12 256**	Unutilised credits	**12 256**	12 955	12 312
3 104	2 751	**3 386**	Loans approved but not drawn on	**3 927**	2 988	3 263
21 669	24 218	**25 410**	**Total financial obligations and loan approvals**	**25 951**	24 455	21 828
141 260	152 905	**149 656**	**Total credit risk exposure**	**150 831**	153 768	141 514

Credit risk exposure related to financial assets distributed by geographic area

Parent Bank				Group		
2009	2010	**2011**	**Banking activities**	**2011**	2010	2009
93 848	96 845	**89 951**	Rogaland	**90 347**	94 929	92 530
8 345	10 935	**10 220**	Agder counties	**10 447**	11 507	8 724
7 072	13 850	**14 798**	Hordaland	**15 067**	14 984	7 631
1 090	1 306	**2 751**	International	**2 665**	1 572	1 090
5 903	7 986	**8 362**	Other	**8 739**	8 793	6 519
116 258	130 922	**126 082**	**Total banking activities**	**127 265**	131 785	116 494
			Market activities			
20 912	17 036	**15 692**	Norway	**15 696**	17 042	20 936
1 272	1 323	**3 846**	Europe/Asia	**3 846**	1 323	1 272
374	377	**308**	USA	**308**	377	374
22 558	18 736	**19 846**	**Total market activities**	**19 850**	18 742	22 582
2 444	3 247	**3 728**	Derivatives	**3 716**	3 241	2 438
141 260	152 905	**149 656**	**Total distributed by geographic area**	**150 831**	153 768	141 514

NOTE 18 CREDIT QUALITY PER CLASS OF FINANCIAL ASSETS
(figures in NOK million)

The bank handles the credit quality of financial assets in accordance with its internal guidelines for credit ratings. The table shows the credit quality per class of assets for loan-related assets in the balance sheet, based on the bank's own credit rating system.

Parent Bank	Neither defaulted nor written down						
2011	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**	**Defaulted and individually written down**	**Total**
Loans							
Loans to and receivable from credit institutions	5 391	-	-	-	-	-	5 391
Loans to and receivables from customers							
- Retail market	32 757	11 212	705	56	173	1 645	46 548
- Corporate market	14 116	21 242	9 956	199	2 340	1 097	48 950
- Undistributed	-	-	-	-	-	-	453
Total loans	**52 264**	**32 454**	**10 661**	**255**	**2 513**	**2 742**	**101 342**
Financial investments							
Norwegian government bonds	3 321	-	-	-	-	-	3 321
Quoted bonds and certificates	14 591	698	411	163	90	-	15 953
Unquoted bonds and certificates	95	2	148	117	87	-	449
Earned interest	-	-	-	-	-	-	123
Total financial investments	**18 007**	**700**	**559**	**280**	**177**	**-**	**19 846**
Total loan-related assets	**70 271**	**33 154**	**11 220**	**535**	**2 690**	**2 742**	**121 188**
2010							
Loans							
Loans to and receivable from credit institutions	5 611	-	-	-	-	-	5 611
Loans to and receivables from customers							
- Retail market	10 481	43 438	378	13	58	1 148	55 516
- Corporate market	15 523	19 638	6 420	718	1 212	1 379	44 890
- Undistributed	-	-	-	-	-	-	323
Total loans	31 615	63 076	6 798	731	1 270	2 527	106 340
Financial investments							
Norwegian government bonds	2 165	-	-	-	-	-	2 165
Quoted bonds and certificates	11 424	935	318	119	61	-	12 857
Unquoted bonds and certificates	2 308	628	532	84	108	-	3 660
Earned interest	-	-	-	-	-	-	54
Total financial investments	15 897	1 563	850	203	169	-	18 736
Total loan-related assets	47 512	64 639	7 648	934	1 439	2 527	125 076
2009							
Loans							
Loans to and receivable from credit institutions	5 747	-	-	-	-	-	5 747
Loans to and receivables from customers							
- Retail market	32 697	11 436	512	27	76	202	44 950
- Corporate market	12 423	17 648	10 429	254	2 108	799	43 661
- Undistributed	-	-	-	-	-	-	272
Total loans	50 867	29 084	10 941	281	2 184	1 001	94 630
Financial investments							
Norwegian government bonds	6 363	-	-	-	-	-	6 363
Quoted bonds and certificates	11 001	993	369	103	12	-	12 478
Unquoted bonds and certificates	1 702	1 413	403	109	45	-	3 672
Earned interest	-	-	-	-	-	-	45
Total financial investments	19 066	2 406	772	212	57	-	22 558
Total loan-related assets	69 933	31 490	11 713	493	2 241	1 001	117 188

(continuation note 18)

Group	Neither defaulted nor written down					Defaulted and individually written down	Total
2011	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**		
Loans							
Loans to and receivable from credit institutions	723	-	-	-	-	-	723
Loans to and receivables from customers							
- Retail market	33 410	11 565	711	58	174	1 675	47 593
- Corporate market	14 312	23 687	11 192	276	2 568	1 274	53 309
- Undistributed							466
Total loans	**48 445**	**35 252**	**11 903**	**334**	**2 742**	**2 949**	**102 091**
Financial investments							
Norwegian government bonds	3 321	-	-	-	-	-	3 321
Quoted bonds and certificates	14 591	698	411	163	90	-	15 953
Unquoted bonds and certificates	95	2	148	117	91	-	453
Earned interest	-	-	-	-	-	-	123
Total financial investments	**18 007**	**700**	**559**	**280**	**181**	**-**	**19 850**
Total loan-related assets	**66 452**	**35 952**	**12 462**	**614**	**2 923**	**2 949**	**121 941**
2010							
Loans							
Loans to and receivable from credit institutions	1 273	-	-	-	-	-	1 273
Loans to and receivables from customers							
- Retail market	11 013	43 608	546	57	111	1 157	56 492
- Corporate market	16 951	21 474	6 890	807	1 349	1 506	48 977
- Undistributed	-	-	-	-	-	-	323
Total loans	29 237	65 082	7 436	864	1 460	2 663	107 065
Financial investments							
Norwegian government bonds	2 165	-	-	-	-	-	2 165
Quoted bonds and certificates	11 424	935	318	119	61	-	12 857
Unquoted bonds and certificates	2 308	628	532	84	114	-	3 666
Earned interest	-	-	-	-	-	-	54
Total financial investments	15 897	1 563	850	203	175	-	18 742
Total loan-related assets	45 134	66 645	8 286	1 067	1 635	2 663	125 807
2009							
Loans							
Loans to and receivable from credit institutions	1 301	-	-	-	-	-	1 301
Loans to and receivables from customers							
- Retail market	33 036	11 775	641	69	116	210	45 847
- Corporate market	13 986	19 209	10 575	450	2 295	834	47 349
- Undistributed	-	-	-	-	-	-	277
Total loans	48 323	30 984	11 216	519	2 411	1 044	94 774
Financial investments							
Norwegian government bonds	6 379	-	-	-	-	-	6 379
Quoted bonds and certificates	11 001	993	369	103	12	-	12 478
Unquoted bonds and certificates	1 704	1 413	405	109	49	-	3 680
Earned interest	-	-	-	-	-	-	45
Total financial investments	19 084	2 406	774	212	61	-	22 582
Total loan-related assets	67 407	33 390	11 990	731	2 472	1 044	117 356

(continuation note 18)

Classification of financial investments:
Bonds are allocated to SpareBank 1 SR-Bank's own risk classes based on external ratings. If a security has an official rating, this is to be applied, but if no official rating exists, external brokers' shadow ratings are used as the basis for risk classification. The list below illustrates the relationship between SpareBank 1 SR-Bank's risk classes and Standard & Poor's rating matrix (Long-Term Credit Ratings).

The bank's credit risk classes	S&P rating
Lowest risk	AAA, AA+, AA and AA-
Low risk	A+, A and A-
Medium risk	BBB+, BBB, BBB-
High risk	BB+, BB, BB-
Highest risk	B+ and lower

NOTE 19 CERTIFICATES AND BONDS

(figures in NOK million)

Parent Bank				Group		
2009	2010	**2011**	**Certificates and bonds at fair value**	**2011**	2010	2009
			Government			
6 414	2 187	**3 677**	Nominal value	**3 677**	2 187	6 430
6 363	2 165	**3 677**	Fair value	**3 677**	2 165	6 379
			Other public sector issuers			
53	-	**52**	Nominal value	**52**	-	53
53	-	**52**	Fair value	**52**	-	53
			Financial enterprises			
3 803	5 223	**6 982**	Nominal value	**6 982**	5 223	3 807
3 874	5 257	**6 970**	Fair value	**6 970**	5 257	3 878
			Non-financial enterprises			
329	475	**514**	Nominal value	**523**	485	333
314	461	**507**	Fair value	**511**	467	318
10 599	7 885	**11 225**	**Total certificates and bonds at nominal value**	**11 234**	7 895	10 623
10 604	7 883	**11 206**	**Total certificates and bonds at fair value**	**11 210**	7 889	10 628
			Certificates and bonds at amortised cost			
			Financial enterprises			
11 691	10 608	**8 396**	Nominal value	**8 396**	10 608	11 691
11 663	10 592	**8 389**	Book value	**8 389**	10 592	11 663
			Non-financial enterprises			
248	208	**128**	Nominal value	**128**	208	248
246	207	**128**	Book value	**128**	207	246
11 939	10 816	**8 524**	**Total certificates and bonds at nominal value**	**8 524**	10 816	11 939
11 909	10 799	**8 517**	**Total certificates and bonds at amortised cost**	**8 517**	10 799	11 909
45	54	**123**	Earned interest	**123**	54	45
22 558	18 736	**19 846**	**Total certificates and bonds**	**19 850**	18 742	22 582

Reclassification of financial assets
In conjunction with the extraordinary and negative developments in the world's financial markets in third quarter 2008, IASB adopted amendments to IAS 39 and IFRS 7 on 13 October 2008. The changes allowed for the reclassification of parts or the whole of the portfolio of financial assets with retrospective effect to 1 July 2008. SpareBank 1 SR-Bank has chosen to make use of this opportunity and has chosen to reclassify parts of the bond portfolio to categories that are assessed at amortised cost, i.e. "Held to maturity" or "Loans and receivables". A corresponding reclassification has not been carried out in subsidiaries.

(continuation note 19)

The table below shows the effect it would have had for accounting purposes of not reclassifying the portfolio.

Group [3)]
1.7.2008

Certificates and bonds classified as:	**Book value**	**Amortisation as interest income**	**Effect of reclassification as gain**	**Observable market value**
At fair value over profit or loss	3 041	-	-	3 041
Held to maturity [1)]	2 350	-	-	2 350
Receivables [1)]	578	-	-	578
Total certificates and bonds	5 969	-	-	5 969

Group [3)]
31.12.2011

Certificates and bonds classified as:	**Book value**	**Amortisation as interest income**	**Effect of reclassification as gain**	**Observable market value**
At fair value over profit or loss	11 210	-	-	11 210
Held to maturity	715	-2	-6	707
Covered bonds [2)]	7 802	-	-	7 802
Earned interest	123	-	-	123
Total certificates and bonds	**19 850**	**-2**	**-6**	**19 842**

31.12.2011

Bonds reclassified as receivables and held to maturity	**1.7.2008**	**31.12.2009**	**31.12.2010**	**31.12.2011**
Book value	2 928	2 284	1 324	**715**
Nominal value	2 985	2 314	1 341	**723**
Observable market value	2 928	2 278	1 324	**707**

The bank expects to receive the nominal value of the bonds held in the portfolio for reclassification.

1) Net unrealised losses that are reversed as at 1 July 2008 are NOK 47.3 million. The amount is amortised over the instruments' remaining term. Weighted remaining term on the reclassification date is approximately 2.7 years.
2) Of covered bonds, NOK 7 802 million has been utilised in the swap scheme introduced by the Norwegian Ministry of Finance. The bonds' term is virtually the same as the swap scheme's term.
3) The note is virtually identical for the parent bank and the group.

NOTE 20 FINANCIAL DERIVATIVES

General description:
The fair value of financial derivatives is usually determined by using valuation methods where the price of the underlying object, for example interest and currency rates, is obtained from the market. If the Group's risk position is approximately neutral, middle rates will be used. A neutral risk position means, for example, that the interest rate risk within a re-pricing interval is approximately zero. Otherwise, the relevant purchase or sales price is used to assess the net position. For derivatives where the other party has a weaker credit rating than the Group, the price will reflect the underlying credit risk. If market prices are obtained based on transactions with a lower credit risk, this will be taken into account by accruing the original price difference for future credit losses.

The Group has hedged certain fixed-rate borrowings. Each hedge is documented with a reference to the Group's risk management strategy, a clear identification of the item being hedged, the hedging instrument used, a description of the hedged risk, a description of why hedging is regarded as highly probable and a description of how and when the Group shall determine the efficiency of the hedge during the accounting period and that it is expected to be very effective during the next accounting period. The Group has defined the hedged risk as value changes linked to the NIBOR component of the hedged fixed interest rates in NOK and value changes linked to LIBOR and the currency components of the hedged fixed interest rates in foreign currencies.

The Group uses interest rate swaps as hedging instruments, where the Group receives fixed interest in NOK or a foreign currency and makes payments based on a floating (for the most part 3 months) NIBOR rate. As of 31 December 2011, the net fair value of hedging instruments was NOK 1 549 million, (NOK 1 680 million in assets and NOK 131 million in liabilities). In 2010, the corresponding figures were NOK 1 307 million (NOK 1 486 million in assets and NOK 179 million in liabilities) and in 2009 the figures were NOK 912 million (NOK 1 073 million in assets and NOK 161 million in liabilities. In 2011, the ineffective result on hedging instruments was minus NOK 4 million.

Group [1)]
(figures in NOK million)

	2011			2010		
		Fair value			Fair value	
At fair value over profit or loss	**Contract amount**	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
Currency instruments						
Forward contracts	**3 470**	**52**	**79**	3 972	69	126
Currency swaps	**13 817**	**193**	**325**	14 845	240	452
Currency options	**80**	**-**	**-**	94	2	2
Total currency instruments	**17 367**	**245**	**404**	18 911	311	580
Interest rate instruments						
Interest rate swaps (swaps and cross currency)	**99 699**	**1 357**	**1 253**	97 528	1 001	1 224
Other interest rate contracts	**1 000**	**-**	**2**	6 391	1	-
Interest rate instruments	**100 699**	**1 357**	**1 255**	103 919	1 002	1 224
Interest rate instruments, hedging						
Interest rate swaps (swaps and cross currency)	**24 697**	**1 680**	**131**	25 250	1 486	179
Total interest rate instruments, hedging	**24 697**	**1 680**	**131**	25 250	1 486	179
Earned interest						
Earned interest	**-**	**434**	**220**	-	442	229
Total earned interest	**-**	**434**	**220**	-	442	229
Total currency instruments	**17 367**	**245**	**404**	18 911	311	580
Total interest rate instruments	**125 396**	**3 037**	**1 386**	129 169	2 488	1 403
Total earned interest	**-**	**434**	**220**	-	442	229
Total currency and interest rate instruments	**142 763**	**3 716**	**2 010**	148 080	3 241	2 212

(continuation note 20)

At fair value over profit or loss	2009 Contract amount	Fair value Assets	Fair value Liabilities
Currency instruments			
Forward contracts	3 813	80	96
Currency swaps	9 029	231	206
Currency options	-	-	-
Total currency instruments	12 842	311	302
Interest rate instruments			
Interest rate swaps (swaps and cross currency)	93 032	543	748
Other interest rate contracts	-	-	-
Interest rate instruments	93 032	543	748
Interest rate instruments, hedging			
Interest rate swaps (swaps and cross currency)	19 780	1 073	161
Total interest rate instruments, hedging	19 780	1 073	161
Earned interest			
Earned interest	-	511	365
Total earned interest	-	511	365
Total currency instruments	12 842	311	302
Total interest rate instruments	112 812	1 616	909
Total earned interest	-	511	365
Total currency and interest rate instruments	125 654	2 438	1 576

[1] The note is virtually the same for the parent bank.

NOTE 21 SHARES, UNITS AND OTHER EQUITY INTERESTS

(figures in NOK million)

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011		Group 2011	Group 2010	Group 2009
			At fair value through profit or loss			
9	73	**172**	- Listed	**173**	79	14
430	464	**316**	- Unlisted	**454**	578	423
439	537	**488**	**Total at fair value through profit or loss**	**627**	657	437
			Available for sale			
2	4	**3**	- Unlisted	**4**	4	2
2	4	**3**	**Total available for sale**	**4**	4	2
441	541	**491**	**Total shares, units and other equity interests**	**631**	661	439

Shares, units and other equity interests are classified in the categories fair value and held for sale.
Securities that can be measured in a reliable manner and reported internally at fair value are classified at fair value through profit or loss.
Other shares are classified as available for sale.

(continuation note 21)

Investments in shares, units and other equity instruments

Parent Bank (Amounts in NOK 000s)		The company's share capital	Percentage ownership	No. of shares/units	Cost of acquisition	Book value/ market value
At fair value over profit or loss						
Statoil ASA		7 971 618	0,0	82 874	12 156	12 721
Kongsberg Gruppen ASA		150 000	0,1	86 651	12 817	10 052
Telenor ASA		9 649 162	0,0	84 989	7 663	8 337
Norsk Hydro ASA		2 271 760	0,0	250 961	11 188	6 962
Austevoll Seafood ASA		101 359	0,1	239 602	9 738	5 032
Protector Forsikring ASA		86 156	0,5	416 897	5 323	4 502
Wilh. Wilhelmsen ASA		930 076	0,4	164 724	5 745	4 711
Nordea Bank	EUR	4 047 273	0,0	70 886	4 218	3 299
Prosafe SE	EUR	57 484	0,0	113 371	4 639	4 647
Investor B	SEK	4 794 844	0,0	105 901	13 716	11 883
SpareBank 1 Nord-Norge		1 655 225	0,6	409 236	15 708	13 218
SpareBank 1 SMN		2 373 257	0,2	233 432	12 107	9 174
SpareBanken Pluss		125 000	0,2	2 344	363	333
SpareBank 1 Nøtterøy Tønsberg		107 510	0,1	843	76	62
Sandnes Sparebank		710 581	10,1	714 509	69 307	42 871
Other					47 858	33 611
Listed companies					**232 622**	**171 415**
Unlisted companies						
Short-term investments in shares						
Swiss Property AS		2 823	4,2	119 174	11 416	10 726
Ryger Eiendomsinvest i AS		56 764	3,2	71 816	6 458	6 033
Møbelinvest Eiendom Holding AS		2 500	25,0	125	12 500	9 375
SR-Eiendomsinvest Tyskland II AS		500	14,5	72 534	7 602	6 528
Other unlisted companies					15 472	8 540
Long-term investments						
Nordito Property		21 323	6,4	651 118	2 342	11 701
Nets Holding	DKK	184 325	2,9	5 378 058	232 036	263 471
Total unlisted companies					**287 826**	**316 374**
Total at fair value through profit or loss shares, units and other equity interests					**520 448**	**487 789**
Held for sale						
Unlisted companies						3 575
Investments in shares, units and other equity instruments						**491 364**

(continuation note 21)

Investments in shares, units and other equity instruments

Group (Amounts in NOK 000s)	The company's share capital	Percentage ownership	No. of shares/units	Cost of acquisition	Book value/ market value
At fair value over profit or loss					
Total listed companies parent bank				**232 622**	**171 415**
Austevoll Seafood	101 359	0,0	81 000	3 159	1 701
Codfarmers ASA	42 284	0,1	47 588	-	120
Total listed companies subsidiaries				**3 159**	**1 821**
Total listed companies group				**235 781**	**173 236**
Total unlisted companies parent bank				**287 826**	**316 374**
Borea Opportunity II	314 720	2,2	7 000	7 000	9 520
Progressus	2 766	4,2	117 139	11 714	15 931
Viking Venture II	3 422	1,4	47 525	4 676	2 329
HitecVision Private Equity IV LP		2,0		23 693	30 718
HitecVision Asset Solution		1,2		10 074	10 067
OptiMarin	1 998	13,0	260 041	11 024	20 075
Energy Ventures III		1,1		9 170	8 974
Reiten & Co AS		0,5		7 100	7 154
Skagerak Ventures AS		3,9		7 791	4 710
SR Feeder KS		26,9		5 732	6 936
SR PE-Feeder II KS		9,8		7 931	9 309
SR PE-Feeder III KS		40,5		4 968	4 968
Other unlisted companies in subsidiaries				17 195	6 699
Total unlisted in subsidiaries				**128 068**	**137 390**
Total unlisted in group				**415 894**	**453 764**
Total at fair value through profit or loss shares, units and other equity interests				**651 675**	**627 000**
Held for sale					
Unlisted companies parent bank					3 575
Total unlisted companies in subsidiaries					441
Total shares, units and other equity interests group					**631 016**

NOTE 22 CLASSIFICATIONS OF FINANCIAL INSTRUMENTS

(figures in NOK million)

Group	**Financial instruments at fair price through profit or loss**							
2011	**Held for sale**	**Recognised at fair value**	**Financial derivatives as hedging instruments**	**Financial assets/ liabilities assessed at amortised costs**	**Financial assets available for sale**	**Financial assets held to maturity**	**Non-financial assets and liabilities and earned interest**	**Total**
Assets								
Cash and balances at central banks				263				**263**
Loans to and deposits with credit institutions				723				**723**
Net loans to customers		8 686		91 646			256	**100 588**
Certificates and bonds at fair value	11 210						96	**11 306**
Certificates and bonds at amortised cost						8 517	27	**8 544**
Financial derivatives	1 614		1 668				434	**3 716**
Shares, units and other ownership interests	352	275			4			**631**
Investments in ownership interests							4 389	**4 389**
Intangible assets							54	**54**
Tangible fixed assets							401	**401**
Operations to be sold							84	**84**
Other assets							442	**442**
Total assets	**13 176**	**8 961**	**1 668**	**92 632**	**4**	**8 517**	**6 183**	**131 141**
Liabilities								
Debt to credit institutions				4 782				**4 782**
Borrowings from government under covered bond swap scheme				7 395				**7 395**
Deposits from customers				64 002			40	**64 042**
Debt raised by issuance of securities		19 254		16 679			405	**36 338**
Financial derivatives		1 659	131				220	**2 010**
Taxes payable							130	**130**
Deferred tax liabilities							329	**329**
Other liabilities							1 384	**1 384**
Subordinated loan capital		2 302		2 636			37	**4 975**
Total liabilities		**23 215**	**131**	**95 494**			**2 545**	**121 385**
Total equity capital							**9 757**	**9 757**
Total liabilities and equity		**23 215**	**131**	**95 494**			**12 302**	**131 142**

2010								
Assets								
Cash and balances at central banks				1 235				1 235
Loans to and deposits with credit institutions				1 273				1 273
Net loans to customers		7 037		97 750			246	105 033
Certificates and bonds at fair value	7 889						26	7 915
Certificates and bonds at amortised cost						10 799	28	10 827
Financial derivatives	1 319		1 480				442	3 241
Shares, units and other ownership interests	382	275			4			661
Investments in ownership interests							3 499	3 499
Intangible assets							60	60
Tangible fixed assets							392	392
Operations to be sold							93	93
Other assets							549	549
Total assets	9 590	7 312	1 480	100 258	4	10 799	5 335	134 778

(continuation note 22)

Liabilities	Financial instruments at fair price through profit or loss: Held for sale	Recognised at fair value	Financial derivatives as hedging instruments	Financial assets/ liabilities assessed at amortised costs	Financial assets available for sale	Financial assets held to maturity	Non-financial assets and liabilities and earned interest	Total
Debt to credit institutions				7 359				7 359
Borrowings from government under covered bond swap scheme				8 832				8 832
Deposits from customers				60 737			33	60 770
Debt raised by issuance of securities		19 277		20 666			364	40 307
Financial derivatives		1 804	179				229	2 212
Taxes payable							326	326
Deferred tax liabilities							138	138
Other liabilities							1 288	1 288
Subordinated loan capital		2 407		1 712			25	4 144
Total liabilities		23 488	179	99 306			2 403	125 376
Total equity capital							9 402	9 402
Total liabilities and equity		23 488	179	99 306			11 805	134 778
2009								
Assets								
Cash and balances at central banks				781				781
Loans to and deposits with credit institutions				1 301				1 301
Net loans to customers		7 106		85 505			213	92 824
Certificates and bonds at fair value	10 628						19	10 647
Certificates and bonds at amortised cost						11 909	26	11 935
Financial derivatives		854	1 073				511	2 438
Shares, units and other ownership interests	286	151			2			439
Investments in ownership interests							3 127	3 127
Intangible assets							40	40
Tangible fixed assets							935	935
Operations to be sold							23	23
Other assets							419	419
Total assets	10 914	8 111	1 073	87 587	2	11 909	5 313	124 909
Liabilities								
Debt to credit institutions				8 852				8 852
Borrowings from government under covered bond swap scheme				8 832				8 832
Deposits from customers				54 286			50	54 336
Debt raised by issuance of securities		11 380		25 923			220	37 523
Financial derivatives		1 050	161				365	1 576
Taxes payable							223	223
Deferred tax liabilities							162	162
Other liabilities							1 461	1 461
Subordinated loan capital		1 662		2 187			22	3 871
Total liabilities		14 092	161	100 080			2 503	116 836
Total equity capital							8 073	8 073
Total liabilities and equity		14 092	161	100 080			10 576	124 909

(continuation note 22)

Information on fair value
Group

2011	Value according to prices in an active market	Value according to observable market data	Value on basis other than observable market data	Total
Assets				
Net lending to customers	-	8 686	-	**8 686**
Certificates and bonds at fair value	9 263	1 947	-	**11 210**
Financial derivatives	-	1 614	-	**1 614**
Shares, unit and other equity instruments	352	-	275	**627**
Liabilities				
Debt raised on issuance of securities	19 254	-	-	**19 254**
Financial derivatives	1 659	-	-	**1 659**
Subordinated loan	2 302	-	-	**2 302**
2010				
Assets				
Net lending to customers	-	7 037	-	7 037
Certificates and bonds at fair value	444	7 445	-	7 889
Financial derivatives	-	1 319	-	1 319
Shares, unit and other equity instruments	382	-	275	657
Liabilities				
Debt raised on issuance of securities	19 277	-	-	19 277
Financial derivatives	1 804	-	-	1 804
Subordinated loan	2 407	-	-	2 407
2009				
Assets				
Net lending to customers	-	7 106	-	7 106
Certificates and bonds at fair value	3 461	7 167	-	10 628
Financial derivatives	-	1 927	-	1 927
Shares, unit and other equity instruments	286	-	151	437
Liabilities				
Debt raised on issuance of securities	-	11 380	-	11 380
Financial derivatives	-	1 050	-	1 050
Subordinated loan	-	1 662	-	1 662

Change in holding during the accounting year of assets valued using other than observable market data
Group

Shares, units and other equity instruments	2009	2010	**2011**
Balance as at 1.1.	92	151	**275**
Additions	-	234	**-**
Disposals	-	-151	**-**
Change in value	59	41	**-**
Balance as at 31.12.	151	275	**275**

Financial instruments valued at other than observable market data are included in change in holding in accordance with IFRS 7.

NOTE 23 RESTRICTED FUNDS

(figures in NOK million)

Parent Bank				Group		
2009	2010	2011		2011	2010	2009
27	31	**34**	Taxes withheld	**49**	44	38
27	31	**34**	**Total restricted funds**	**49**	44	38

NOTE 24 INVESTMENTS IN OWNERSHIP INTERESTS

Subsidiaries, associated companies and joint ventures

Company	Acquisition date	Registered head office	Percentage ownership [1]
Investments in subsidiaries			
Shares held by the parent bank			
SpareBank 1 SR-Finans	1987	Stavanger	100,00
EiendomsMegler 1 SR-Eiendom	1990	Stavanger	100,00
Westbroker Finans	1990	Stavanger	100,00
SR-Forvaltning	2001	Stavanger	100,00
SR-Investering	2005	Stavanger	100,00
SR-Forretningsservice	2007	Stavanger	100,00
Kvinnherad Sparebank Eigedom	2010	Stavanger	100,00
Shares held by subsidiaries			
Jærmegleren	2007	Stavanger	100,00
EiendomsMegler 1 Drift	2006	Stavanger	100,00
Investments in associated companies			
Admi-senteret	1984	Jørpeland	50,00
SpareBank 1 Boligkreditt	2005	Stavanger	34,40
SpareBank 1 Næringskreditt	2009	Stavanger	30,71
Samarbeidende Sparebanker Bankinvest	2010	Oslo	3,15
Investments in joint ventures			
SpareBank 1 Gruppen	1996	Oslo	19,50
Alliansesamarbeidet SpareBank 1	2004	Oslo	17,74
BN Bank	2008	Trondheim	23,50
Bank 1 Oslo Akershus	2010	Oslo	19,50

[1] Voting rights and ownership share are equal in all companies

[2] See note 25 for further information relating to the acquisition of Kvinnherad Sparebank

(continuation note 24)

Subsidiaries

Shares in subsidiaries parent bank

Investments are recognised at the parent bank's acquisition cost. These items are fully consolidated in the group accounts.
(Amounts in NOK 000s)

2011	**Share capital**	**Percentage stake**	**No. of shares**	**Nominal value**	**Assets**	**Liabilities**	**Total income**	**Total expenses**	**Profit or loss for the year**	**Book value**
SpareBank 1 SR-Finans	167 000	100,00	334 000	167 000	5 404 334	4 922 366	152 269	35 122	71 748	439 566
Total investments in credit institutions				167 000	5 404 334	4 922 366	152 269	35 122	71 748	**439 566**
EiendomsMegler 1 SR-Eiendom	1 500	100,00	150	1 500	309 320	260 541	435 545	344 508	61 082	56 885
Westbroker Finans	100	100,00	100	100	-	-	-	-	-	-
SR-Investering	35 000	100,00	3 500	35 000	197 284	16 013	15 122	3 939	10 530	175 527
SR-Forvaltning	6 000	100,00	6 000	6 000	50 616	36 766	45 877	18 482	19 687	29 019
SR-Forretningsservice	100	100,00	1 000	100	1 212	350	705	396	222	125
Kvinnherad Sparebank Eigedom	15 000	100,00	3 000	15 000	19 500	263	1 131	683	323	15 061
Total other investments				57 700	577 932	313 933	498 380	368 008	91 844	**276 617**
Total investments in subsidiaries parent bank				224 700	5 982 266	5 236 299	650 649	403 130	163 592	**716 183**

2010										
SpareBank 1 SR-Finans	167 000	100,00	334 000	167 000	5 005 119	4 564 790	163 212	38 413	55 882	418 686
Total investments in credit institutions				167 000	5 005 119	4 564 790	163 212	38 413	55 882	418 686
EiendomsMegler 1 SR-Eiendom	1 500	100,00	150	1 500	231 508	194 190	376 412	317 814	42 012	45 365
Westbroker Finans	100	100,00	100	100	-	-	-	-	-	-
SR-Investering	35 000	100,00	3 500	35 000	186 692	7 094	12 249	4 755	7 276	174 087
SR-Forvaltning	6 000	100,00	6 000	6 000	46 428	34 065	43 002	22 123	14 997	29 019
SR-Forretningsservice	100	100,00	1 000	100	817	177	695	447	178	125
SpareBank 1 SR-Fondsforvaltning	1 000	100,00	10 000	1 000	11 900	3 878	4 351	10 902	-4 719	11 636
Kvinnherad Sparebank Eigedom	15 000	100,00	3 000	15 000	23 606	231	1 048	878	122	15 061
Total other investments				58 700	500 951	239 635	437 757	356 919	59 866	275 293
Total investments in subsidiaries parent bank				225 700	5 506 070	4 804 425	600 969	395 332	115 748	693 979

2009										
SpareBank 1 SR-Finans	167 000	100,00	334 000	167 000	5 088 748	4 678 748	182 068	33 185	82 183	337 233
Total investments in credit institutions				167 000	5 088 748	4 678 748	182 068	33 185	82 183	337 233
EiendomsMegler 1 SR-Eiendom	1 500	100,00	150	1 500	182 425	159 775	319 539	278 536	29 443	18 120
Westbroker Finans	100	100,00	100	100	-	-	-	-	-	-
SR-Investering	35 000	100,00	3 500	35 000	176 302	5 379	-3 207	4 858	-7 402	161 847
SR-Forvaltning	6 000	100,00	6 000	6 000	42 713	34 678	40 154	21 228	13 588	29 019
SR-Forretningsservice	100	100,00	1 000	100	945	481	2 177	1 822	259	125
Vågen Eiendomsforvaltning	500	100,00	5 000	500	6 172	3 903	13 402	11 455	1 381	19 639
SpareBank 1 SR-Fondsforvaltning	1 000	100,00	10 000	1 000	8 649	832	1 449	6 700	-3 782	8 036
Total other investments				44 200	417 206	205 048	373 514	324 599	33 487	236 786
Total investments in subsidiaries parent bank				211 200	5 505 954	4 883 796	555 582	357 784	115 670	574 019

(continuation note 24)

Investments in associated companies and joint ventures

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
1 204	2 253	**2 448**	Book value as at 1.1.	**3 499**	3 127	1 953
925	174	**904**	Additions/disposals	**904**	174	925
124	21	**-**	Acquisitions	**-**	21	124
-	-	**-**	Change in equity	**-66**	-35	3
-	-	**-**	Dilution gain	**-**	-	1
-	-	**-**	Badwill	**-**	-	44
-	-	**-**	PPA amortisation	**28**	7	22
-	-	**-**	Share of profit/loss	**181**	260	219
-	-	**-**	Dividend paid	**-157**	-55	-164
2 253	2 448	**3 352**	**Book value as at 31.12.**	**4 389**	3 499	3 127
-	-	**-**	Share of profit from SpareBank 1 Gruppen	**96**	166	162
-	-	**-**	Share of profit from SpareBank 1 Boligkreditt	**24**	25	28
-	-	**-**	Share of profit from SpareBank 1 Næringskreditt	**7**	2	-
-	-	**-**	Share of profit from BN Bank	**36**	33	29
-	-	**-**	Share of profit from Bank 1 Oslo Akershus	**16**	37	-
-	-	**-**	Share of profit from Alliansesamarbeidet SpareBank 1	**-**	-3	-
-	-	**-**	Share of profit from Samarbeidende Sparebanker Bankinvest	**2**	-	-
156	23	**86**	Dividend from SpareBank 1 Gruppen	**-**	-	-
7	32	**26**	Dividend from SpareBank 1 Boligkreditt	**-**	-	-
-	-	**2**	Dividend from SpareBank 1 Næringskreditt	**-**	-	-
-	-	**7**	Dividend from Bank 1 Oslo Akershus	**-**	-	-
-	-	**36**	Dividend from BN Bank	**-**	-	-
1	-	**-**	Dividend from Vågen Eiendomsmegling	**-**	-	-
164	55	**157**	**Total income**	**181**	260	219

Investments in all the companies are assessed using the cost method in the parent bank and the equity method in the Group. Investments in associated companies in the Group as at 31.12.2011 includes goodwill amounting to NOK 23 million (NOK 23 million in 2010).

(continuation note 24)

The Group's ownership interests in associated companies and joint ventures
(figures in NOK million)

2011		**Assets**	**Liabilities**	**Income**	**Expenses**	**Profit or loss**	**Book value 31.12.**	**Percentage stake**	**No. of shares**
SpareBank 1 Gruppen	Oslo	8 188	7 234	1 750	1 674	93	977	19,50	364 728
Alliansesamarbeidet SpareBank 1	Oslo	97	78	101	101	-	18	17,74	
SpareBank 1 Boligkreditt	Stavanger	50 795	48 820	42	9	24	1 970	34,40	12 969 461
Admi-senteret	Jørpeland	-	-	-	-	-	2	50,00	80
BN Bank	Trondheim	9 572	8 830	115	55	36	724	23,50	3 052 258
SpareBank 1 Næringskreditt	Stavanger	2 861	2 492	14	3	7	370	30,71	2 898 722
Bank 1 Oslo Akershus	Oslo	5 498	5 188	155	122	16	310	19,50	665 709
Samarbeidene Sparebanker Bankinvest	Oslo	19	-	2	-	2	18	3,15	327
Total		**77 030**	**72 642**	**2 179**	**1 964**	**178**	**4 389**		

2010									
SpareBank 1 Gruppen	Oslo	7 909	6 974	1 997	1 805	160	951	19,50	347 568
Alliansesamarbeidet SpareBank 1	Oslo	68	49	73	73	-	18	17,74	
SpareBank 1 Boligkreditt	Stavanger	30 021	28 648	43	8	25	1 376	28,57	8 999 754
Admi-senteret	Jørpeland	11	9	3	3	-	2	50,00	80
BN Bank	Trondheim	9 700	8 995	111	58	33	661	23,50	2 909 378
SpareBank 1 Næringskreditt	Stavanger	2 016	1 838	4	1	2	178	24,13	1 409 184
Bank 1 Oslo Akershus	Oslo	5 252	4 955	166	107	37	296	19,50	665 709
Samarbeidene Sparebanker Bankinvest	Oslo	18	-	1	-	1	17	3,15	315
Total		54 995	51 468	2 398	2 055	258	3 499		

2009									
SpareBank 1 Gruppen	Oslo	11 969	10 922	2 109	1 881	172	1 061	19,50	347 568
Alliansesamarbeidet SpareBank 1	Oslo	56	35	89	92	-3	21	17,74	
SpareBank 1 Boligkreditt	Stavanger	28 445	27 202	46	7	29	1 244	33,77	8 073 803
Vågen Eiendomsmegling	Stavanger	1	1	2	2	-	3	49,00	490
Admi-senteret	Jørpeland	11	9	2	2	-	1	50,00	80
BN Bank	Trondheim	11 174	10 496	119	63	29	625	23,50	2 909 378
SpareBank 1 Næringskreditt	Stavanger	1 948	1 776	2	1	-	172	23,50	1 372 400
Total		53 604	50 441	2 369	2 048	227	3 127		

NOTE 25 BUSINESS COMBINATIONS

Kvinnherad Sparebank was acquired with accounting effect from 1.11.2010 inasmuch as SpareBank 1 SR-Bank acquired all of the assets and liabilities of Kvinnherad Sparebank. In connection with the acquisition, SpareBank 1 SR-Bank has paid the following, at fair value:

Acquisition analysis	Kvinnherad Sparebank 31.10.2010	Excess of purchase price over net assets acquired	SpareBank 1 SR-Bank 1.11.2010
Payment			
Fair value of equity certificates issued (6 069 934)			348
Total payment			**348**
Cash with and receivables from central banks	20		20
Loans to and receivables from credit institutions	99		99
Net loans to customers	3 338	39	3377
Securities	275	38	313
Tangible fixed assets	21		21
Other assets	22		22
Deferred tax benefit	3	11	14
Debt to credit institutions	-140		-140
Deposits from customers	-2 381		-2381
Debt raised through issuance of securities	-840		-840
Other liabilities	-12	-30	-42
Subordinated loan capital	-115		-115
	290	**58**	**348**

Kvinnherad Sparebank was converted into a foundation - SpareBank 1-Stiftinga Kvinnherad.
In connection with SpareBank 1 SR-Bank taking over Kvinnherad Sparebank NOK 20 mill kroner was transferred to SpareBank 1 Stiftinga Kvinnherad from SpareBank 1 SR-Bank's endowment fund.
In addition, NOK 10 million was granted to Stiftelsen SR-Bank Næringsutvikling Sunnhordland and Odda (a business development foundation).

NOTE 26 SIGNIFICANT TRANSACTIONS BETWEEN RELATED PARTIES

(figures in NOK million)

By related parties is meant associated companies, joint ventures and subsidiaries and close parties of senior employees and members of the Board. The bank's outstandings with senior employees and members of the Board of Directors are shown in note 9.

Subsidiaries

2011	Loans 31.12.	Deposits 31.12.	Interest income	Interest expenses	Commission income	Other income	Operating expenses
SR-Finans	4 615	2	155	-	13	-	-
EiendomsMegler 1	-	78	5	20	-	1	2
SR-Forvaltning	-	36	-	1	24	-	-
SR-Investering	-	50	-	2	-	-	1
SR-Forretningsservice	-	1	-	-	-	-	-
EiendomsMegler 1 Drift	-	2	-	-	-	-	2
Kvinnherad Eigedom	-	6	-	-	-	-	-
Total subsidiaries	**4 615**	**175**	**160**	**23**	**37**	**1**	**5**

2010							
SR-Finans	4 346	2	132	-	12	-	-
EiendomsMegler 1	-	74	3	12	-	1	1
SR-Forvaltning	-	31	-	1	24	-	-
SR-Investering	-	58	-	1	-	-	2
SR-Forretningsservice	-	1	-	-	-	-	-
SR-Fondsforvaltning	-	4	-	-	2	-	-
Vågen Eiendomsforvaltning	-	-	-	-	-	-	-
Total subsidiaries	4 346	170	135	14	38	1	3

2009							
SR-Finans	4 454	2	133	-	16	-	-
EiendomsMegler 1	-	76	-	8	-	1	5
SR-Forvaltning	-	7	-	-	15	-	-
SR-Investering	-	54	-	1	-	-	-
SR-Forretningsservice	-	1	-	-	-	-	1
SR-Fondsforvaltning	-	3	-	-	-	-	-
Vågen Eiendomsforvaltning	-	4	-	-	-	-	-
Total subsidiaries	4 454	147	133	9	31	1	6

(continuation note 26)

Associated companies and joint ventures

2011	**Loans 31.12.**	**Deposits 31.12.**	**Interest income**	**Interest expenses**	**Commission income**	**Other income**	**Operating expenses**
SpareBank 1 Gruppen	42	10	1	-	210	-	-
Alliansesamarbeidet SB1	-	-	-	-	-	-	132
SpareBank 1 Boligkreditt	-	1 084	-	37	85	-	-
Admisenteret	17	1	1	-	-	-	-
SpareBank 1 Næringskreditt	-	291	-	15	2	-	-
Total associated companies and joint ventures	**59**	**1 386**	**2**	**52**	**297**	**-**	**132**

2010							
SpareBank 1 Gruppen	59	8	1	-	165	-	-
Alliansesamarbeidet SB1	-	-	-	-	-	-	92
SpareBank 1 Boligkreditt	-	3 545	-	91	156	-	-
Admisenteret	18	1	1	-	-	-	-
Vågen Eiendomsmegling	-	-	-	-	-	-	-
SpareBank 1 Næringskreditt	-	99	-	1	1	-	-
Total associated companies and joint ventures	77	3 653	2	92	322	-	92

2009							
SpareBank 1 Gruppen	59	14	1	-	158	-	-
Alliansesamarbeidet SB1	-	-	-	-	-	-	93
SpareBank 1 Boligkreditt	-	2 728	-	63	146	-	-
Admisenteret	19	-	1	-	-	-	-
Vågen Eiendomsmegling	-	1	-	-	-	-	
Total associated companies and joint ventures	78	2 743	2	63	304	-	93

Transactions with parties closely related to executive management.

There are no transactions with parties closely related to the executive management.

Transactions with parties closely related to the Board

There are no transactions with parties closely related to the Board except for parties close to Board member Erik Edward Tønnesen who has loans of NOK 11.7 million and interest on loans by NOK 0.7 million.

NOTE 27 TANGIBLE FIXED ASSETS

(figures in NOK million)

Parent Bank					Group			
Buildings and real estate	Investment property	Machinery, fixture and fittings	Total		Buildings and real estate	Investment property	Machinery, fixture and fittings	Total
265	22	545	832	Acquisition cost 1.1.2011	280	23	608	911
22	-10	70	82	Additions [2]	22	-10	78	90
-	-	-	-	Disposals	7	-	1	8
287	12	615	914	Acquisition cost 31.12.2011	295	13	685	993
				Accumulated depreciation				
96	12	358	466	and write-downs 1.1.2011	97	13	409	519
5	-	63	68	The year's depreciation	7	-	67	74
-	-	-	-	The year's disposals	-	-	1	1
				Accumulated depreciation				
101	12	421	534	and write-downs 31.12.2011	104	13	475	592
186	**-**	**194**	**380**	**Book value 31.12.2011**	**191**	**-**	**210**	**401**
437				**Fair value**	**437**			
196	22	495	713	Acquisition cost 1.1.2010	196	639	553	1 388
69	-	50	119	Additions [1]	84	-	56	140
-	-	-	-	Disposals	-	616	1	617
265	22	545	832	Acquisition cost 31.12.2010	280	23	608	911
				Accumulated depreciation				
94	10	300	404	and write-downs 1.1.2010	94	11	348	453
2	2	58	62	The year's depreciation	3	5	62	70
-	-	-	-	The year's disposals	-	3	1	4
				Accumulated depreciation				
96	12	358	466	and write-downs 31.12.2010	97	13	409	519
169	10	187	366	Book value 31.12.2010	183	10	199	392
326	42			Fair value	341	42		
212	19	541	772	Acquisition cost 1.1.2009	211	20	597	828
-	3	67	70	Additions [1]	1	619	69	689
16	-	113	129	Disposals	16	-	113	129
196	22	495	713	Acquisition cost 31.12.2009	196	639	553	1 388
				Accumulated depreciation				
92	10	344	446	and write-downs 1.1.2009	91	11	389	491
4	-	61	65	The year's depreciation	5	-	64	69
2	-	105	107	The year's disposals	2	-	105	107
				Accumulated depreciation				
94	10	300	404	and write-downs 31.12.2009	94	11	348	453
102	12	195	309	Book value 31.12.2009	102	628	205	935
239	39			Fair value	241	655		

[1] Includes the acquisition of Kvinnherad Sparebank, NOK 21 million. See note 25.

[2] In previous years, buildings in which a small portion of the building has been leased out, have been classified as investment property. In 2011, they have been transferred to buildings and real estate. The Group uses significant parts for its own business, and these properties are therefore, not considered to be investment properties.

(continuation note 27)

Pledges

The Group has not mortgaged/pledged or accepted any other disposal restrictions on its tangible fixed assets.

Revaluation/ depreciation

The Group does not make regular revaluations of tangible fixed assets. In connection with the initial implementation of IFRS, buildings were valued at cost less accumulated depreciation in accordance with current Norwegian legislation. Percentage rate of depreciation is 14 to 33 per cent for machinery, equipment and vehicles, and 2 per cent for bank buildings, investment property and other real estate.

Buildings, real estate and investment properties

Of the total book value of buildings and real estate NOK 166 million is for use in the banking business. The fair value of buildings is determined by appraisal. Sites, buildings and parts of buildings that are owned by the Group in order to achieve rental income and/or an appreciation in value are defined as investment property. In the case of properties where the Group occupies a significant share for its own business, no part of the property is considered investment property, even if a smaller part is leased out. The Group has elected to account for the investment properties using the cost method.

Operational leases

The group has no significant operational leases.

INVESTMENT PROPERTIES

Parent Bank						Group				
Value 1.1.2011	**Additions/ disposals/ depreciation**	**Value 31.12.2011**	**Rental income.**	**Leased as at 31.12.2011**		**Value 1.1.2011**	**Additions/ disposals/ depreciation**	**Value 31.12.2011**	**Rental income.**	**Leased as at 31.12.2011**
5	-5	-		-	Bjergsted Terrasse	5	-5	-	-	
5	-5	-		-	Domkirkeplassen	5	-5	-	-	
10	**-10**	**-**	**-**		**Total**	**10**	**-10**	**-**	**-**	**-**

Value 1.1.2010	**Additions/ disposals/ depreciation**	**Value 31.12.2010**	**Rental income.**	**Leased as at 31.12.2010**		**Value 1.1.2010**	**Additions/ disposals/ depreciation**	**Value 31.12.2010**	**Rental income.**	**Leased as at 31.12.2010**
6	-1	5	1	10 %	Bjergsted Terrasse	6	-1	5	-	10 %
6	-1	5	1	30 %	Domkirkeplassen	6	-1	5	1	30 %
-	-	-	-	-	Energiveien	616	-616	-	-	-
12	-2	10	2		**Total**	628	-618	10	1	

Value 1.1.2009	**Additions/ disposals/ depreciation**	**Value 31.12.2009**	**Rental income.**	**Leased as at 31.12.2009**		**Value 1.1.2009**	**Additions/ disposals/ depreciation**	**Value 31.12.2009**	**Rental income.**	**Leased as at 31.12.2009**
3	3	6	1	10 %	Bjergsted Terrasse	3	3	6	-	10 %
6	-	6	1	30 %	Domkirkeplassen	6	-	6	1	30 %
-	-	-	-	-	Energiveien	-	616	616	44	100 %
9	3	12	2		**Total**	9	619	628	45	

NOTE 28 INTANGIBLE ASSETS

(figures in NOK million)

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
-	-	**-**	Acquisition cost 1.1.	**74**	52	32
-	-	**-**	Additions	**-**	22	20
-	-	**-**	Disposals	**-**	-	-
-	-	**-**	Acquisition cost 31.12.	**74**	74	52
-	-	**-**	Accumulated depreciation and write-down 1.1.	**14**	12	12
-	-	**-**	Write down in the period	**6**	2	-
-	-	**-**	Accumulated depreciation and write-down 31.12.	**20**	14	12
-	-	**-**	**Book value 31.12.**	**54**	60	40

The amounts are the differences between identifiable assets including excess of purchase price over acquired assets in the acquired company, and the cost of the shares. The elements in the goodwill item relate to future earnings in the company supported by the calculations of the present value of expected future earnings, which document a future economic benefit from acquiring the company.

The book value as at 31.12.2011 is made up of NOK 19 million in goodwill linked to the acquisition of 100 per cent of the shares Vågen Eiendomsforvaltning AS in June 2007, and NOK 20 million linked to the acquisition of 33.3 per cent of the shares in SR-Forvaltning AS in May 2009.

NOK 1 million of the book value at 31.12.2011 relates to goodwill in EiendomsMegler 1 SR-Eiendom AS from previous years. The elements in the goodwill item are assessed annually and written down necessary. In 2011, based on a concrete assessment, a write-down of NOK 1 million was made.

NOK 7 million of the book value relates to goodwill and NOK 3 million to excess value in Eiendomsmegler 1 SR-Eiendom AS's customer portfolio in connection with the acquisition of Boligbyrået AS in 2010. In 2010 and 2011, the excess in the customer portfolio was written down by NOK 2 million and NOK 3 million respectively, totalling NOK 5 million. The elements in the goodwill item are assessed annually and written down if necessary. In 2011, no such write-downs were made.

NOK 5 million of the book value relates to goodwill in EiendomsMegler 1 SR-Eiendom AS relating to the acquisition of 51 per cent of Vågen Eiendomsmegling AS in 2010. The elements in the goodwill item are assessed annually and written down if necessary. In 2011, no such write-downs were made.

NOK 2 million of the book value at 31.12.2010 was related to goodwill in EiendomsMegler 1 SR-Eiendom AS from to the acquisition of 100 per cent of Eiendomsmegler 1 Sunnhordland AS in 2010. The elements in the goodwill item are assessed annually and written down if necessary . In 2011, following a specific assessment, a write-down of NOK 2 million was made.

NOTE 29 OTHER ASSETS

(figures in NOK million)

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
35	35	**35**	Paid in capital SR-Bank Pension Fund	**35**	35	35
110	63	**35**	Other assets	**189**	166	187
170	335	**207**	Other income earned but not received	**214**	342	177
15	2	**-**	Pre-paid expenses	**4**	6	20
330	435	**277**	**Total other assets**	**442**	549	419

NOTE 30 DEPOSITS FROM CUSTOMERS

(figures in NOK million)

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
44 692	55 450	**53 276**	Deposits from and debt to customers, at call	**53 118**	55 281	44 527
9 770	5 456	**10 898**	Deposits from and debt to customers, with agreed maturity	**10 884**	5 456	9 759
50	33	**40**	Accrued interest	**40**	33	50
54 512	60 939	**64 214**	**Total deposits from customers**	**64 042**	60 770	54 336
			Deposits by sector and industry			
893	969	**1 019**	Agriculture/forestry	**1 019**	969	893
101	132	**161**	Fisheries/fish farming	**161**	132	101
1 022	1 080	**1 233**	Mining operations and extraction	**1 233**	1 080	1 022
1 245	1 378	**942**	Industry	**942**	1 378	1 245
1 850	3 190	**1 418**	Power and water supply/building and construction	**1 418**	3 190	1 850
1 855	1 848	**1 977**	Retail trade, hotels and restaurants	**1 977**	1 848	1 855
1 334	1 391	**1 149**	Overseas shipping, pipeline transport and other transport	**1 149**	1 391	1 334
3 998	4 075	**4 600**	Property management	**4 600**	4 075	3 969
6 703	7 213	**8 234**	Service sector	**8 234**	7 044	6 556
10 281	10 947	**11 996**	Public sector and financial services	**11 824**	10 947	10 281
29 282	32 223	**32 729**	**Total industry**	**32 557**	32 054	29 106
25 180	28 683	**31 445**	Retail customers	**31 445**	28 683	25 180
50	33	**40**	Accrued interest industry and retail customers	**40**	33	50
54 512	60 939	**64 214**	**Total deposits distributed by sector and industry**	**64 042**	60 770	54 336
			Deposits distributed by geographic area			
43 511	46 341	**50 084**	Rogaland	**49 912**	46 172	43 335
2 114	2 295	**2 705**	Agder counties	**2 705**	2 295	2 114
1 578	4 719	**5 557**	Hordaland	**5 557**	4 719	1 578
610	1 340	**635**	International	**635**	1 340	610
6 699	6 244	**5 233**	Other	**5 233**	6 244	6 699
54 512	60 939	**64 214**	**Total deposits distributed by geographic area**	**64 042**	60 770	54 336

NOTE 31 DEBT RAISED BY ISSUANCE OF SECURITIES

(figures in NOK million)

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011		Group 2011	Group 2010	Group 2009
36 527	38 900	**34 593**	Bonds [1]	**34 593**	38 900	36 527
776	1 043	**1 340**	Value adjustments	**1 340**	1 043	776
220	364	**405**	Accrued interest	**405**	364	220
37 523	40 307	**36 338**	**Total debt raised by issuance of securities**	**36 338**	40 307	37 523
3,3 %	2,8 %	**3,4 %**	Average interest rate	**3,4 %**	2,8 %	3,3 %

			Debt raised by issuing securities distributed by maturity date [1]	**Forfall**			
6 362	-	**-**		2010	**-**	-	6 362
6 196	5 378	**-**		2011	**-**	5 378	6 196
6 040	5 985	**5 893**		2012	**5 893**	5 985	6 040
10 341	10 350	**10 035**		2013	**10 035**	10 350	10 341
5 600	5 558	**5 723**		2014	**5 723**	5 558	5 600
-	5 024	**5 106**		2015	**5 106**	5 024	-
1 040	5 678	**7 046**		2016	**7 046**	5 678	1 040
397	176	**180**		2017	**180**	176	397
579	587	**605**		2018	**605**	587	579
147	150	**213**		2019	**213**	150	147
-	630	**669**		2020	**669**	630	-
110	17	**17**		2024	**17**	17	110
86	-	**-**		2035	**-**	-	86
209	208	**239**		2037	**239**	208	209
196	202	**207**		2046	**207**	202	196
220	364	**405**	Accrued interest		**405**	364	220
37 523	40 307	**36 338**	**Total debt raised by issuance of securities**		**36 338**	40 307	37 523

			Debt raised by issuance of securities by currency [1]			
19 178	18 744	**17 688**	NOK	**17 688**	18 744	19 178
14 305	20 432	**17 721**	EUR	**17 721**	20 432	14 305
2 719	-	**-**	USD	**-**	-	2 719
607	523	**524**	SEK	**524**	523	607
494	244	**-**	Other	**-**	244	494
220	364	**405**	Accrued interest	**405**	364	220
37 523	40 307	**36 338**	**Total debt raised by issuance of securities**	**36 338**	40 307	37 523

[1] Own bonds and certificates have been deducted

Change in debt raised by issuing securities [2]	**Balance 31.12.2010**	**Issued 2010**	**Matured/ redeemed 2011**	**Exchange rate and other changes 2011**	**Balance 31.12.2011**
Bonds, nominal value	38 900	2 032	6 350	11	**34 593**
Value adjustments	1 043	-	-	297	**1 340**
Accrued interest	364	-	-	41	**405**
Total debt raised by issuance of securities	40 307	2 032	6 350	349	**36 338**

[2] The note is identical for the parent bank.

NOTE 32 OTHER LIABILITIES

(figures in NOK million)

Parent Bank				Group		
2009	2010	**2011**	**Other liabilities**	**2011**	2010	2009
512	517	**584**	Pension liabilities (note 33)	**703**	616	593
8	3	**2**	Specified loss provisions guarantees	**2**	3	8
29	3	**-**	Other specified provisions	**-**	3	29
11	18	**26**	Accounts payable	**31**	25	18
27	31	**34**	Tax withholdings	**49**	44	38
429	324	**358**	Other liabilities	**371**	348	521
50	51	**60**	Accrued holiday pay	**81**	70	66
144	116	**97**	Other accrued expenses	**147**	179	188
1 210	1 063	**1 161**	**Total other liabilities**	**1 384**	1 288	1 461
			Guarantees issued (amounts guaranteed)			
1 017	1 566	**1 896**	Payment guarantees	**1 896**	1 566	1 017
2 687	2 257	**3 007**	Performance bonds	**3 007**	2 257	2 687
360	1 327	**1 750**	Loan guarantees	**1 750**	1 327	360
38	36	**45**	Guarantees for taxes	**45**	36	38
2 053	3 279	**3 070**	Other guarantee liabilities	**3 070**	3 279	2 053
98	47	**-**	Guarantee in favour of the Norwegian Banks' Guarantee Fund	**-**	47	98
6 253	8 512	**9 768**	**Total guarantees issued**	**9 768**	8 512	6 253
			Other liabilities			
12 312	12 955	**12 256**	Unutilised credit lines	**12 256**	12 955	12 312
3 104	2 751	**3 386**	Loans approved, not disbursed	**3 927**	2 988	3 263
3	9	**9**	Documentary letters of credit	**9**	9	3
15 419	15 715	**15 651**	**Total other liabilities**	**16 192**	15 952	15 578
22 882	25 290	**26 580**	**Total liabilities**	**27 344**	25 752	23 292
			Secured debt			
12 528	16 331	**17 322**	Securities lodged as collateral	**17 322**	16 331	12 528

On-going legal disputes

The Group is a party in a number of court cases with a total financial scope that is not considered to be significant, inasmuch as the Group has made provisions for losses in those cases where it is assumed more likely than not that the Group will incur a loss as a result of the cases.

Operational lease payments

The Group's operational leases have terms of 3-5 years. The annual cost is approximately NOK 8 million. Leasing agreements are normally arranged through SpareBank 1 SR-Finans AS.

NOTE 33 PENSIONS (WITH DIRECT RECOGNITION OF ACTUARIAL ESTIMATE DEVIATIONS)

SpareBank 1 SR-Bank Group has collective pension schemes for its employees. The pension schemes for SpareBank 1 SR-Bank, SR-Forvaltning AS, SR-Investering AS, SR-Finans AS, EiendomsMegler 1 SR-Eiendom AS and EiendomsMegler 1 Drift AS are covered by the Group's pension fund. The company's and the Group's pension schemes comply with the requirements in the Act on mandatory occupational insurance.

SpareBank 1 SR-Bank, SR-Forvaltning AS, SR-Investering AS, SR-Finans AS, EiendomsMegler 1 SR-Eiendom AS and EiendomsMegler 1 Drift AS have uniform schemes in which the principal terms are a contribution period of 30 years, 70 per cent pension relative to the pension basis as at 1 January in the year the employee reaches the age of 67, as well as a disability and children's pension. All pension benefits are coordinated with expected National Insurance benefits. If changes are made to the National Insurance scheme that entail a reduction in benefits, such reductions will not be compensated through the pension schemes. As at 31 December 2011, the pension schemes had 1,257 active members (826 active members in the bank) and 385 pensioners (361 bank pensioners).

In addition to the pension liabilities that are covered through the pension fund, the Group has uncovered pension liabilities that cannot be covered by the assets in the collective schemes. The liabilities apply to people that are not enrolled in the insurance schemes, supplementary pensions in excess of 12G (G = the National Insurance basic amount), ordinary early retirement pensions and contractual early retirement pension (AFP)

The Group also has a defined contributions scheme.

On 24 March 2011, the Supervisory Board resolved changes in the current pensions scheme for SpareBank 1 SR-Bank Group. The defined benefit scheme was closed with the possibility of a voluntary transition to a defined contribution plan for employees who were members before the closing date, 1 April 2011. No changes were made in old-age pension coverage in the remaining defined benefit plan, otherwise, the following changes made: Surviving spouse pension/partner pension ceased and a paid-up policy was issued for pension rights earned up to 1 April 2011. Disability and children's pensions continued as before, but without paid-up policy earnings for the employees. Premium exemption for new disability pensioners and children were continued as before.

The new AFP scheme, which applies with effect from 1.1.2011, is to be regarded as a defined benefit multi-company scheme, but is accounted for as a defined contribution scheme until adequate reliable information is available to allow the bank and the Group to account for its proportional share of the pension costs, the pension liabilities and the pension funds in the scheme. Thus, the bank's and the Group's liabilities are not recognised in the balance sheet as liabilities as at 31 December 2010. The AFP liability under the old scheme was recorded as a liability and was taken to income in 2010 with the exception of the liability linked to the former employees who are now pensioners under the scheme.

Estimated values are used when assessing pension assets and measuring accrued liabilities. These estimates are corrected every year in accordance with the fair value of the pension assets in the pension fund, statements of the transfer value of pension assets from the insurance company, and actuarial calculations regarding the size of the liabilities. The calculation of future pensions is based on the following assumptions:

The following economic assumptions have been made when calculating pension liabilities:

	2011	2010	2009
Discount rate	**2,40 %**	4,00 %	4,40 %
Expected yield on assets	**6,00 %**	6,00 %	6,00 %
Future wage developments	**4,00 %**	4,00 %	4,50 %
Adjustment of basic amount (G)	**3,75 %**	4,25 %	4,25 %
Pension adjustment	**2,00 %**	3,75 %	3,50 %
Employer's Nat. Ins. contribution	**14,10 %**	14,10 %	14,10 %
Voluntary retirement	**5% before 45 years. 2% after 45 years**	5% before 45 years. 2% after 45 years	5% before 45 years. 2% after 45 years
Expected contractual early retirement from 62 years			25% at 62 years and a further 25% at 64 years

The assumptions for mortality are based on published statistics and historical data.

Average life expectancy (in number of years) on the balance sheet date for a person who retires at the age of 65 is as follows::

Male	**19,3 years**	19,3 years	19,3years
Female	**21,8 years**	21,8 years	21,8 years

Average life expectancy (in number of years) 20 years after the balance sheet date for a person who retires at the age of 65 is as follows::

Male	**19,3 years**	19,3 years	19,3 years
Female	**21,8 years**	21,8 years	21,8 years

The calculations are based on standardised assumptions regarding mortality and disability trends and other demographic factors prepared by the Association of Norwegian Insurance Companies (Norges Forsikringsforbund). The mortality assumptions are based on published statistics and historical data.

(continuation note 33)

(figures in NOK million)

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
			Book value of liabilities			
328	358	**412**	Pension benefits – insured scheme	**521**	440	388
184	159	**171**	Pension benefits – uninsured scheme	**182**	176	205
512	517	**584**	**Total book value of liabilities**	**703**	616	593
			Expenses charged to profit and loss			
76	90	**-131**	Pension benefits – insured scheme	**-154**	111	93
20	-55	**13**	Pension benefits – uninsured scheme	**13**	-64	22
96	35	**-118**	**Total expenses charged to profit and loss**	**-141**	47	115
			Pension liabilities in defined benefit pension schemes			
1 165	1 271	**1 500**	Present value of pension liabilities 1.1	**1 684**	1 424	1 308
81	94	**72**	Pension benefits earned in the period	**86**	112	96
50	56	**49**	Interest expense accrued on pension liabilities	**55**	62	56
16	122	**212**	Actuarial gains and losses (estimate deviations)	**262**	142	8
-41	-42	**-54**	Benefits paid	**-56**	-46	-44
	-68	**-258**	Reductions and settlements	**-355**	-78	
-	-	**-**	Change in earlier periods' earnings	**55**	-	-
-	68	**-**	Other changes	**-**	68	-
1 271	1 501	**1 521**	**Present value of pension liabilities 31.12.**	**1 730**	1 684	1 424
1 105	1 356	**1 366**	of which fund based	**1 566**	1 525	1 241
166	145	**155**	of which not fund based	**164**	159	184
			Pension assets			
853	823	**1 047**	Pension assets 1.1.	**1 143**	905	929
47	58	**62**	Expected yield in the period	**69**	64	51
-109	71	**-43**	Actuarial gains and losses (estimate deviation)	**-43**	73	-114
73	93	**95**	Employer's contribution	**108**	104	74
-41	-42	**-52**	Benefits paid	**-56**	-47	-35
		-97	Reductions and settlements	**-104**		
-	44	**-**	Other changes	**-**	44	-
823	1 047	**1 012**	**Pension assets 31.12.**	**1 116**	1 143	905
			Net pension liabilities in balance sheet			
1 271	1 501	**1 521**	Present value of pension liabilities 31.12.	**1 730**	1 684	1 424
823	1 047	**1 012**	Pension assets 31.12.	**1 116**	1 143	905
448	454	**509**	Net pension liabilities 31.12.	**614**	541	519
64	63	**75**	Employer's Nat. Insurance contribution	**89**	75	73
512	517	**584**	**Net pension liabilities in balance sheet**	**703**	616	592
			Pension costs for the period			
81	94	**72**	Defined benefits earned in period	**86**	112	96
50	54	**49**	Interest costs accrued in period	**55**	62	56
-47	-58	**-62**	Expected yield on pension assets	**-69**	-64	-51
	-68	**-162**	Reductions and settlements	**-251**	-78	
-	-	**-**	Benefits earned in prior periods included in the period	**55**	-	-
84	22	**-103**	Net defined benefit pension costs excluding employer's Nat. Ins. contribution	**-123**	32	101
12	13	**-15**	Accrued employer's Nat. Insurance contribution	**-18**	15	14
96	35	**-118**	Net defined benefit pension expenses recognised in profit and loss	**-141**	47	115
-	-	**2**	Contribution based pension costs	**3**	-	-
96	35	**-116**	**The period's pension costs recorded over profit and loss**	**-138**	47	115
			Actuarial gains and losses (estimate deviations)			
143	49	**291**	Actuarial gains and losses included in equity for period	**346**	68	140
348	397	**688**	Cumulative actuarial gains and losses included in equity	**804**	458	390
47	58	**62**	Expected yield on pension assets	**69**	64	51
69	53		Actual yield on pension assets		59	75

(continuation note 33)

The expected yield on assets is the expected yield taking into account the investment strategy adopted in the plans. The expected yield on fixed income securities is based on the effective interest rate of the securities at the balance sheet date. The expected yield on equity instruments and investments in real estate reflects the long-term return achieved in the respective markets.

Composition of the Group's pension assets	**2011**	2010	2009
Real estate	**19**	17	17
- of which used by the bank	**-**		-
Shares	**198**	239	128
Other assets	**899**	887	760
Total pension assets	**1 116**	1 143	905

Development the last five years in defined benefit pension schemes in Group	**2011**	2010	2009	2008	2007
Present value of pension liabilities as at 31 December	**1 730**	1 684	1 424	1 308	1 071
Pension assets as at 31 December.	**1 116**	1 143	905	929	847
Net deficit	**614**	541	519	379	224

Expected premium paid for 2012 is NOK 65 million for the parent bank and NOK 74 million for the Group.

NOTE 34 SUBORDINATED LOAN CAPITAL

(figures in NOK million)

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011	Principal		Terms	Maturity	First maturity date	Group 2011	Group 2010	Group 2009
			Non-perpetual							
-	-	**658**	750	NOK	3 month Libor + margin	2021	2016	**658**	-	-
853	960	**1 014**	13 000	JPY	3 month Libor + margin	2012	2012	**1 014**	960	853
499	499	**469**	500	NOK	3 month Nibor + margin	2018	2013	**469**	499	499
450	450	**362**	450	NOK	3 month Nibor + margin	2017	2012	**362**	450	450
-	86	**84**	75	NOK	3 month Nibor + margin	2019	2014	**84**	86	-
1 802	1 995	**2 587**	**Total non-perpetual**					**2 587**	1 995	1 802
			Perpetual							
429	439	**-**	75	USD	3 month Libor + margin			**-**	439	429
173	179	**-**	200	SEK	3 month Stibor + margin			**-**	179	173
170	170	**-**	170	NOK	3 month Nibor + margin			**-**	170	170
772	788	**-**	**Total perpetual**					**-**	788	772
			Hybrids							
-	-	**992**	1 000	NOK	3 month Nibor + margin			**992**	-	-
493	495	**485**	75	USD	3 month Libor + margin			**485**	495	493
669	686	**719**	684	NOK	3 month Nibor + margin			**719**	686	669
113	115	**115**	116	NOK	3 month Nibor + margin			**115**	115	113
-	40	**40**	40	NOK	3 month Nibor + margin			**40**	40	-
1 275	1 336	**2 351**	**Total hybrids**					**2 351**	1 336	1 275
22	25	**37**	Accrued interest					**37**	25	22
3 871	4 144	**4 975**	**Total subordinated loan capital**					**4 975**	4 144	3 871

Subordinated loan capital and Tier 1 perpetual bonds (hybrids) in foreign currencies are included in the Group's total currency position so that there is no currency risk associated with the loans. Of a total of NOK 4 975 million in subordinated loan capital, NOK 2 273 million is eligible as core capital and NOK 1 564 million as non-perpetual subordinated capital. Capitalised expenses associated with the borrowings are reflected in the calculation of the amortised cost. Hybrid instruments cannot make up more than 15 per cent of the total core capital for non-perpetual bonds and 35 per cent for perpetual hybrids. Any excess amount counts as perpetual subordinated loan capital.

Subordinated loan capital and Tier 1 Perpetual bonds (hybrids)[1)]	**2011**	2010	2009
Ordinary subordinated loan capital, nominal value	**2 575**	1 961	1 763
Perpetual subordinated loan capital, nominal value	**-**	783	761
Hybrid instruments, nominal value	**2 273**	1 268	1 219
Value adjustments	**90**	107	106
Accrued interest	**37**	25	22
Total subordinated loan capital and Tier 1 perpetual bonds (hybrids)	**4 975**	4 144	3 871

Change in debt raised by issuing subordinated loan/Tier 1 perpetual bonds)[1)]	**Balance 31.12. 2010**	**Issued 2011**	**Matured/ redeemed 2011**	**Exchange rate and other changes 2011**	**Balance 31.12. 2011**
Non-perpetual subordinated loan capital, nominal value	1 961	750	-	-136	**2 575**
Perpetual subordinated loan capital, nominal value	783	-	-783	-	**0**
Tier 1 perpetual bonds (hybrids)	1 268	1 000	-	5	**2 273**
Value adjustments	107	-	-	-17	**90**
Accrued interest	25	-	-	12	**37**
Total subordinated loan capital and Tier 1 perpetual bonds (hybrids)	4 144	1 750	-783	-136	**4 975**

1) The note is identical for the parent bank

NOTE 35 CAPITAL ADEQUACY

(figures in NOK million)

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011		Group 2011	Group 2010	Group 2009
3 023	3 183	**3 183**	Equity capital	**3 183**	3 183	3 023
-9	-3	**-3**	- Own equity capital certificates	**-3**	-3	-9
458	625	**625**	Premium reserve	**625**	625	458
759	1 175	**1 448**	Dividend equalisation reserve	**1 448**	1 175	759
212	336	**299**	Allocated to dividend	**299**	336	212
2 241	2 477	**2 631**	Primary capital	**2 631**	2 477	2 241
20	55	**55**	Compensation fund	**55**	55	20
240	372	**293**	Endowment fund	**293**	372	240
127	43	**43**	Reserve for unrealised gains	**43**	43	127
-	-	**-**	Other equity	**1 183**	1 139	1 002
7 071	8 263	**8 574**	**Total book equity**	**9 757**	9 402	8 073
			Core capital			
-	-	**-**	Deferred taxes, goodwill and other intangible assets	**-71**	-77	-42
-1	-2	**-2**	Reserve for unrealised gains available for sale	**-2**	-2	-1
-212	-336	**-299**	Deduction for allocated dividend	**-299**	-336	-212
-367	-373	**-421**	50 % deduction subordinated capital in other financial institutions	**-21**	-21	-17
-327	-268	**-250**	50 % deduction in expected losses IRB less provision for losses	**-255**	-268	-337
-	-	**-**	50 % capital adequacy reserve	**-665**	-645	-552
1 210	1 268	**2 273**	Hybrids	**2 402**	1 389	1 218
7 374	8 552	**9 875**	**Total core capital**	**10 846**	9 442	8 130
			Supplementary capital beyond core capital			
760	783	**-**	Perpetual subordinated capital	**-**	783	760
8	-	**-**	Hybrid capital in excess of 15 % and 35%	**-**	-	-
1 763	1 961	**1 565**	Non-perpetual subordinated capital	**1 776**	2 191	2 045
-367	-373	**-421**	50 % deduction subordinated capital in other financial institutions	**-21**	-21	-17
-327	-268	**-250**	50 % deduction in expected losses IRB less provision for losses	**-255**	-268	-337
-	-	**-**	50 % capital adequacy reserve	**-665**	-645	-552
1 837	2 103	**894**	**Total supplementary capital**	**835**	2 040	1 899
9 211	10 655	**10 769**	**Net subordinated capital**	**11 681**	11 482	10 029
			Minimum capital adequacy requirement Basel II			
2 045	1 953	**2 060**	Participation in specialised enterprises	**2 060**	1 953	2 045
1 752	2 034	**2 104**	Participation in other enterprises	**2 104**	2 042	1 755
30	35	**33**	Participation in mass market SMB	**37**	38	33
416	477	**393**	Participation in mass market private individuals	**758**	680	614
86	86	**75**	Participation in other mass market	**78**	87	93
-	340	**464**	Equity positions	**-**	-	-
4 329	4 925	**5 129**	**Total credit risk IRB**	**5 037**	4 800	4 540
82	122	**97**	Debt risk	**94**	116	82
47	34	**47**	Equity risk	**47**	34	47
-	-	**-**	Currency risk	**-**	-	-
252	295	**331**	Operational risk	**408**	374	320
-	-	**-**	Transition scheme	**861**	566	264
703	605	**625**	Participations calculated using standard method	**1 830**	1 617	1 605
-58	-60	**-67**	Deductions	**-110**	-107	-91
5 355	5 921	**6 162**	**Minimum subordinated capital requirement**	**8 167**	7 400	6 767
13,76 %	14,40 %	**13,98 %**	Capital adequacy ratio	**11,44 %**	12,41 %	11,86 %
11,02 %	11,55 %	**12,82 %**	- of which core capital	**10,62 %**	10,21 %	9,61 %
2,74 %	2,84 %	**1,16 %**	- of which supplementary capital	**0,82 %**	2,21 %	2,26 %

The capital adequacy ratio shall be at least 8 per cent. The equity value of non-perpetual subordinated loans is reduced by 20 per cent every year the last five years prior to maturity. To the extent that the Group has subordinated capital in other financial institutions, this is deducted directly from the Group's own subordinated capital for that part that exceeds 2 per cent of the recipient financial institution's subordinated capital. If the Group has subordinated capital in other financial institutions that amounts to less than 2 per cent of the individual financial institution's subordinated capital, the total of such capital is deducted from the Group's subordinated capital for that part that exceeds 10 per cent of the Group's subordinated capital. In the event that the Group has been ordered to maintain a 100 per cent capital adequacy ratio for specific assets, an amount equal to the asset's book (carrying) value shall be deducted from the subordinated capital and from the basis for the calculation. The basis for the calculation is risk-weighted. The core capital adequacy ratio is 10.62 per cent in 2011 compared with 10.21 per cent in 2010.

NOTE 36 EQUITY CAPITAL REPRESENTED BY EQUITY CAPITAL CERTIFICATES AND OWNERSHIP STRUCTURE

Equity capital

SpareBank 1 SR-Bank's equity capital amounts to NOK 3 182 834 025 divided into 127 313 361 equity certificates each with a nominal value of NOK 25. The equity capital was raised/increased in the following manner and on the following dates.

Year		Change in equity capital	Total equity capital	Number of equity capital certificates
1994	Public issue	744,0	744,0	7 440 000
2000	Private placement with employees	5,0	749,0	7 489 686
2001	Private placement with employees	4,8	753,8	7 538 194
2004	Bonus issue	150,8	904,6	9 045 834
2005	Bonus issue/split	226,1	1 130,7	22 614 585
2007	Private placement	200,0	1 330,7	26 613 716
2007	Bonus issue/split	443,5	1 774,2	70 969 909
2008	Dividend issue	91,7	1 866,0	74 638 507
2008	Private placement with employees	6,6	1 872,6	74 903 345
2009	Bonus issue/split	374,5	2 247,1	89 884 014
2009	Private placement	776,2	3 023,3	120 933 730
2010	Private placement with employees	7,8	3 031,1	121 243 427
2010	Private placement with Kvinnherad Sparebank	151,7	3 182,8	127 313 361

In addition to equity capital represented by equity capital certificates, the equity capital certificate holders' share of the equity in SpareBank 1 SR-Bank consists of an equalisation reserve and a premium reserve. The equalisation reserve is accumulated retained earnings not distributed as annual dividends. This equity is used to stabilise cash dividends or for bonus issues. Other equity includes the savings bank's reserve, the compensation reserve, the endowment fund and fund for unrealised gains. The following was adopted by the Board of Directors of SpareBank 1 SR-Bank on 19 October 2009 as the bank's policy relating to dividends and endowments: "SpareBank 1 SR-Bank aims at paying about half of the profit belonging to the equity certificate holders as dividend and about half of the profit belonging to the savings bank's reserve is distributed as bequests or transferred to foundations for public benefit assuming that the capital strength is satisfactory. When fixing the dividend or deciding on endowments, consideration will be given to the bank's profits trend, the market situation, the stability of dividends as well as the need for core capital. When assessing the distribution of the profit for the year as dividends and as endowments respectively, emphasis will be placed on ensuring that the equity certificate holders' share of the total equity (fractional ownership) remains stable."

Equity capital certificate holders' share of profit/loss

Earnings per equity certificate are calculated by dividing the profit/loss attributable to the holders of equity certificates by the average number of outstanding equity certificates. The profit attributable to equity certificate holders corresponds to the equity capital's, equalisation reserve's and premium reserve's share of the bank's total equity less the fund for unrealised gains.

Trading in own equity certificates in 2011

(figures in NOK 000s)

Holding as at 31.12.2010	3 331
Traded in 2011	-
Holding as at 31.12.2011	**3 331**

(continuation note 36)

The 20 largest equity capital certificate holders as at 31 December 2011

Holder	Equity certificates	Percentage ownership
Gjensidige Forsikring ASA	20 713 065	16,3%
SpareBank 1-stiftinga Kvinnherad	6 069 934	4,8%
Odin Norge	3 598 122	2,8%
Odin Norden	3 091 553	2,4%
Clipper AS	1 685 357	1,3%
Frank Mohn AS	1 666 142	1,3%
Trygve Stangeland 's estate	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%
State Street Bank and Trust, U.S.A.	1 080 213	0,8%
Trygves Holding AS	1 070 939	0,8%
SHB Stockholm Clients Account, Sweden	1 070 000	0,8%
Fidelity Low-Priced Stock Fund, U.S.A.	1 061 327	0,8%
Westco AS	1 030 091	0,8%
Køhlergruppen AS	1 000 000	0,8%
Forsand Municipality	769 230	0,6%
Tveteraas Finans AS	722 000	0,6%
Solvang Shipping AS	701 034	0,6%
Leif Inge Slethei AS	672 772	0,5%
Pareto AS	638 046	0,5%
Total 20 largest	51 366 187	40,3%
Other owners	75 947 174	59,7%
Total equity certificates issued	**127 313 361**	**100,0 %**

The total number of equity certificate holders as at 31.12.2011 was 11 887. This is 144 fewer than at the end of the preceding year. Equity certificate holders residing in Rogaland, Hordaland and the Agder counties account for 46.8 per cent, and foreign owners for 9.6 per cent. Reference is also made to the list of equity certificate holders on the Board of Directors and the Supervisory Board. For further details regarding equity certificates, please refer to the separate chapter in the annual report.

The 20 largest equity capital certificate holders as at 31 December 2010

Holder	Equity certificates	Percentage ownership
Gjensidige Forsikring ASA	20 713 065	16,3%
SpareBank 1-stiftinga Kvinnherad	6 069 934	4,8%
Odin Norge	3 197 672	2,5%
Odin Norden	3 066 253	2,4%
Køhlergruppen AS	1 923 657	1,5%
Clipper AS	1 685 357	1,3%
Frank Mohn AS	1 666 142	1,3%
Trygve Stangeland	1 632 048	1,3%
State Street Bank and Trust, U.S.A.	1 355 970	1,1%
SHB Stockholm Clients Account, Sweden	1 340 000	1,1%
JPMorgan Chase Bank, U.K.	1 221 914	1,0%
Trygves Holding AS	1 070 939	0,8%
Brown Brothers Harriman, U.S.A.	1 061 327	0,8%
The Northern Trust, U.K.	1 005 116	0,8%
Bank of New York, U.S.A.	984 594	0,8%
Coil Investment Group AS	954 993	0,8%
Nordea Bank Norge ASA	918 892	0,7%
Westco AS	885 352	0,7%
Bjergsted Investering AS	720 055	0,6%
Solvang Shipping AS	701 034	0,6%
Total 20 largest	52 174 314	41,0%
Other owners	75 139 047	59,0%
Total equity certificates issued	**127 313 361**	**100,0 %**

(continuation note 36)

The 20 largest equity capital certificate holders as at 31 December 2009

Holder	Equity certificates	Percentage ownership
Gjensidige Forsikring BA	20 713 065	17,1%
Odin Norge	2 341 693	1,9%
Odin Norden	2 319 625	1,9%
Køhlergruppen AS	1 923 657	1,6%
Coil Investment Group AS	1 904 993	1,6%
Clipper AS	1 685 357	1,4%
Frank Mohn AS	1 666 142	1,4%
Trygve Stangeland	1 622 428	1,3%
State Street Bank and Trust, U.S.A.	1 414 363	1,2%
Lærdal AS	1 222 915	1,0%
Grunnfond Invest AS	1 100 000	0,9%
Brown Brothers Harriman, U.S.A.	1 061 327	0,9%
The Northern Trust, U.K.	1 021 456	0,8%
Verdipapirfondet Nordea Norway	893 740	0,7%
Bjergsted Investering AS	839 497	0,7%
Westco AS	829 968	0,7%
Solvang Shipping AS	701 034	0,6%
Forsand Municipality	682 230	0,6%
Bank of New York, U.S.A.	675 128	0,6%
Tveteraas Finans AS	673 587	0,6%
Total 20 largest	45 292 205	37,5%
Other owners	75 641 525	62,5%
Total equity certificates issued	**120 933 730**	**100,0 %**

NOTE 37 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

(figures in NOK million)

Overdraft facilities, operating credits and consumer credits (including flexiloans) and accrued interest are included in the interval ”at call”.

Parent Bank 31.12.2011	**At call**	**Less than 3 months**	**3-12 months**	**1 - 5 year**	**More than 5 years**	**Total**
Assets						
Cash and balances at central banks	263	-	-	-	-	263
Loans to and deposits with credit institutions	4 655	736	-	-	-	5 391
Gross loans to customers	33 216	807	2 805	11 605	47 517	95 950
- Individual write-downs	-355	-	-	-	-	-355
- Write-downs on groups of loans	-317	-	-	-	-	-317
Net loans to customers	**32 544**	**807**	**2 805**	**11 605**	**47 517**	**95 278**
Certificates and bonds at fair value	96	1 997	2 568	5 739	902	11 302
Certificates and bonds at amortised cost	27	167	243	8 107	-	8 544
Financial derivatives	434	400	261	1 482	1 151	3 728
Shares, units and other equity interests	491	-	-	-	-	491
Activities to be sold	84	-	-	-	-	84
Investments in ownership interests	3 352	-	-	-	-	3 352
Investments in Group companies	716	-	-	-	-	716
Fixed assets	380	-	-	-	-	380
Other assets	277	-	-	-	-	277
Total assets	**43 319**	**4 107**	**5 877**	**26 933**	**49 570**	**129 806**
Liabilities						
Debt to credit institutions	1 914	2 027	269	575	-	4 785
Borrowings from government., under covered bond swap scheme	-	-	96	7 299	-	7 395
Deposits from customers	60 252	1 705	2 257	-	-	64 214
Debt raised through issuance of securities	405	3 760	2 133	27 910	2 130	36 338
Financial derivatives	220	306	166	575	743	2 010
Taxes payable	-	-	58	-	-	58
Deferred tax liabilities	-	-	-	296	-	296
Other liabilities	1 161	-	-	-	-	1 161
Subordinated loan capital	37	1 014	-	-	3 924	4 975
Total liabilities	**63 989**	**8 812**	**4 979**	**36 655**	**6 797**	**121 232**

(continuation note 37)

Group 31.12.2011	At call	Less than 3 months	3-12 months	1 - 5 year	More than 5 years	Total
Assets						
Cash and balances at central banks	263	-	-	-	-	263
Loans to and deposits with credit institutions	47	676	-	-	-	723
Gross loans to customers	33 216	859	3 012	15 161	49 120	101 368
- Individual write-downs	-418	-	-	-	-	-418
- Write-downs on groups of loans	-362	-	-	-	-	-362
Net loans to customers	**32 436**	**859**	**3 012**	**15 161**	**49 120**	**100 588**
Certificates and bonds at fair value	96	1 997	2 568	5 739	906	11 306
Certificates and bonds at amortised cost	27	167	243	8 107	-	8 544
Financial derivatives	434	400	261	1 470	1 151	3 716
Shares, units and other equity interests	631	-	-	-	-	631
Activities to be sold	85	-	-	-	-	85
Investments in ownership interests	4 389	-	-	-	-	4 389
Investments in Group companies	-	-	-	-	-	-
Fixed assets	455	-	-	-	-	455
Other assets	442	-	-	-	-	442
Assets	**39 305**	**4 099**	**6 084**	**30 477**	**51 177**	**131 142**

Liabilities						
Debt to credit institutions	1 911	2 027	269	575	-	4 782
Borrowings from government., under covered bond swap scheme	-	-	96	7 299	-	7 395
Deposits from customers	60 080	1 705	2 257	-	-	64 042
Debt raised through issuance of securities	405	3 760	2 133	27 910	2 130	36 338
Financial derivatives	220	306	166	575	743	2 010
Taxes payable	-	-	130	-	-	130
Deferred tax liabilities	-	-	-	329	-	329
Other liabilities	1 384	-	-	-	-	1 384
Subordinated loan capital	37	1 014	-	-	3 924	4 975
Total liabilities	**64 037**	**8 812**	**5 051**	**36 688**	**6 797**	**121 385**

[1)] For presentation purposes, non-financial assets are included in the column "At call".

NOTE 38 LIQUIDITY RISK

(figures in NOK million)

Parent Bank [1)] 2011	At call	Less than 3 months	3-12 months	1 - 5 year	More than 5 years	Total
Debt to credit institutions	1 914	2 027	269	622	-	4 832
Borrowing from government for covered bond swap scheme	-	-	98	7 768	-	7 866
Deposits from customers	60 252	1 705	2 257	-	-	64 214
Debt raised by issuance of securities	405	3 772	2 178	29 871	2 684	38 910
Subordinated loan capital	37	1 014	-	-	5 127	6 178
Total liabilities	**62 608**	**8 518**	**4 802**	**38 261**	**7 811**	**122 000**
Derivatives						
Contractual cash flows out	-	-9 542	-4 369	-10 059	-1 361	-25 331
Contractual cash flows in	-	9 059	4 065	8 889	904	22 917
2010						
Debt to credit institutions	4 262	999	495	1 694	-	7 450
Borrowing from government for covered bond swap scheme	-	-	1 475	8 036	-	9 511
Deposits from customers	55 483	2 202	3 254	-	-	60 939
Debt raised by issuance of securities	364	852	4 564	29 249	9 089	44 118
Subordinated loan capital	-	-	-	-	4 998	4 998
Total liabilities	60 109	4 053	9 788	38 979	14 087	127 016
Derivatives						
Contractual cash flows out	-	-11 221	-8 096	-19 784	-1 782	-40 883
Contractual cash flows in	-	10 349	7 474	18 968	1 419	38 210
2009						
Debt to credit institutions	129	5 872	1 257	1 599	96	8 953
Borrowing from government for covered bond swap scheme	-	-	-	9 658	-	9 658
Deposits from customers	51 235	1 532	1 745	-	-	54 512
Debt raised by issuance of securities	220	690	5 786	30 253	2 801	39 750
Subordinated loan capital	-	-	-	-	4 801	4 801
Total liabilities	51 584	8 094	8 788	41 510	7 698	117 674
Derivatives						
Contractual cash flows out	-	-3 433	-4 025	-18 442	-1 784	-27 684
Contractual cash flows in	-	2 692	3 053	17 320	1 386	24 451

(continuation note 38)

Group [1)] 2011	At call	Less than 3 months	3-12 months	1 - 5 year	More than 5 years	Total
Debt to credit institutions	1 911	2 027	269	622	-	4 829
Borrowing from government for covered bond swap scheme	-	-	98	7 768	-	7 866
Deposits from customers	60 080	1 705	2 257	-	-	64 042
Debt raised by issuance of securities	405	3 772	2 178	29 871	2 684	38 910
Subordinated loan capital	37	1 014	-	-	5 127	6 178
Total liabilities	**62 433**	**8 518**	**4 802**	**38 261**	**7 811**	**121 825**
Derivatives						
Contractual cash flows out	-	-9 264	-4 369	-10 059	-1 361	-25 053
Contractual cash flows in	-	9 059	4 065	8 611	904	22 639
2010						
Debt to credit institutions	4 260	999	495	1 694	-	7 448
Borrowing from government for covered bond swap scheme	-	-	1 475	8 036	-	9 511
Deposits from customers	55 314	2 202	3 254	-	-	60 770
Debt raised by issuance of securities	364	852	4 564	29 249	9 089	44 118
Subordinated loan capital	-	-	-	-	4 998	4 998
Total liabilities	59 938	4 053	9 788	38 979	14 087	126 845
Derivatives						
Contractual cash flows out	-	-11 108	-8 096	-19 784	-1 782	-40 770
Contractual cash flows in	-	10 349	7 474	18 855	1 419	38 097
2009						
Debt to credit institutions	127	5 872	1 257	1 599	96	8 951
Borrowing from government for covered bond swap scheme	-	-	-	9 658	-	9 658
Deposits from customers	51 059	1 532	1 745	-	-	54 336
Debt raised by issuance of securities	220	690	5 786	30 253	2 801	39 750
Subordinated loan capital	-	-	-	-	4 801	4 801
Total liabilities	51 406	8 094	8 788	41 510	7 698	117 496
Derivatives						
Contractual cash flows out	-	-3 315	-4 025	-18 442	-1 784	-27 566
Contractual cash flows in	-	2 692	3 053	17 202	1 386	24 333

See also Note 3 Financial risk management

NOTE 39 MARKET RISK LINKED TO INTEREST RATE RISK

(figures in NOK million)

The table shows sensitivity of net interest cost before tax (interest change of one percentage point) at the end of each of the last three years, when all financial instruments are assessed at fair value.

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
			Currency			
14	17	**-2**	NOK	**-2**	17	14
-	3	**1**	EUR	**1**	3	-
-	1	**-13**	USD	**-13**	1	-
-2	-	**-2**	CHF	**-2**	-	-2
1	1	**-1**	Other	**-1**	1	1

An interest rate risk arises when the Group has different interest lock-in periods for its assets and liabilities. Trading activities linked to interest rate instruments shall at all times take place within adopted limits and authorities. The Group defines, therefore, quantitative goals for maximum potential loss. The commercial risk is continuously quantified and monitored.

The Group's overriding guidelines for interest rate risk define the maximum loss arising from a 1-percentage point change in interest rates. The maximum aggregate loss shall not exceed NOK 60 million on the kroner balance, and within each interest rate periods 0-3 months and 3-6 month the maximum loss shall not exceed NOK 50 million, 6-9 months and 9-12 months NOK 40 million, and each pursuing year (1-10 years) NOK 30 million, and the maximum loss over 10 years must not exceed NOK 30 million.

NOTE 40 MARKET RISK RELATED TO CURRENCY RISK

(figures in NOK million)

The table shows net currency exposure including financial derivatives in accordance with definition given by Norges Bank.

Parent Bank				Group		
2009	2010	**2011**		**2011**	2010	2009
			Currency			
5	22	**5**	EUR	**5**	22	5
1	15	**1**	USD	**1**	15	1
1	4	**1**	CHF	**1**	4	1
-1	26	**-1**	GBP	**-1**	26	-1
32	11	**32**	Other	**32**	11	32
38	78	**38**	**Total**	**38**	78	38
1	2	**1**	Effect on profit or loss of a 3% change before tax	**1**	2	1

Currency risk arises when the Group has differences in assets and liabilities in an individual currency.
Foreign exchange trading shall always take place within the adopted guidelines and authorities at any time. The Group's limits define quantitative goals for maximum net currency exposure, measured in NOK. The commercial risk is quantified and monitored continuously.

The Group has set limits for the net exposure in each individual currency, and limits for aggregate net currency exposure (expressed as the highest of total long and short positions). The net overnight currency risk for spot trading must not exceed NOK 100 million per individual currency and NOK 125 million on aggregate.

NOTE 41 ACTIVITIES TO BE SOLD

SpareBank 1 SR-Bank establishes, as part of its business activity, investment projects for sale to its customers. SpareBank 1 SR-Bank must also, as part of its business activities, take over assets, for one reason or another, from its customers.

Energiveien Eiendom Holding AS was taken over in 2008 and was assessed as an activity to be sold as at 31 December 2008. This item was recognised at fair value in the accounts as at 31 December 2008. The project was planned to be sold during the first six months of 2009, but was not sold and was included in the item tangible fixed assets as at 31 December 2009. In the autumn of 2010, parts of this project were sold. After the sale in 2010, SpareBank 1 SR-Bank owns 49.86 per cent of the shares in Energiveien Eiendom Holding AS. This item is assessed at fair value in the accounts, NOK 74 million in the parent bank and NOK 75 million in the Group's accounts and was classified as an activity to be sold on 31 December 2010 and 31 December 2011.

Artemeris Shipping AS was taken over in 2011, and was considered an activity to be sold. This item is recognised at fair value in the accounts, with NOK 10 million in the parent bank's accounts and NOK 10 million in the Group accounts. At 31 December 2011 it is considered an activity to be sold.

As at 31 December 2010, assets taken over in completed but unsold apartments are also included in activities for sale. The apartments were sold or planned sold in 2011. They were written down by NOK 4.8 million in 2010. This item is recognised at fair value (NOK 18 million) in the parent bank's and the Group's accounts a 31 December 2010. The apartments were sold in 2011.

NOTE 42 CHANGES IN EQUITY ON CONVERSION TO A PUBLIC LIMITED COMPANY

Parent Bank

(figures in NOK million)	Equity capital	Own shares	Share capital	Premium reserve	Dividend equali-sation reserve	Dividend to equity capital owners	Primary capital	Compens-ation fund	Endow-ment fund	Dividend to primary capital owners	Reserve for unrea-lised gains	Other equity	Total equity
Equity 30.9.2011	3 183	-3		625	1 077		2 420	55	293		43	728	8 421
Redistribution on conversion	-3 183	3	4 987	668	-1 077		-2 420	-55	-293			1 370	-
Equity 30.9.2011 Basis for opening balance	-	-	4 987	1 293	-		-	-	-		43	2 098	8 421
Equity 31.12.2011	3 183	-3		625	1 448	191	2 631	55	293	108	43	-	8 574
Redistribution on conversion	-3 183		4 987	882	-1 448		-2 631	-55	-293			1 741	-
Equity 1.1.2012	**-**	**-3**	**4 987**	**1 507**	**-**	**191**	**-**	**-**	**-**	**108**	**43**	**1 741**	**8 574**

Change in equity from 31 December 2011 to 1 January 2012 is based on accounts prepared on 30 September 2011 and the resolution passed by the Supervisory Board on 23 November 2011.

Calculation of the fractional ownership

The share capital is distributed at the time of the implementation between the owners of equity certificates and the savings bank foundation in accordance with their ownership of equity capital and primary capital as these capital variables are defined in the Section 2b-1 of the Financial Institutions Act. The share premium reserve is included in the calculation of the equity capital and the compensation funds is included in the calculation of the primary capital. The distribution of the share capital will be in proportion to the ownership fraction. Distribution of shares between capital classes is conducted on the basis of financial statements prepared as at 30 September 2011 for SpareBank 1 SR-Bank.

	Fractional ownership 30-09-2011	**Fractional ownership 31-12-2011**
Equity certificates	3 180	3 180
Dividend equalisation reserve	1 077	1 448
Share premium reserve	625	625
Dividend	-	191
A. Total equity certificate holders' capital	4 882	**5 444**
Savings bank's fund	2 420	2 631
Compensation fund	55	55
Endowment fund	293	293
Dividend	-	108
B. Total Savings bank fund	2 768	**3 087**
Fractional ownership (A/(A+B))	63,82 %	**63,82 %**

Calculation of the number of shares and distribution

Owners of equity certificates in SpareBank 1 SR-Bank shall, on the date of the conversion, have their equity certificates replaced by shares in SpareBank 1 SR-Bank ASA. SpareBank 1 SR-Bank has issued 127 313 361 equity certificates that at the time of conversion, which will be swapped for a corresponding number of shares of SpareBank 1 SR-Bank ASA. The Savings Bank Foundation will be allocated shares in accordance with the fractional ownership, see above.

This means that Sparebankstiftelsen SR-Bank will be allocated 72 176 308 shares. That part of the primary capital that does not provide a basis for allocation of shares to Sparebankstiftelsen will be added to SpareBank 1 SR Bank ASA's premium reserve.

(continuation note 42)

No. of old equity certificates	127 313 361	
Ownership fraction	63,82 %	
Total no. of new shares after the conversion	199 489 669	
New shares Foundation	72 176 308	36,18 %
Existing owners	127 313 361	63,82 %
Nominal value of shares	25	
Total share capital	4 987 241 725	

Comments to the opening balance SpareBank 1 SR-Bank ASA

The opening balance sheet has been prepared in accordance with International Financial Reporting Standards (IFRS).
The opening balance is set up on the basis of the resolution passed by the Board of SpareBank 1 SR-Bank on 27 October 2011 and recommendation for a resolution to be passed by the Supervisory Board of SpareBank 1 SR-Bank on 23 November 2011.
The resolutions were passed in accordance with Section 2c-17 of the Act on Financial Activity and Financial Institutions, cf. Companies Act, Chapter 15 on conversions.
The opening balance has been prepared on the basis of SpareBank 1 SR-Bank's financial statements at 30 September 2011.
When preparing the opening balance, the continuity principle has been applied.
The equity composition subsequent to the conversion has the same relative composition of restricted and unrestricted equity as prior to the conversion.

Distributions of dividends 2011

As at 31 December 2011, SpareBank 1 SR-Bank is a savings bank which complies with the Act on Financing Activity and Financial Institutions. Distributions of dividends must therefore comply with this section 2b-18 of this act.
Because the "owner fraction" (defined as the ratio of equety certificate capital to total equity capital) and numbers of shares are set by 30 September 2011, the same "owner fraction" will be used for distribution of dividends by 31 December 2011.

NOTE 43 EVENTS AFTER THE BALANCE SHEET DATE

The conversion of SpareBank 1 SR-Bank from an equity certificate bank into a public limited company (ASA) was implemented with effect from 2012. Sparebankstiftelsen SR-Bank was established as part of the conversion and received at the time of conversion 72.2 million shares. The total number of issued shares at the time of the conversion was 199.5 million.

The Board of Directors of SpareBank 1 SR-Bank ASA proposes to strengthen the equity capital by up to NOK 1.5 billion by way of issuing new ordinary shares following a rights issue. The issue is guaranteed by the company's largest shareholders and companies in the SpareBank 1 Alliance.
In addition to the rights issue, the Board of Directors proposes a private placement among the Group's employees of up to NOK 100 000 per employee, equivalent to NOK 130 million kroner.

On 6 February 2012, SpareBank 1 SR-Bank exercised its right to redeem subordinated bonds at par. The outstanding volume is NOK 450 million. The call date is 20 March 2012. The FSA has approved the redemption.

There have been no significant events after balance date 31 December 2011 that affect the annual consolidated financial statements.

The proposed dividend is $ 1.50 per share, aggregating NOK 299 million kroner. The fractional ownership and the number of shares are given at 30.09.2011. The same ownership ratio is used when distributing the dividend per 31 December 2011.

To the Annual Shareholders' Meeting of SpareBank 1 SR-Bank

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of SpareBank 1 SR-Bank, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements for of group comprise the balance sheet as at 31 December 2011, income statement, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group SpareBank 1 SR-Bank as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and statement of corporate governance principles and practices

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 29 February 2012

PricewaterhouseCoopers AS

Gunnar Slettebø

State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

We declare that, to the best of our knowledge, the annual accounts for the period 1 January to 31 December 2011 have been prepared in accordance with current accounting standards, and that the information in the accounts provides an accurate picture of the company's and the group's assets, liabilities, financial position and overall results.

We also declare that the annual report provides an accurate summary of the development, results and the position of the company and the group, together with a description of the key risk factors and uncertain factors faced by the company and the group.

Stavanger, 29 February 2012

Kristian Eidesvik
Chairman of the Board

Gunn-Jane Håland

Erling Øverland

Odd Torland

Erik Edvard Tønnesen

Birthe Cecilie Lepsøe

Catharina Hellerud

Sally Lund-Andersen
Employee representative

Oddvar Rettedal
Employee representative

Arne Austreid
Chief Executive Officer

CONTROL COMMITTEE'S STATEMENT FOR 2011

The Control Committee has performed its duties in compliance with the Norwegian Savings Banks Act and the instructions to the Committee.

The bank's activities in 2011 were in accordance with the Savings Banks Act, the bank's Articles of Association and other regulations the bank must comply with.

The annual report and accounts that are presented have been prepared in compliance with the Norwegian Savings Banks Act and the regulations issued by Finans (The Financial Supervisory Authority of Norway). The Control Committee may recommend that the annual accounts and annual report for 2011 as well as proposals for the allocation of profits is adopted.

Stavanger, 29 February 2012

Odd Jo Forsell
Chairman of the
Control Committee

Egil Fjogstad

Vigdis Wiik Jacobsen

CORPORATE GOVERNANCE

NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

The Board of Directors of SpareBank 1 SR-Bank ASA annually reviews the principles of corporate governance and how they function in the group. SpareBank 1 SR-Bank ASA presents its report in accordance with the Accounting Act, section 3-3b and the Norwegian Code of Practice for Corporate Governance dated 20.10.2010, as amended on 20.10.2011 regarding accounting of the principles and practices of corporate governance.

(SpareBank 1 SR-Bank was converted from a savings bank to public limited company as of 1.1.2012 and the Board's report is based on the new organisational structure.)

Section 3-3b, 2nd sub-section of the Norwegian Accounting Act The description below explains how the Accounting Act, section 3-3b, 2nd sub-section is dealt with by SpareBank 1 SR-Bank ASA. The classification refers to the numbering in the Act.

1-3. Statement on the practice that is followed by SpareBank 1 SR-Bank ASA, information of where the practice is to be found and justification of any deviation from the code.
The structure for corporate governance in SpareBank 1 SR-Bank ASA group is based on Norwegian legislation. SpareBank 1 SR-Bank ASA follows the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NCGB). The code is available on their website: www.nues.no. Any deviation from the code is commented on under the report below on how the code is complied with.

4. Description on the main elements in the group's systems for internal control and risk management relating to the accounting process
See section 10 under Norwegian Code of Practice for Corporate Governance below.

5. Provisions in the Articles of Association that partly or wholly extend or deviate from the provisions in Chapter 5 of the Companies Act
Sparebank 1 SR-Bank ASA has no provisions in its Articles of Association that deviate from Chapter 5 of the Companies Act that deals with the General Meeting.

6. Composition of leading bodies and a description of the main elements relating to instructions and guidelines
See sections 6, 7, 8 and 9 of the Norwegian Code of Practice for Corporate Governance below.

7. Provisions in the Articles of Association that regulate the appointment of and replacement of members of the Board of Directors
See section 8 of the Norwegian Code of Practice for Corporate Governance below.

8. Provisions in the Articles of Association and powers of attorney that provide the Board of Directors with the authority to repurchase or to issue own shares
See section 3 of the Norwegian Code of Practice for Corporate Governance below.

The description below explains how SpareBank 1 SR-Bank ASA complies with the 15 topics in the Code of Practice.

1. IMPLEMENTATION OF CODE OF PRACTICE FOR CORPORATE GOVERNANCE

There are no significant deviations between the code of practice and how it is complied with by SpareBank 1 SR-Bank ASA. Two deviations, under topics respectively sections 7 and 14 are reported on below.

SpareBank 1 SR-Bank's vision is: "Recommended by the customer." The purpose of SpareBank 1 SR-Bank ASA is to create value for the region of which the bank is a part. To achieve this, three aspects are important: be recommended by the customer, have competitive access to capital as a result of good profitability and to be an attractive workplace. Customers shall perceive SpareBank 1 SR-Bank ASA as a bank that is efficient, competent and aggressive.

The vision and values form the basis for the group's code of ethics and social responsibility. SpareBank 1 SR-Bank ASA shall be characterised by high ethical standards and good corporate governance. The code of ethics states that employees in the group shall show respect and consideration, and that communication shall be open, truthful and clear. The group's code of ethics also addresses guidelines for impartiality, confidentiality and the duty to report, conflicts of interest, relationships with customers and suppliers, relationships to media, trading in securities, insider trading and relevant personal financial relationships. The regulations apply to all employees, contracted staff, the Board of SpareBank 1 SR-Bank ASA and to the extent they are relevant also for other members of the group's other governing bodies.

Local added value is a major goal for SpareBank 1 SR-Bank ASA. The group's main task is to supply the region's businesses and private individuals with capital. In this way, the group ensures that the region maintains its natural growth and does not stagnate. In this way, the group helps create new jobs and residential buildings in the region. Local communities with diverse opportunities and leisure facilities are needed if everyone is to have an opportunity to develop. The group therefore supports good causes in the fields of sport, culture, research, education and upbringing.

The group aims to achieve competitive advantage by being the best to attract, challenge and develop the most competent employees. As a financial institution, SpareBank 1 SR-Bank ASA is keen to reduce the risk of a negative reputation and the risk of loss of confidence. High ethical standards among staff and elected officers will help strengthen the faith people have in the group. Employees and elected officers of SpareBank 1 SR-Bank ASA group, are obliged, in accordance with group's guidelines for handling information, to keep all information that they become privy to in their work, about the group or customers, strictly confidential. This duty of confidentiality applies not only vis-à-vis outsiders, but also to colleagues who do not need such information in their work. The rules also apply to information about the group's strategy and marketing plans and other matters of competitive significance. The individual employees or elected representatives are responsible for keeping abreast of the general and special rules of confidentiality that apply in their work. Furthermore, no one working for SpareBank 1 SR-Bank ASA shall actively seek information about other employees, customers or third parties through computer systems or in any other manner, when this is not necessary for his or her work in the company. The group's code of ethics states that an employee shall immediately inform his superiors or the Chairman of the Board or the Supervisory Board, if he or she becomes cognisant of circumstances that are inconsistent with applicable rules adopted by the authorities or a material breach of internal regulations. Employees who properly notify of the unacceptable circumstances in accordance with this paragraph shall not be subjected to strain as a result of the notification. Violations of the code of ethics may result in impacts on employment.

Deviation from the Code of Practice: None

2. OPERATIONS

SpareBank 1 SR-Bank ASA's object is to manage the funds controlled by the group in a prudent manner in accordance with legislation applicable at any time. SpareBank 1 SR-Bank ASA can perform all normal banking transactions and banking services in accordance with current legislation. Furthermore, the bank can provide investment services within the limits of the current licences. The articles of association, in extenso, are available on the group's website. The group's goals and main strategies are described in the annual report.

Deviation from the Code of Practice: None

3. EQUITY CAPITAL AND DIVIDENDS

As at 31 December 2011, SpareBank 1 SR-Bank had equity capital totalling NOK 9.8 billion. In accordance with stipulated calculation rules for capital adequacy for financial institutions, the group had an overall capital adequacy of 11.4 per cent and a core capital adequacy of 10.6 per cent. The authorities' minimum requirements for such capital adequacy are 8 and 4 per cent respectively. The Board of Directors assesses the capital situation on an ongoing basis in light of the company's objectives, strategies and desired risk profile. The Board of Directors considers the capital adequacy as at 31 December 2011 to be satisfactory, but has resolved to propose to the General Meeting that the bank's pure core capital be strengthened, in the first half of 2012, through a rights issue of up to NOK 1.5 billion and a private placement among group employees of up to NOK 130 million. The reason for this is that the European Banking Authority (EBA), has adopted a formal recommendation that important European banks should increase their capital adequacy to at least 9 per cent pure core capital by the end of June 2012. In Norway, the Financial Supervisory Authority decided that the requirement shall apply to all banks and finance companies. The strengthening of the bank's capital base through the planned rights issue makes the bank even better equipped to exploit profitable business opportunities in a region with significant growth.

For more information on the capital adequacy regulations, see www.sr-bank.no.

Dividends

SpareBank 1 SR-Bank ASA's financial goals are to achieve results that provide good and stable returns on the bank's equity and thereby create value for shareholders by way of a competitive return in the form of dividends and capital gains on shares. When determining the size of annual dividends consideration shall be given to the group's capital needs, including capital adequacy requirements, as well as the group's goals and strategic plans. Unless capital requirements dictate otherwise, the Board's goal is that about half of the profit after tax shall be distributed as dividends.

Authorities

The Board of Directors of SpareBank 1 SR-Bank ASA has the authority to purchase and register liens on the bank's own shares for up to 10 per cent of the bank's share capital. The shares shall be acquired in the securities market via Oslo Børs. Each share can be purchased at a price of between one and NOK 150 million. The authorisation is valid for 12 months from the date it is adopted by the General Assembly.

Furthermore, the Board is authorised to carry out a capital increase of up to NOK 25 million through a private placement of shares among the bank's employees. The authorisation is valid until 1 June 2012.

Deviations from the Code: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSELY RELATED PARTIES

All shares have equal voting rights. In the event of an increase in equity capital, existing shareholders have pre-emptive rights, unless special circumstances dictate that these rights can be waived. Such a waiver would then be justified. In cases where the Board asks the General Meeting to authorise the repurchase of own shares, any such repurchase shall be carried out in the market at market price.

The largest shareholder

Sparebankstiftelsen SR-Bank is SpareBank 1 SR-Bank ASA's largest shareholder. The Foundation was established on 1 January 2012 when SpareBank 1 SR-Bank was converted into a public limited company. At the time of the conversion, the foundation had a stake of 36.18 per cent. Pursuant to the foundation's articles of association, the object is to manage the shares that were transferred to the foundation on its establishment and to exercise and maintain a significant long-term and stable ownership in SpareBank 1 SR-Bank ASA. The foundation may also invest funds in an appropriate and satisfactory manner taking into account security, risk diversification, liquidity and yield , with a view to achieving a market rate of return on equity. The foundation may allocate profits and distribute dividends funds for charitable purposes. The foundation, when distributing the dividends it receives, shall primarily consider those districts that have built up primary capital in the former SpareBank 1 SR-Bank. The ownership stake must be at least 25 per cent of the shares issued by SpareBank 1 SR-Bank ASA. Through it activities, the foundation shall continue the savings bank tradition by participating in capital increases in SpareBank 1 SR-Bank ASA and in other ways. Furthermore, the foundation can engage in other activities that are consistent with the stated objects and within the regulations for savings bank foundations as they apply at any time.

Transactions with related parties

The instructions issued to the Board of SpareBank 1 SR-Bank ASA stipulates that the Board shall ensure that the company complies with sections 3-8 and 3-9 of the Companies Act in agreements between the company and parties listed there. When non-immaterial agreements are entered into between the company and shareholders, directors or members of corporate management or related parties, the Board will obtain an independent third party assessment. Any member of the Board or member of executive management shall immediately notify the Board if he or she directly or indirectly has an interest in a transaction or agreement entered into or considered by the company. This applies even if the board member is deemed disqualified to deal with the issue.

Deviations from the Code: None

5. FREELY NEGOTIABLE SHARES

The bank's shares are listed on Oslo Børs with ticker SRBANK and may be freely negotiated. The Articles of Association contain no restrictions on negotiation.

Deviations from the Code: None

6. GENERAL MEETING

General Meeting

Pursuant to the Articles of Association, the Annual General Meeting shall be held before the end of April each year. The notice and registration form will be sent to shareholders and published on the group's website no later than 21 days before the date of the meeting.

Procedures for voting and for submitting proposals are specified in the notice. According to the Articles of Association, the Chairman of the Supervisory Board acts as chairman of the General Meeting. At the General Meeting, at least the Chairman of the Board must represent the Board of Directors, at least one member of the Nomination Committee must attend, as must the external auditor. Other Board members may attend. From the executive management, the Chief Executive Officer and the Chief Financial Officer must attend. General Meeting minutes are available at www.sr-bank.no.

In general, resolutions call for a simple majority. Decisions about the disposals of shares, mergers, demergers, sales of a substantial part of SpareBank 1 SR-Bank ASA's operations or the issuance of shares in the bank, require approval from at least two-thirds of the votes and the share capital represented at the General Meeting.

Voting procedure allow for voting separately on each member of the various bodies. It is possible for shareholders to issue a proxy to others. A person is also appointed to act as a proxy for shareholders. To the extent possible, the proxy form is designed in such a way that it allows for voting on each subject matter and for each candidate to be elected.

Deviations from the Code: None

7. THE NOMINATION COMMITTEE

The Supervisory Board appoints a Nominating Committee that will provide a detailed recommendation to the Supervisory Board on proposals for election of members of the Board of Directors. The committee should have members from both groups on the Supervisory Board (shareholders and employees). Sparebankstiftelsen SR-Bank shall be represented on the Nomination Committee. The Supervisory Board Chairman is Chairman of the Nomination Committee.

The General Meeting appoints a Nomination Committee that will provide a detailed recommendation on proposals for the election of members of the Supervisory Board and Audit Committee to the Supervisory Board. The recommendations should provide pertinent information about the candidates' background and independence. Members of the Nomination Committees are elected for two years at a time.

Pursuant to the bank's Articles of Association, the General Meeting has issued instructions relating to the committees' work. No Board members or members of the executive management can be members of Nomination Committees. The Nomination Committee proposes the remuneration for members of the bodies mentioned above. The General Meeting determines the Nomination Committee's remuneration. Information on the Nomination Committees and deadlines for providing input can be found on www.sr-bank.no.

Deviations from the Code: All members of the bank's Nomination Committees are members of the bank's Supervisory Board. So far, no decision has been taken as regards to whether at least one member of the Nomination Committee should not be a member of the Supervisory Board or the Board of Directors.

8. SUPERVISORY BOARD AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Supervisory Board
The Supervisory Board's main task is to supervise the Board of Directors' and the Chief Executive Officer's management of the group. The Supervisory Board has 30 members, of whom 22 are shareholder-elected members elected by the General Meeting. Emphasis is on broad representation from the company's shareholders. Furthermore, eight representatives are elected by and from among the employees. Three of the shareholder-elected members represent the foundation, Sparebankstiftelsen SR-Bank.

Board of Directors
The Board of Directors has up to 9 members, two of whom represent the employees. No member of the executive management is a Board member. One of the members represents Sparebankstiftelsen SR-Bank.

The Supervisory Board elects the Board of Directors. When selecting board members, one seeks the need for continuity and independence, as well as a balanced composition of the board. Members are elected for up to two years at a time. Four of the members are women, one of whom is an employee representative. The individual board members' backgrounds are described on the bank's website. All board members are independent of the bank's executive management and important business connections. Otherwise, reference is made to the overview of the governing bodies and Chapter 3 of the Articles of Association www.sr-bank.no.

Deviations from the Code: None

9. THE WORK OF THE BOARD OF DIRECTORS

The Board's tasks
The Board has adopted a set of regulations that provide rules for the Board's work and procedures, including the matters to be considered by the Board, the CEO's duties and obligations to the Board and rules governing notice of Board meetings and procedures. The Board's regulations and instructions are available at www.sr-bank.no. The Board prepares an annual plan for its work. The Board has also issued instructions to the CEO. The Board conducts an annual evaluation of its performance and working methods. The Board has overall responsibility for the management of SpareBank 1 SR-Bank ASA and through the CEO ensure a prudent organisation of the business. The Board determines, among other things, plans and forecasts for the business and keeps abreast of the bank's financial position and development through the approval of quarterly and annual reports and a monthly review of the financial position and development. The Board shall further ensure that the business is subject to adequate control and that the group's capital status is appropriate to the scope of the operations and the inherent risks.

Meeting structure
The CEO prepares matters to be considered by the Board in consultation with the Chairman of the Board. Emphasis is placed on preparing and presenting issues to be dealt with by the Board in manner that ensures that Board has an adequate basis on which to consider the matter. The Chairman of the Board of Directors chairs the meetings. If neither the Chairman nor Deputy Chairman is present, the Board shall elect a chairman for the meeting.

Audit Committee
The Board of Directors of SpareBank 1 SR-Bank ASA has an Audit Committee consisting of three Board members. It normally meets six times a year. The Audit Committee is a preparatory and advisory committee for the Board. The chairman and members shall be appointed for one year at a time. The Audit Committee shall collectively have the expertise that is necessary, based on the bank's organisation and operations, for them to fulfil their responsibilities. At least one of the members must have relevant accounting or auditing expertise. The Audit Committee's objectives, tasks and functions are further regulated by the Board's instructions.

Remuneration Committee
The Board of Directors of SpareBank 1 SR-Bank ASA has a Remuneration Committee consisting of three members of the Board. It normally meets four times a year. The committee recommends, on the basis of the Board's guidelines, remuneration to senior executives in accordance with Section 6-16a of the Public Limited Companies Act. The Remuneration Committee's objectives, tasks and functions are further regulated by the Board's instructions.

Deviations from the Code: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of SpareBank 1 SR-Bank ASA focuses on risk management and this is an integral part of its work. The bank's Department of Economics and Finance prepares financial reports for SpareBank 1 SR-Bank ASA and ensures that reporting is in accordance with applicable laws, accounting standards, set accounting policies and Board guidelines.

Processes and controls have been established to ensure the quality assurance of financial reporting.

The banking industry's core activity is to create values by assuming recognised and acceptable risks. The group invests, therefore, significant resources in developing risk management systems and processes that are in line with leading international practice.

Risk and capital management in SpareBank 1 SR-Bank underpins the group's strategic development and the achievement of its goals, while at the same time ensuring financial stability and prudent asset management. This is achieved through a strong corporate culture that is characterised by:

- A high awareness of risk management
- A good understanding of which risks drive earnings
- Striving for optimal capital utilisation within the adopted business strategy
- Avoiding unexpected single incidents that can seriously harm the group's financial situation
- Exploiting synergies and diversification effects

To ensure effective and appropriate processes for risk and capital management the framework is based on various elements that reflect the way the Board and management control of the group. The main elements are:

- Strategic targets
- Risk identification and analysis
- Capital Allocation
- Financial projections
- Evaluation and measures
- Reporting and monitoring
- Organising and organisational culture

The framework is described in Note 3 to the financial statements, as well as in the Pillar III document for SpareBank 1 SR-Bank ASA, which is available on-www.sr-bank.no.

SpareBank 1 SR-Bank ASA is concerned with independence in management and control, and responsibility is divided between the different roles in the organisation.

The Board sets the group's risk profile, the overall limits, authorities and guidelines for risk management, and ensures that the group has a capital base that is satisfactory based on the risk borne by the group as well as regulatory requirements. The Board has adopted a code of ethics that contributes to raising awareness and compliance with the ethical standards set for the group.

The first line of defence (Day-to-day risk management)
The CEO is responsible for the group's risk management being followed up within the framework adopted by the Board of Directors. Business units are responsible for the overall risk management within their business area.

Second line of defence (Overall risk reporting and follow-up)
The Department for Risk Management and Compliance is organised independent of the business units and reports directly to CEO. The department is responsible for developing the framework for risk management including risk models and risk management systems. The department is also responsible for the independent monitoring and reporting of risk exposure, and for the group compliance with applicable laws and regulations.

The third line of defence (Independent confirmation)
The Internal Auditor monitors that the risk management processes are targeted, effective and function as intended. The group's internal audit function carried out by Ernst & Young, and this secures independence, competence and capacity. Internal audit reports to the Board of Directors. Internal audit reports and recommendations for improvements in the group's risk management are continuously reviewed in the group. Financial institutions are required to have their own elected Audit Committee. The Audit Committee is independent of the Board and the executive management, and holds meetings regularly. It ensures that the company complies with applicable laws, regulations and other rules issued by the authorities, the company's Articles of Association and resolutions adopted by decision-making bodies. The Committee has full insight into the operations and consists of three members. Details of the Audit Committee's members, as well as the Audit Committee's instructions are available on-www.sr-bank.no.

Internal Audit and systems also include the company's basic values, the Code of Ethics and social responsibility.

Deviations from the Code: None.

11. REMUNERATION TO THE BOARD OF DIRECTORS

Board members receive an annual compensation fixed by the Supervisory Board. Board members' remuneration is not linked to results or the like. None of the directors, other than the employee representatives, has responsibilities to the company beyond their board duties. See also note 9 of the Annual Report for 2011.

Deviations from the Code: None

12. REMUNERATION OF SENIOR EXECUTIVES

Sparebank 1 SR-bank ASA has established a remuneration scheme that applies to all employees. The group's remuneration scheme shall be consistent with the Group's overall objectives, risk tolerance and long-term interests and shall help to promote and provide incentives for good management and control of the group's risk, discourage excessive or unwanted risk taking, and help to avoid conflicts of interest, and shall comply with the Regulations governing remuneration schemes in financial institutions, investment firms and management companies dated 1 December 2010. The total remuneration shall be competitive but the group shall not be a wage leader. It shall ensure that the group attracts, develops and retains the most competent employees over time. The scheme will ensure a reward model that is perceived to be fair, predictable and future-oriented and motivating. Fixed salaries shall be the main element of the total remuneration, which also consists of variable pay, pensions and benefits in kind. The Board of Sparebank 1 SR-Bank ASA has established a Remuneration Committee consisting of three Board members. The Remuneration Committee's responsibilities are stipulated in the Board instructions. The Board's guidelines for remuneration to senior executives are disclosed in note 9 of the annual report for 2011.

Deviations from the Code: None

13. INFORMATION AND COMMUNICATION

SpareBank 1 SR-Bank ASA makes every effort to ensure that correct, relevant and timely information about the group's performance and results inspires investor market confidence. Information to the market is distributed through quarterly investor presentations. Regular presentations are made to international partners, lenders and investors. All reporting is based on openness and equal treatment of players in the securities market. The group's financial calendar is published on the bank's website. All quarterly reports, annual reports, press releases and quarterly presentations can be found at www.sr-bank.no.

Deviations from the Code: None

14. CORPORATE TAKEOVER

The Board of Directors of SpareBank 1 SR-Bank ASA will deal with any takeover bid in accordance with the principle of equal treatment of shareholders. At the same time, the Board will ensure that shareholders get the most comprehensive information in all situations that affect the interests of shareholders. On acquiring shares in a financial institution involving any ownership over 10 per cent of the share capital one must apply for permission from the Norwegian FSA. In connection with SpareBank 1 SR-Bank ASA receiving a license for the conversion to public limited company, a condition was set that Sparebankstiftelsen SR-Bank shall have an ownership stake, which must be at least 25 per cent of issued shares in SpareBank 1 SR-Bank ASA.

Deviations from the Code: The Board has not established explicit principles for the handling of a takeover bid. The reason for this is the Financial Institutions Act's restrictions on ownership of financial institutions and the licensing conditions in connection with the conversion to ASA. The Board endorses the Code's wording on this point.

15. EXTERNAL AUDITOR

The external auditor presents an annual audit plan to the Audit Committee. The Audit Committee recommends the election of an auditor to the Board of Directors. This proposal is submitted to the Supervisory Board, which makes a recommendation to the General Meeting. The Audit Committee or the Board of Directors holds at least one annual meeting with the auditor without the executive management being present. The Audit Committee recommends to the Board the approval of the external auditor's fees. The Board then presents the proposals for fees to the Supervisory Board and the General Meeting for approval.

The external auditor shall provide the Audit Committee a report on the main elements of the audit of the previous financial year, including, in particular, any material weaknesses identified in respect of internal control relating to the financial reporting process.

Deviations from the Code: None

RISK AND CAPITAL MANAGEMENT

The banking industry's core activity is to create values by accepting consious and acceptable risks. The group invests, therefore, significant resources in developing risk management systems and processes that are in line with leading international practice.

SpareBank 1 SR-Bank is exposed to a range of different risks and the most important of them are:

- **Credit risk:** the risk of losses as a result of customers'/ counterparties' inability or unwillingness to fulfil their obligations
- **Market risk:** the risk of losses due to changes in observable market variables such as interest rates, foreign exchange rates and securities markets
- **Operational risk:** the risk of losses as a result of inadequate or failing internal processes or systems, human error or external events
- **Liquidity risk:** the risk of the group not being able refinance its debt or being unable to finance growth in assets without a substantial increase in costs
- **Ownership risk:** the risk of SpareBank 1 SR-Bank incurring negative results from ownerships in strategically-owned companies and/or the need to provide these companies with fresh equity. The companies thus owned are defined as companies in which SpareBank 1 SR-Bank has a significant stake and influence
- **Commercial risk:** the risk of unexpected fluctuations in revenues and expenses as a result of changes in external conditions such as the market situation or mandatory regulations
- **Reputation risk:** the risk of a decline in earnings and access to capital owing to declining confidence and reputation in the market, i.e. customers, counterparties, the stock market and the authorities
- **Strategic risk:** the risk of losses as a result of the failure of strategic initiatives
- **Compliance risk:** the risk of the group incurring official sanctions/penalties or financial losses as a result of failure to comply with legislation and regulations

Risk and capital management in SpareBank 1 SR-Bank underpins the group's strategic development and achievement of its goals. Risk management ensures financial stability and prudent asset management. This is achieved through a strong organisational culture that is characterised by:

- A high awareness of risk management
- A good understanding of which risks drive earnings
- Striving for optimal capital utilisation within the adopted business strategy
- Avoiding unexpected single events that can seriously damage the group's financial situation
- Exploiting synergies and diversification effects

In order to ensure an effective and adequate process for risk and capital management, the framework is based on a variety of elements that reflect the manner in which the Board of Directors and management govern the company. The principal elements are described below:

The group's strategic target: 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 professionality
- Local roots and decision-making powers
- Financial strength, profitability and market trust

Risk identification and analysis: The process for risk identification is based on the group's strategic target. The process is forward-looking and covers all of the group's significant risk areas. In areas where the effect of the established control and management measures is not considered to be satisfactory, improvement measures are implemented. Probability-reducing measures shall be given priority ahead of measures aimed at reducing consequences.

Capital allocation: The return on risk-adjusted capital is one of the most important strategic performance goals in the internal management of SpareBank 1 SR-Bank. This implies that capital is allocated to business areas in accordance with the calculated risk of the operation and that the return on the capital is monitored continually.

Financial projections: Projections of expected financial development are made for the next 5 years, based on the strategic target and the business plan. In addition, projections are made of a situation involving a serious economic recession.

In order to assess the consequences that a serious economic down-turn would have on SpareBank 1 SR-Bank, the group focuses strongly on areas of the economy that impact the financial development. These are mainly development in credit demand, the stock market, the interest market and credit risk trends. In addition to having an impact on the returns from the underlying assets, a economic down-turn will have an impact on customer savings behaviour. The purpose of the projections is to calculate how the financial development in the activities and macro-economy will impact the group's financial development, including return on equity, the funding situation and capital adequacy.

Evaluation and measures: The analyses shall provide management and the Board of Directors sufficient risk understanding so that they can consider whether the group has an acceptable risk profile, and whether it is adequately capitalised in light of the risk profile and strategic targets.

SpareBank 1 SR-Bank prepares capital plans in order to ensure long-term and effective capital management and to ensure that the group's capital adequacy is acceptable based on the risk exposure. The capital plan takes into consideration both the expected development and a situation with a serious recession over several years. In addition, SpareBank 1 SR-Bank prepares contingency plans in order to tackle such critical situations in the best possible manner.

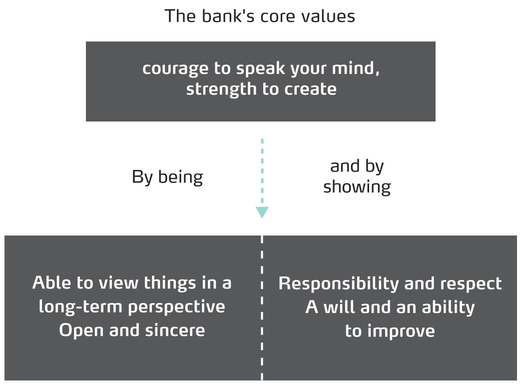
Reporting and monitoring: The group's overriding risk exposure and risk development is monitored through periodic risk reports to management and the Board of Directors. The overriding risk monitoring and reporting is the responsibility of the Department for Risk Management and Compliance.

Organisation and organisational culture: SpareBank 1 SR-Bank strives to have a strong organisational culture that is characterised by awareness for risk management. The organisational culture comprises management philosophy and the people in the organisation with their personal attributes, such as integrity basic values and ethics. It is difficult to compensate for an inadequate organisational culture by using other control and management measures. Therefore, SpareBank 1 SR-Bank has established clear basic values and ethical guidelines that are clearly communicated and published throughout the entire organisation.

HUMAN CAPITAL

A CULTURE TO BE PROUD OF

How is it possible to deliver top results yet again, while at the same being in the very middle of the bank's greatest competence lift ever? How is possible for us, every single day of 2011, to have performed far better than expected, despite tougher competition than ever before in the South and West of Norway and a technological development that is forever challenging us as a knowledge-based company? How is it possible, with such framework conditions, to maintain a particularly good working environment where the employees themselves say they thrive so well, at the same time as we have more than 160 new colleagues through acquisitions and mergers and recruitment? How is it possible that we, contrary to many other companies, have managed to bring to a halt a negative development in sick leave?



SpareBank 1 SR-Bank's employees create excellent results, whilst at the same time building up competence

In many ways, the answer has to be our corporate culture. People who work for SpareBank 1 SR-Bank know that they are lucky to be working in a bank with sound traditions and a strong performance culture. Our culture has been built up through over 170 years with solid values, strong leadership, focus on creativity and innovation. It is not the individual who creates such results; it is us as a team, working together, having good communication and a clear understanding of where we are going. One example is the good collaboration between management and the elected union representatives. Indomitable optimism, with a touch of innovative "craziness" and not least the voluntary spirit and a belief that we can create added values for the region we are part of and really be "Recommended by the customer". That is the reason we deliver good results, the reason we thrive and the reason we are building competence together. Our strategic concept "One door in" will help to further develop this corporate culture. It is together, across business area borders that we will increase profitability even more in the time to come now that we have taken the huge step to become a listed public limited liabilities company (ASA).

ETHICS AND VALUES

SpareBank 1 SR-Bank has been focusing on ethics and attitudes for many years. We are extremely conscious of the fact that the bank has a special responsibility for acting "decently". We have a responsibility to be "decent" to our customers, our owners, our colleagues etc. We cannot make a false move. We achieve good attitudes and good ethical behaviour by constantly focusing on conduct and through unambiguous guidelines for all our employees. Having ethical guidelines and fine words on paper is, however, not enough. We go through the real test every working day, when we are in a dialogue with the customer and doing a professional bank job.

We live on trust and we are therefore very careful with whom we employ. We are open and honest about what we expect of the individual employee. Employees who start working for us tell us that they, culturally, recognise themselves in the values. For us, it is important to create a safe, secure culture where we dare challenge ourselves though dialogue and debate on important ethical dilemmas. There is no perfect answer, but a good portion of common sense, a good upbringing and a safe culture where there is openness about ethical challenges and dilemmas. In 2011, we continued the work of the bank's Ethics Council and simultaneously started a process of implementing a navigation wheel taken from the Authorisation Scheme for Financial Advisers' curriculum. The navigation wheel will be the group's new "tribal language" linked to reflection and discussion on ethical dilemmas, a natural part of our staff training. We want to be good in the field of ethics and to learn constantly from our mistakes so that we continually get better, thus ensuring that we continue to have a good reputation. We get our exam results every single day at meetings with customers and through the annual customer satisfaction surveys.

PLEDGE TO EMPLOYEES AND CAREER OPPORTUNITIES

This year, we have worked on further developing our pledge to the employees. What can you, as an employee, expect if you decide to work with us? Giving pledges is demanding, but we want to bind ourselves to the following promise, so time will tell whether you fit in here. In 2011, about 5 per cent of our employees have been promoted

ONLY OPPORTUNITIES
It's about being able to grow in your job. It's about influence and responsibility. It's all to be had, here with us!

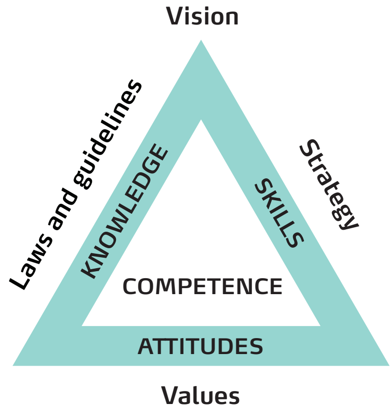
as a result of documented results. This proves that we focus on staff members who will and who can.
Over the last decade, SpareBank 1 SR-Bank has grown into an environment with a much broader range of expertise and is now a complete finance house. Here, you can find jobs involving financial advisory services, corporate advisory services, real estate brokering, commercial real estate, various positions in the corporate finance field, stock broking and many exciting managerial jobs and key positions in staff and support, to mention but a few. We want the most capable people, simply because it is our employees who will ensure that we are a customer-orientated and profitable bank in the foreseeable future.

DEVELOPING COMPETENCE – AN INVESTMENT IN THE FUTURE

How are we planning for tomorrow? We know that competition is getting tougher; we know that the demands from our customers will increase; we also know that the authorities' and owners' framework conditions will change. Market structure is changing and providing new opportunities. New technology provides new ways to work and creates exciting opportunities for our employees. Social media have come to stay and are challenging us, as a traditional bank, in a completely new manner. This creates new opportunities. In the future, focus will be on holding a safe and steady course while at the same time daring to face the future with an opportunity-oriented focus. Demands on competence will increase. Some employees will decide to develop themselves in line with the requirements, while others will seek new challenges outside of the group. Our greatest challenge will be the timing of this adjustment, so that we undergo a constant positive adjustment that best serves the individual and the organisation. In 2010, we got many new colleagues as a result of growth in both core areas of the bank and subsidiaries. Therefore, 2011 has for many of our employees resulted in an extraordinary competence lift in line with the quality standards that we set ourselves as a modern house. In general, this has been seen as a

By living to achieve our vision and by making our values into rules rather than just pretty words, we can create a culture that we can be proud of and can rely on. A vibrant working day. An effective, competent and offensive working day.

positive journey, where employees have taken these challenges in their stride and succeeded. Another key skills development initiative in 2011 was a new internal school, SpareBank 1 SR-School including a brand new programme for newly recruited staff. A new Manager Development Programme that will help us implement new management principles in the group was also



initiated. We can safely call ourselves a competence company now that over 70 per cent of the group's employees have a bachelor's degree or higher, and more than 80 per cent of our advisers are authorised in accordance with AFR. In 2011 about 50 of our employees completed their college education funded by us as an employer.

We have a good corporate culture, where we care about each other. In a labour market where performance demands are steadily becoming greater, there will always be some who quit, some who get sick and/or some who feel that they cannot cope. As a large organisation, we will always have colleagues who become ill or experience stressful situations where they, for a period, perform under par. We also see signs that tell us that some colleagues are struggling to cope with their commitments to work and home simultaneously.

Do we have managers with the ability to see the individual? Do we have colleagues who care, who take a break in their day-to-day activities and take contact? Are we good enough at looking after our health and ourselves? Are we physically active, and do we put enough effort into watching our diets? Are we good at preventing, detecting and addressing problems related to substance abuse? These will be important areas to focus on in the future if we are to maintain good profitability, low sick-leave figures and a good working environment. We do not believe our employees shirk, nor do they have bad attitudes. Rather, we believe in a good and inclusive working environment were the basic philosophy is that we all want to do a good job in SpareBank 1 SR-Bank.

Fundamentally, we must respect the fact that anyone and everyone can be sick, in which case we must arrange for the individual to accept responsibility and to tackle the situation, and that we, as colleagues and managers meet everyone with good dialogue and care. In this way, we maintain our good corporate culture and pave the way for continued good profitability for our owners and the society of which we are a part. We have therefore revised our Life Phase policy in 2011, and spent on average approximately NOK 2 000 per employee on health-promoting activities. We have also introduced a new insurance scheme for the group's staff – corporate health insurance.

RETAIL MARKET DIVISION

OUTLINE OF 2010

- Good results despite tough competition
- Net growth in new customers over 18 years of age citing us as main bank, 6 500
- Good rise in volumes, namely 11.2 per cent in lending and 9.6 per cent in deposits
- Good sales and an increase in the number of product sales per customer
- Insurance-related commission income rose by 32 per cent compared with 2010
- The quality of the lending portfolio is still good with extremely low loan losses

▪ No. of retail customers:	266 710
▪ No. of agricultural customers:	3 126
▪ No. of small and medium size businesses:	6 600
▪ No. of clubs and associations:	3 299
▪ *Lending (NOK million):	93 054
▪ Deposits (NOK million):	36 694

* Including loans sold to SpareBank 1 Boligkreditt AS

EFFECTIVE SERVICES AND COMPETENT ADVISERS

Customers are to perceive SpareBank 1 SR-Bank as a close, competent and offensive bank with which they can cooperate effectively. The combination of self-service solutions, the Group's state-of-the-art customer centre and a well-developed branch network with strong local offices provide the customers with good access to financial services.

Customers are to experience that SpareBank 1 SR-Bank takes relevant initiatives and is available to the customer on request. Training of financial advisers and a continiously improvement of advisory tools are given high priority, in order to create good customer experiences. This commitment is confirmed by the Group now having more than 308 publicly authorised financial advisers.

The combination of effective services and access to professional advice shall result in an increasing number of people recommending SpareBank 1 SR-Bank to their friends and acquaintances. This, together with the constantly improving service range offered, is considered an important reason for the division's customer and income growth.

EMPLOYEES

The Retail Market Division employs 540 full time equivalents. In addition, there are 211 full time equivalents in EiendomsMegler 1 SR-Eiendom AS. The division recruited 65 new employees in 2011. The average age of the employees is 31.2 years. 308 of the employees are now publicly authorised financial advisers and 220 are publicly authorised insurance advisers.

CUSTOMERS AND MARKETS

Stability in the existing customer base combined with a deliberate commitment to new sales resulted in a good net growth in the number of customers in 2011. Measured in terms of customers and volume the growth was highest in Rogaland, whilst the relative growth was highest in Hordaland.

The growth in both lending and deposits were higher than the national average and this is naturally linked to the general increase in the number of customers. The growth in lending (including loans sold to SpareBank 1 Boligkreditt) was 11.2 per cent in 2011, while deposits grew by 9.6 per cent.

Low unemployment, net migration to the market area the persistent low interest rate level contributed to good activity in the housing and leisure home markets in 2011. Focus on co-location of the banking and real estate services paves the way for good interaction and good results in both banking and real estate brokerage.

Overall, the Group's market share of deposits and loans in Rogaland was just under 40 per cent.

AGRICULTURE AND SMALL COMPANIES

SpareBank 1 SR-Bank's goal is to be the best agricultural bank in the region and, in a market with increasing competition, the customer portfolio developed well in 2011. Total growth in lending and deposits of about 12 per cent confirms our position in this segment. Growth has been strongest in Jæren and Ytre Ryfylke. The development is complemented by relatively strong growth in Agder, which is a relatively new area for the bank as far as agriculture is concerned.

SpareBank 1 SR-Bank participates actively in many agricultural arenas. Using dedicated specialists has had a good result.

The agricultural industry's economy was better in 2011 than it was in 2010, even though in an industry with small profit margins there are also some enterprises and individual customers who are experiencing financial challenges. In the borderland between private individuals and companies are many forms of organisation and complex issues. In 2011, the small company segment has had good customer and volume growth in loans and deposits. Specialists in the small company segment, who meet the customers in the bank's local offices, have also been successful with regard to additional sales. More active use of the call centre has also freed up capacity which has been used to provide even better advice to customers with growth potential.

PRODUCTS AND SERVICES

SpareBank 1 SR-Bank wants to provide a wide range of financial services to the general public. Through systematic customer follow-up and a constant development of the service range, we aim at increasing the product coverage per customer. In 2011, the number of sold products rose by 11 per cent compared with 2010. The growth in insurance income, 32 per cent, was particularly linked to good insurance portfolio quality, a growth in sales of personal insurance and a portfolio in Hordaland that was acquired in 2010.

The launching of a new online bank in the second half of 2011 was very well received by the customers. The range of self-service solutions was further developed in 2011 and the use of these services is rising. We will continue to launch new self-service services in 2012, with, among other things, new solutions for savings and financing.

Retail customers with a larger business volume and investment portfolios are served through the "Private Bank". The product and service range is adapted to the needs of this customer segment and is provided through a combination of personal advisers and good access to investment counselling. In a demanding market for investment services, SpareBank 1 SR-Bank increased sales of investment products amongst the largest retail customers.

No. of customers:	8 000
*Growth in lending:	11.8%
Growth in deposits:	8.2%
*Gross lending:	MNOK 45 852
Deposits:	MNOK 23 526

*Including loans sold to SpareBank 1 Næringskreditt AS

DEVELOPMENT IN CREDIT QUALITY

The quality of the portfolio is very good. Good activity in the region resulted in low unemployment and good solvency for most people. Close customer relationships and good routines for monitoring customers, combined with good market conditions, contributed to a low default level. Gross non-performing loans measured in terms of gross lending stood at 0.3 per cent at the end of 2011, unchanged from the preceding year. SpareBank 1 Boligkreditt AS was yet again an important source of funding for secure housing loans in 2011. At the end of the year, SpareBank 1 SR-Bank had transferred approximately NOK 44.7 billion to SpareBank 1 Boligkreditt AS.

OUTLOOK FOR 2012

Activity in the retail market is good also at the beginning of 2012. Low interest rates, low unemployment and population growth contribute to continued optimism. Competition from established and new players is strong. New regulatory requirements from the authorities, with somewhat detailed control of the banks' lending practices, have resulted in developments in the mortgage market being less predictable than before. Along with increased funding costs and international unrest, uncertainty surrounding future market conditions is slightly higher than it was last year. In future, the division will prioritise measures aimed at continued customer growth and have reinforced focus on increasing product coverage. By delivering good customer experiences, we create conditions for continued growth.

CORPORATE MARKET DIVISION

OUTLINE OF 2011

- High activity level and demand for our products and services
- Sound profitability
- Good growth in other income
- Focus on strengthening good customer relations and finding good solutions for our customers
- Good loan portfolio quality and low losses

No. of customers: 8 000	*Gross lending: MNOK 45 852
*Growth in lending:11.8%	Deposits: MNOK 23 525
Growth in deposits:8.2%	

* Including loans sold to Sparebank 1 Næringskreditt AS

WE CREATE VALUES LOCALLY

The Group has a strong and prominent position in trade and industry in the region and its ambition is to grow further in the coming years. SpareBank 1 SR-Bank serves corporate customers in all the Group's market areas. The division has five regional corporate market departments, as well as two specialist departments devoted to the energy and maritime sector, and the public sector. Good and broad distribution nets are available to the division's 8 000 customers. In addition to the regular advisers, these customers are served through internet-based services, an advanced telephone-based customer centre and a large office network. In addition to being an important service channel, the customer centre is also an increasingly important distribution channel for products relating to pensions, insurance, money transfers and financing.

EMPLOYEES

The Corporate Market Division employs 165 full time equivalents spread from Bergen in the north to Kristiansand in the south. Every year, significant funds are invested in skills enhancement and sharing experience and know-how internally, inter alia by way of internal and external courses. The goal is to strengthen the competence and skills of the division's competent employees in order to benefit the customers. During 2011, the Corporate Market Division has implemented internal changes by moving the special competence relating to advice about non-life insurance and pension products even closer to the customers. In order to strengthen the advisory services, several new people were recruited, both internally and externally, in 2011.

CUSTOMERS AND MARKETS

The lending volume in the Corporate Market Division rose by almost 12 per cent in 2011. This growth came from several markets. In the deposits market, the division has been successful in the public sector and won tenders for several new municipalities in 2011. Deposits rose by slightly less than NOK 1.8 billion during the course of the year, or slightly more than 8 per cent.

The PRO School programme was a great success yet again in 2011. The Group developed the concept and the target group is senior management, middle management and other key staff in small and medium-sized businesses. Focus of the PRO School is profitability, competence and network building for the customers. The division arranged gatherings in Bergen, Odda, Stavanger, Bryne and Flekkefjord and in total the PRO School had 270 participants in 2011. Feedback from our customers has been extremely positive.

The Group has focus on contributing to shed light on important social and economic issues and has accordingly again published the Retail Trading Report, the Economic Barometer for Agder and the Economic Barometer for Rogaland in 2010. There is a great deal of interest shown in these reports by the bank's customers and by other interested parties.

The Retail Trading Report looks at status, challenges and trends in the retail trade. The report was prepared and presented at seminars in the major cities in the region. SpareBank 1 SR-Bank is responsible for the publication, in close association with local trade and industry associations. Three issues of the Economic Barometer were published in Rogaland and one issue was published in Agder in 2011. The Economic Barometer is published in association with the three county administrations, Greater Stavanger, Innovation Norway, the Norwegian Confederation of Trade Unions (LO), the Norwegian Labour and Welfare Organisation (NAV), and the Confederation of Norwegian Enterprise (NHO).

The division arranged more than 100 different events for our customers in 2011 across the entire market area. Through these events, the Corporate Market Division wants to create good network arenas for its customers, which can contribute to shedding light on current issues and providing professional input. They are a very good way for the Group's customers to become more acquainted with the activity and trade and industry in the region.

PRODUCTS AND SERVICES

SpareBank 1 SR-Bank wants to offer companies and public sector enterprises in Rogaland, Hordaland and Agder development possibilities. The Group is a financial enterprise, providing advisory services, being an full service attractive partner for the customers. It is important that the Corporate Market Division being able to offer its customers a full product spectre, with associated advisory services, providing added value to the customers. In 2011, the average number of products per customer has risen, wich is also evident in other income for the year.. This can be seen from year's result for other income.

Through EiendomsMegler 1 SR-Eiendom AS, the Group offers commercial real estate and project brokerservices. Leasing and special¬ financing is available through SpareBank 1 SR-Finans AS. In addition, SpareBank 1 Factoring AS provides factoring services. Stock brokerservice and Corporate Finance etc. are key products for an increasing number of the division's commercial customers and these services are available from SR-Markets. Knowledge of the local market and the expertise of the Group's employees are considered important if we are to serve our customers in the best possible manner. This gives the Group a substantial competitive advantage in the market.

CREDIT RISK TRENDS

The Group has developed and actively makes use of state-of-the-art risk classification systems, risk-pricing models and portfolio management systems in order to manage the risk inherent in the loan portfolio. This, together with the Group's credit strategy, credit policy guidelines and credit management procedures contributes to the highest quality credit management processes and risk assessments. On the whole, the portfolio quality is good.

The percentage of high-risk loans is still low, and was stable from 2010 to 2011. The Corporate Market Division constantly has good portfolio quality in focus.

In 2011, booked net loan losses amounted to NOK 83 million. This was lower than at end of 2010, when booked loan losses aggregated NOK 165 million. Defaulted loans were stable in 2011 at a low level. At the end of the year, loans in default accounted for 0.61 per cent of gross lending. The division has special resources dedicated to ensuring early and correct treatment of risk linked to high-risk loans and loans in default.

OUTLOOK FOR 2012

At yearturn 2011/2012 the news flow is characterised by on-going financial turmoil in the Eurozone. Several countries are struggling with their national finances, and unemployment is high. This unrest in Europe might affect new orders for the Norwegian export companies. However, to a large extent, trade and industry in our region is characterised by optimism and a high level of activity, among other things due the new and substantial oil discoveries in 2011.

The Corporate Market Division is well positioned to meet the opportunities and challenges in the market. The Corporate Market Division has a sound and efficient organisation staffed by competent people who are well equipped to cope with business opportunities and risks. The total competence the division has at its disposal will be decisive if the customer is to have SpareBank 1 SR-Bank as its preferred partner for the future. In the year to come it will still be important for the Corporate Market Division to focus on good solutions for our existing and new customers.

CAPITAL MARKET DIVISION

OUTLINE OF 2012

- First full operating year as a compete securities firm
- The ambition of being the leading securities firm in the south and west of Norway is upheld
- The division still enjoys good growth and a good level of activity
- The Corporate Finance Department has completed several major projects and is well fitted for further growth

CAPITAL MARKET DIVISION

The Group's securities firm is organised into a separate division and marketed under the trade name SR-Markets. The securities business includes trading of fixed income, currencies and equities for own account and for account of customers, corporate finance services as well as settlement functions and investment management services. Asset management is organised into a separate subsidiary, SR-Management AS.

SR-Markets is currently the largest securities firm outside Oslo, and aims to be market leader in the south and west of Norway. The division provides large companies in our region a complete range of capital market services and products, and shall be a fully-fledged alternative for local individuals and businesses that need access to the capital market and capital market services. By utilising these skills in combination with products and services from other business areas in the Group, we can effectively arrange and distribute capital to our customers. In addition, we have access to the entire SpareBank 1 Alliance in cases where national distribution is required. The division has a large and competent organisation and bases its advisory services on trust from customers and the market. The advisors are available to customers irrespective of whether they are looking for project financing or want to invest in various securities. Short decision-making routes and efficient processes are characteristics of the organisation and its working methods.

In 2011, the division delivered its largest profit contribution to the Group, when revenues were NOK 213 million (NOK 180 million). The bulk part of the revenue still comes from customer trading in fixed income and currency instruments. The bond portfolio as a whole ended 2011 with a profit of NOK 5 million (NOK 23 million), and the newly established stock brokerage trading desk recorded a profit in its first full year of operation.

In general, the division enjoyed a high activity level in 2011. The Corporate Finance Department arranged and completed several major projects and the department's revenues more than doubled compared with 2010. At the end of 2011, the department strengthened the workforce and is, consequently well positioned for further growth together with the rest of the SR-Markets.

SR-Markets provides a complete range of services that will help realise our customers' projects in an efficient manner. By being the best in terms of combining specialist expertise, local knowledge and understanding, SR-Markets contributes to wealth creation. The division will make every effort to understand their client's unique needs and find the best solution that can help create and realise added value for the Group's customers.

Equity

Liabilities

Analysis

Advisory services

Investments

Corporate Finance

- New issues and IPOS
- Acquisitions and restructuring
- Structured sales processes
- Valuations
- Bank financing
- High Yield
- Property syndicates
- Project financing

Stock broking

- Online trading
- Advisory service and monitoring by brokers
- Trading in bonds and derivatives
- Securities financing
- Reports and analyses
- Access to investments

Foreign exchange/fixed income

- Interest rate hedging/ SWAP
- Currency/FX
- Derivatives
- Trading
- Reports and analyses
- Monitoring by brokers
- Access to investments

Operations

- Settlement
- Securities services
- Risk management
- Reporting

Underwriting of and guarantees for new issues

SUBSIDIARIES

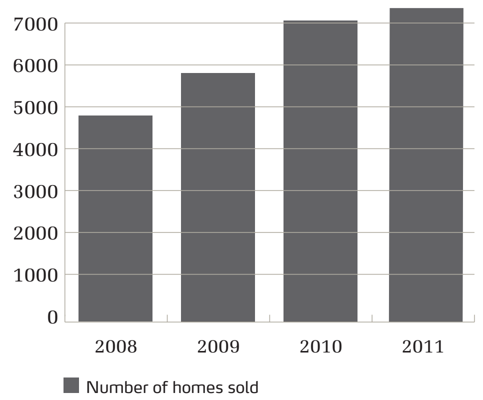
EIENDOMSMEGLER 1 SR-EIENDOM AS

HIGHLY SKILLED EMPLOYEES

The company employed 194 full time equivalents in 2011. There is a good balance between the genders and 40 per cent of the company's management are women. Job satisfaction is high and motivated staff help to secure good earnings.

A strategic goal for the company is to have a high level of professional competence. The company meets the government's strict requirements to formal qualifications in real estate enterprises.

Number of homes sold 2007 - 2010



CUSTOMERS AND MARKETS

EiendomsMegler 1 SR Eiendom AS has a leading position in the market area and the activity has an extensive circle of contacts. More than 15 000 families have purchased or sold properties through EiendomsMegler 1 SR Eiendom AS during the year. In addition, many have been in contact showing interest in the properties we have for sale.

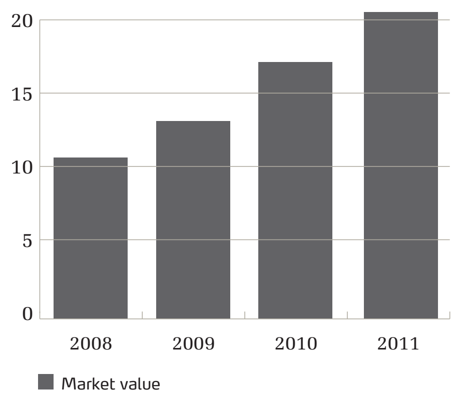
Buying a property is an important event for most of us. EiendomsMegler 1 SR Eiendom AS' task is to conduct this process properly and in a manner that creates trust. Our ambition is that by being satisfied with the job we do, our customers will be ambassadors for our enterprise.

KEY FIGURES:

Sold 2011:	7 502 properties
worth an aggregate (approx.):	NOK 20.8 billion
Total revenue:	NOK 426 mill
Profit before tax:	NOK 91 mill

In 2011, as many as 88 per cent of those who sold homes through EiendomsMegler 1 SR-Eiendom said that they would recommend us to others. EiendomsMegler 1 SR-Eiendom is represented from Grimstad to Bergen through 33 branches. Activities include commercial brokerage, property management, holiday homes, new-builds and existing homes. There is also a special branch for the rental of residential property in the Stavanger region. The companyis the largest player overall in Agder, Rogaland and Hordaland and this position was fortified in 2011. In Rogaland, the market share is in excess of 40 per cent, and in the Agder counties, the position is also strong. We are the market leader in Vest-Agder. Operations in Hordaland are developing very well with a 26 per cent increase in the number of properties negotiated. The market share in Bergen increased by over 15 per cent in 2011. As part of its commitment to Hordaland, the company acquired EiendomsMegler 1 Sunnhordland AS, and a new branch was opened at Stord in October 2011.

Market value 2008 - 2011



House rentals are also an area that the company is focusing on in the Stavanger area. The company's position as the leading player in this market was strengthened in 2011. In the course of the year, approximately 600 rental properties were negotiated, mainly with companies as tenants.

The company has a sound position in the field of commercial real estate brokering and commercial real estate management in Rogaland. The activities were further expanded by establishing a separate department for commercial real estate brokering in Kristiansand. The activity within property management is on the rise and during the course of the year, the market for commercial rentals was good. Commercial property turnover is cyclically sensitive and the financial unrest has somewhat dampened activity in this market.

Prospects
The housing market in our market area has been little affected by the turmoil in the global economy. High regional employment, the prospect of continuing low interest rates, and a shortage of homes for sale indicate a continued good market for used and new homes in 2012. After several years of strong price increases for housing, it is expected that the rate at which prices rise will flatten somewhat.

We expect the rental market for commercial property to remain buoyant, as forecasts for the activity in the oil and oil service companies are very positive.

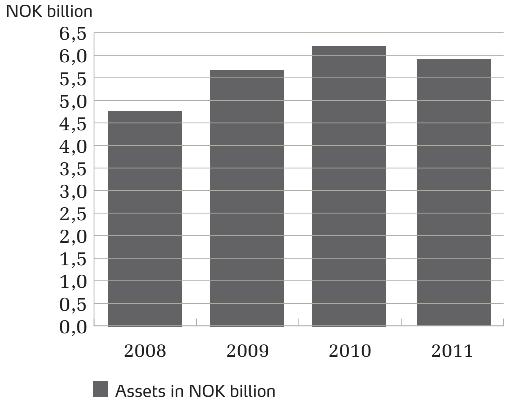
SR-INVESTERING AS
SR-Investering AS' object is to contribute to long-term value creation through investments in trade and industry in the Group's market area. The company primarily invests in private equity funds and companies in the SMB segment that have a need for capital if they are to develop and grow further.

In 2011, the profit after tax was NOK 10.5 million against NOK 7.3 million in 2010. The result comes from realised investments and the appreciation of the company's investment portfolio. At the end of 2011, SR-Investering AS had total investments of NOK 143.2 million and outstanding commitments relating to these of NOK 112.3 million, spread over 23 companies and private equity funds.

The outlook for companies in the region is good. It is believed that the high activity in the oil and gas sector will provide high investment activity in the immediate future, and that portfolio companies in our private equity funds will benefit positively from this. SR-Investment AS expects the portfolio to perform well in 2012.

SR-FORVALTNING AS
SR-Forvaltning AS is a securities firm with a licence to provide asset management services. The company's goal is to be a local alternative with a high level of competence in asset management.

SR-Forvaltning, development of assets under management 2007-2010



The company has a staff of 13 and manages SpareBank 1 SR-Bank's pension fund portfolio, SpareBank 1 SR-Bank's short term investments, as well as portfolios for about 3 000 external customers. SR-Forvaltning AS has now managed its customers' funds for 12 years.

The external customer base comprises pension funds, public and private enterprises and affluent individuals. SR-Forvaltning AS's activities are based on a conservative philosophy and a long-term approach. A range of portfolio models forms the basis for building up and adjusting the management of the assets to generate a good risk-adjusted result for the individual investor.

In 2011, the profit before tax was NOK 27.4 million, compared with NOK 20.9 million in 2010. Total assets amounted to approximately NOK 5.9 billion at year-end, of which approximately NOK 1 billion referred to the management of SpareBank 1 SR-Bank's pension fund.

Existing and new customers invested some NOK 460 million in fresh capital in 2011. Customers withdrew approximately NOK 430 million during the year. Thus, net customer assets increased by approximately NOK 30 million.

History shows that the customers have received a good risk-adjusted return, with better results than comparable benchmarks, and at the same time lower underlying portfolio risk. During this period, SR-Forvaltning AS has enjoyed a high degree of customer loyalty.

The company's performance, quality of service and good, effective operations are considered key factors for good development also in 2012.

SPAREBANK 1 SR-FINANS AS
The company offers lease financing to business and industry and car loans to retail customers. Profit before tax was NOK 99.9 million in 2011, compared with NOK 77.8 million in

the preceding year. The increase in the result is mainly attributable to lower realised losses and the one-time effect of NOK 7 million relating to the company's pensions scheme. Net interest income fell in the period. The company's total assets have grown steadily in 2011, rising by 8 per cent to NOK 5.4 billion. New sales have been good, especially in leasing to business and industry. In total, gross new sales in 2011 equalled NOK 2.1 billion, or a rise of 7 per cent compared with 2010. The number of contracts rose by 3 per cent and the company got 2 049 new customers in 2011, 418 of these being new corporate customers.

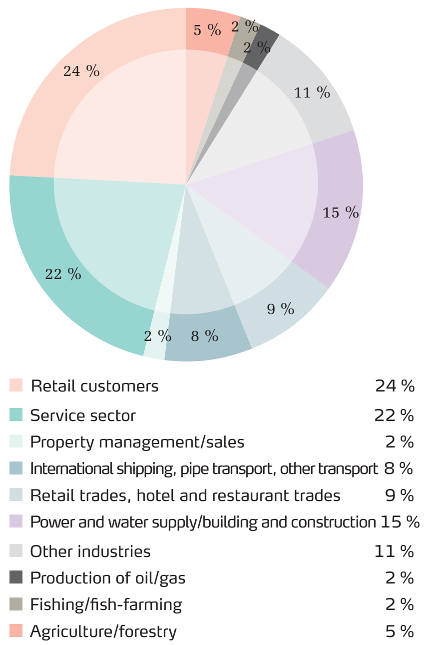
Portfolio distribution

Interaction with the bank's distribution network is a very important factor for new business having developed positively in recent years. In addition, the company has experienced that ventures into new channels (internet and dealer channels) generate positive results. Car loans are primarily sold through the bank's Retail Market Division, through face-to-face contact between the bank's advisers and customers. The number of car loans that are sold through other channels is increasing. In the corporate market sales are arranged partly through its own sales staff and partly through the bank advisers. About half of new business in leasing refers to customers who have a business relationship with both SpareBank 1 SR-Finans AS and SpareBank 1 SR-Bank.

At the end of 2011, the company had 35 employees representing 34 full time equivalents. This was an increase of one full time equivalent from 2010. The majority of the company's employees are women (69 per cent)). 83 per cent of the company's management are women. The company is characterised by high job satisfaction, and motivated and committed employees.

The company serves small, medium and large businesses. The majority of the customers are in Rogaland, but the ambition is to become a major player in Hordaland and the Agder counties as well. There are two lease salespeople in Kristiansand and two

Portfolio distribution



in Bergen. The company also has distribution agreements in leasing with five Samspar banks in the SpareBank 1 Alliance. In 2011, the company has established dealer partnerships with 30 dealers in the company's market area.

2012 is expected to be a year with a continued high level of investment in business and industry. In the course of 2012, the company will also implement several upgraded IT systems in portfolio monitoring, credit scoring and customer relationship management. In addition, the interface with customers will be further strengthened through a new web portal and increased investment in the supplier and dealer channel.

FROM EQUITY CERTIFICATES TO SHARES

CONVERSION TO LIMITED LIABILITY SAVINGS BANK FROM 1 JANUARY 2012

At its meeting on 28 June 2010 the Supervisory Board of SpareBank 1 SR-Bank requested that the executive management consider the advantages and disadvantages of a conversion of SpareBank 1 SR-Bank into limited liability savings bank. Based on an overall assessment, the Board concluded that it would be best for SpareBank 1 SR-Bank to strengthen itself in the equity and external finance markets if it were to continue to lead the development of the region in which the group is active. The Board resolved, therefore, on 28 October 2010 to submit a proposal at the Supervisory Board meeting to convert SpareBank 1 SR-Bank into a limited liability savings bank. In its evaluations the Board has stressed maintaining the bank's regional roots, the bank's history and the savings bank tradition.

The Supervisory Board discussed the conversion of SpareBank 1 SR-Bank into a public limited company at in two subsequent meetings on 25.11.2010. The decisions were unanimous. The application for conversion permit was submitted to the Financial Supervisory Authority of Norway as the advisory authority in December 2010. The FSA, in its recommendation to the Ministry of Finance dated 17 March 2011, recommended that SpareBank 1 SR-Bank be given permission to convert the bank to the limited liability savings bank.

On 21 June 2011, pursuant to the Financing Activity and Financial Institutions Act (Financial Institutions Act) of 10 June 1988 No. 40, Section 2c-13, second paragraph, the Ministry of Finance issued a permit to carry out the conversion, and to create a savings bank foundation. Tax relief was granted on 1 July 2011, so the conversion does not trigger taxation of SpareBank 1 SR-Bank.

SpareBank 1 SR-Bank was converted from an equity certificate to the limited liability savings bank on 1 January 2012. The share capital is NOK 4 987 241 725 , divided into 199 489 669 shares with a nominal value of NOK 25 each. Former equity certificate holders received one share in exchange for each equity certificate they held in SpareBank 1 SR-Bank at the time of conversion. This amounted to a total of 127 313 361 shares, representing 63.8 per cent of the shares.

ESTABLISHMENT OF SPAREBANKSTIFTELSEN SR-BANK

As a result of the conversion, Sparebankstiftelsen SR-Bank (Savings Bank Foundation) was established. On its establishment, Sparebankstiftelsen SR-Bank received a number of shares corresponding to the relative stake in the former primary capital of SpareBank 1 SR-Bank. This amounted to a total of 72 176 308 shares, representing 36.2 per cent of the shares issued. Sparebankstiftelsen SR-Bank has the following object clause in its Articles of Association: The foundation's object is to administer the shares it was allocated on its establishment and to exercise and maintain a significant, long-term and stable ownership of SpareBank 1 SR-Bank ASA.

The foundation may also place funds in an appropriate and satisfactory manner having in mind the interests of safety, risk diversification, liquidity and yield, and with a view to achieving market rate of return on equity. The foundation may allocate profits and distribute dividends funds for charitable purposes. The foundation shall, in its distribution of funds preferably take into account the districts that have built up the primary capital in the former SpareBank 1 SR-Bank.

The foundation owns 72 176 308 shares of SpareBank 1 SR-Bank. Ownership is to be exercised in accordance with generally accepted corporate governance principles, and within the limits and guidelines set by the General Meeting. The ownership must be at least 25 per cent of the issued shares of SpareBank 1 SR-Bank.

The foundation shall, in its business activities, continue the savings bank tradition by participating in capital increases in SpareBank 1 SR-Bank and by other means. Otherwise, the foundation can perform other activities that are consistent with the stated object and the framework set at any time by the regulations governing savings bank foundations.

FROM ROGG TO SRBANK

The last day of trading for the bank's former equity certificates was 30 December 2011. As of 2 January 2012, the ticker on Oslo Børs changed from ROGG to SRBANK. SRBANK is part of OSEAX All-share index and sector index OSE40 Financials/OSE4010 Banks. The Liquidity segment is Match.

DIVIDEND POLICY

SpareBank 1 SR-Bank's economic objective for its operation is to achieve results that yield a healthy and stable return on the bank's total equity, thus creating value for shareholders in the form of a competitive return by way of dividends and a capital gain on the shares. When deciding on the annual dividend, consideration is given to financial needs, including the capital adequacy requirements, and the group's targets and strategic plans.
Unless capital adequacy requirements require otherwise, the

Board's goal is that about half of the profit for the year after tax shall be distributed as dividend. The parent company's available profit for the 2011 accounting year was NOK 936 million or NOK 4.70 per share (taking into account the number of shares at 2 January 2012, subsequent to the conversion into a public limited company and the establishment of the foundation Sparebankstiftelsen SR-Bank). In line with SpareBank 1 SR-Bank's dividend policy, various aspects are taken into consideration when fixing the dividend, with special emphasis on financial strength and core capital adequacy. The Board of Directors of Sparebank 1 SR-Bank proposes a dividend of NOK 1.50 per share. This represents a payout ratio of 32 per cent.

INVESTOR 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, rating agencies, lenders and investors.

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 shares (SRBANK) are treated equally at all times. At the end of 2011, there were eight brokerage houses with official coverage of SRBANK. Updated contact information etc. about these is available at all times on our IR pages.

INFORMATION ADDRESSES

SpareBank 1 SR-Bank disseminates information to the market through the internet.

SpareBank 1 SR-Bank's website: www.sr-bank.no. Other links for financial information: www.huginonline.no, www.ose.no (Oslo Børs)

Financial calendar for 2012	
Ex dividend date:	30.3.2012
1st quarter	3.5.2012
2nd quarter	9.8.2012
3rd quarter	1.11 2012

Preliminary accounts for 2012 will be published in February 2013.

OWNERSHIP

SpareBank 1 SR-Bank aims to ensure good liquidity in it shares and achieve a good diversity of holders who represent customers, regional investors, as well as Norwegian and international investors.

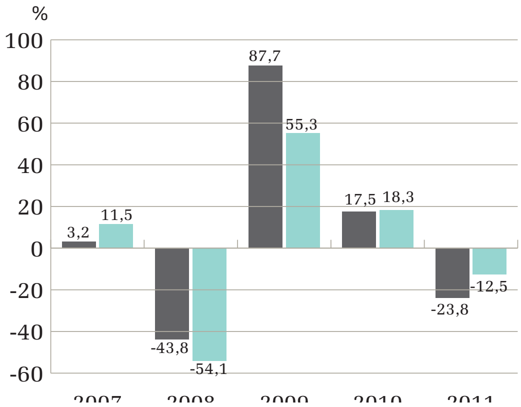
At the end of 2011, there were 11 887 (12 031) owners of the former ROGG. The percentage owned by foreigners was 9.6 per cent (9.7 per cent), whilst the percentage held in Rogaland, Agder and Hordaland was 46.8 (47.5 per cent). The bank's owned 133 248 of its own equity certificates. The group's employees owned 3.5 per cent of the equity certificates at year-end.

The 20 largest owners owned a total of 40.3 per cent (41.0 per cent) of the former equity certificates at 31 December 2011 (see note 36). On 17 February 2012, Sparebankstiftelsen SR-Bank flagged,in a press release to Oslo Børs, the sale of 6 million shares. Sparebankstifelsen SR-Bank also sold 4,5 million shares on 21 March 2012. The following shows the 20 largest shareholders:

20 largest shareholders as of 27.03.2012	Holdings	% of total share-holders
Sparebankstiftelsen SR-Bank	61 676 308	30,9%
Gjensidige Forsikring ASA	20 713 065	10,4%
SpareBank 1-stiftinga Kvinnherad	6 069 934	3,0%
Folketrygdfondet	4 554 921	2,3%
Odin Norge	4 262 184	2,1%
Frank Mohn AS	4 202 587	2,1%
Odin Norden	3 222 064	1,6%
Clipper AS	1 685 357	0,8%
JPMorgan Chase Bank, U.K.	1 598 223	0,8%
Maaseide Promotion AS	1 100 000	0,6%
Fidelity Low-Priced Stock Fund, U.S.A.	1 061 327	0,5%
Olav Stangeland	1 039 034	0,5%
Westco AS	1 030 091	0,5%
SHB Stockholm Clients Account, Sverige	1 009 500	0,5%
Køhlergruppen AS	1 000 000	0,5%
Varma Mutual Pension Insurance, Finland	976 091	0,5%
Forsand kommune	769 230	0,4%
Solvang Shipping AS	701 034	0,4%
Leif Inge Slethei AS	672 772	0,3%
Fondsfinans Spar	650 000	0,3%
Total 20 largest	**117 993 722**	**59,1%**

	2011	2010	2009	2008	2007
Regional share	47 %	47 %	47 %	62 %	65 %
Other Norwegian owners		43 %	46 %	31 %	26 %
Foreign owners	10	10 %	7 %	7 %	9 %
Total owners	11 887	12 031	12 219	11 482	11 232

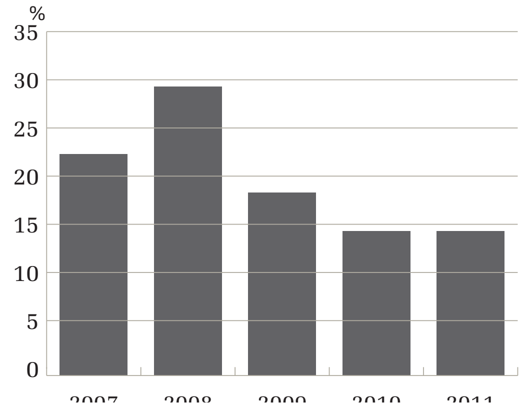
Historic yield – ROGG



YIELD ON THE BANK'S FORMER EQUITY CERTIFICATES (ROGG) IN 2011

17.4 per cent (14.8 per cent) of the bank's equity certificates were traded in 2011. The market price of the bank's equity certificate fell from NOK 57.00 to NOK 40.70 in 2011. This represents a negative effective yield of 23.8 per cent in 2011 (taking into account the dividend paid NOK 2.75). Oslo Børs' Benchmark index fell by approximately 12.5 per cent in the same period. The equity certificate index fell by 21.6 per cent in 2011.

Historic turnover – ROGG



CREDIT RATING

Moody's Investor Services' credit rating of SpareBank 1 SR-Bank was A1 with a stable outlook by the end of 2011 (unchanged from 2010). Rating on short-term financing remained unchanged through 2011 at Prime 1.

In 2011, Fitch Ratings has downgraded its credit rating of SpareBank 1 SR-Bank from A to A- (long-term) and from F1 to F2 (short-term). The change was made after the outlook for 2009 was changed to negative outlook. After the change the outlook has been maintained as stable.

Key figures	2011	2010	2009	2008	2007
Market price 31.12, NOK	40,70	57,00	50,00	27,08	55,21
Value for tax purposes 01.01 following year, NOK	41,40	57,50	50,25	32,70	56,10
Dividend per equity certificate, NOK	1,50	2,75	1,75	0,83	3,96
Direct return 1)	3,7 %	4,8 %	3,5 %	3,1 %	7,2 %
Effective return 2)	-23,8 %	17,5 %	87,7 %	-43,8 %	3,2 %
Book value per equity certificate, NOK 3)	48,75	47,45	42,07	37,23	37,64
Earnings per equity certificate, NOK 4)	5,42	6,84	6,88	3,00	6,54
Payout ratio, net 5)	32 %	44 %	42 %	33 %	84 %
Equity certificate ratio 6)	63,8 %	63,2 %	62,9 %	56,1 %	54,9 %
No. of certificates issued 31.12	127 313 361	127 313 361	120 933 730	74 903 345	70 969 909
Holding of own certificates 31.12	133 248	133 248	353 116	294 264	294 264
No. of outstanding certificates 31.12	127 180 113	127 180 113	120 580 614	74 609 081	70 675 645
Certificates traded per year (% of issued certificates)	17 %	15 %	19 %	30 %	23 %

1) Dividend as percentage of market price at year-end
2) Appreciation during the year plus dividend paid as percentage of market price at the beginning of the year
3) Equity certificate holders' equity divided by number of certificates issued.
4) Equity certificate holders' share of the group profit after tax.
5) Dividend as a percentage of the equity certificate holders' share of the profit available for distribution.
6) Ownership capital, dividend equalisation reserve and premium reserve as a percentage of the parent bank's equity at year-end (excluding dividend allocations and reserve for unrealised gains).

CORPORATE SOCIAL COMMITMENT

WE DO IT WITH A PURPOSE IN MIND

We shall create values for the region of which we are part. This is SpareBank 1 SR-bank's object, the very foundation for our business model. The allocation of capital, to both business development and housing, is our most important social duty. We have been done this for more than 170 years. We are also a significant contributor in that we annually plough back large amounts to our local communities. It is also in our own interest to contribute to a robust environment for business and trade and good conditions for growing up and living.

In 2011, we created quantifiable values worth approximately NOK 2.5 billion.

- NOK 877 million (35 per cent) was transferred back to society by way of direct and indirect taxes paid by the company and its employees
- NOK 718 million (28 per cent) benefitted the employees in the form of net pay, pensions and other benefits
- NOK 299 million (12 per cent) went to our shareholders in the form of cash dividends
- NOK 637 million (25 per cent) was retained by the Group to support further growth in our market area.

GOODS AND SERVICES ARE PURCHASED LOCALLY

In addition to the direct creation of values, the Group's operations also have ripple effects because of our need for goods and services from the local business communities in Rogaland, Hordaland and the Agder counties.

In 2011, SpareBank 1 SR-Bank purchased goods and services worth more than NOK 805 million. In addition to being a large-scale consumer of IT services, the Group spends substantial amounts on communications (telephony, postage and freight). The large number of buildings we have in the Group's catchment area need to be maintained, which means work for craftsmen of all types. We purchase the majority of goods and services from regional and local suppliers provided these are competitive.

WE CREATE VALUES THAT DEVOLVE ON OUR REGION

SpareBank 1 SR-Bank is one of the region's biggest taxpayers. NOK 414 million of last year's profit devolves on society in the form of taxes. The employees paid a total of NOK 280 million in tax in 2010. This is an addition to the NOK 414 million paid by the Group, and in turn, help to maintain the well-developed supply of good public services in the region. As a whole, the Group and its employees contributed NOK 694 million in tax.

In addition to direct income taxes, the Group pays substantial amounts in indirect taxes, mainly employer's social security contributions and value added tax. In total, indirect taxesaggregate some NOK 183 million.

CREATION OF VALUES BY THE EMPLOYEES

Approximately 1 300 people worked in SpareBank 1 SR-Bank in 2011. Together, they received NOK 718 million in net pay, pensions and other personnel benefits. We are one of the largest employers in the district, and we do our utmost to be an attractive employer that can attract knowledgeable and competent people. Our employees also play an importnat major role beside of the value creation they contribute to for the Group. Their skills and expertise benefit society inasmuch as a large part of the staff is engaged in various external networks and are members of non-profit organisations and clubs.

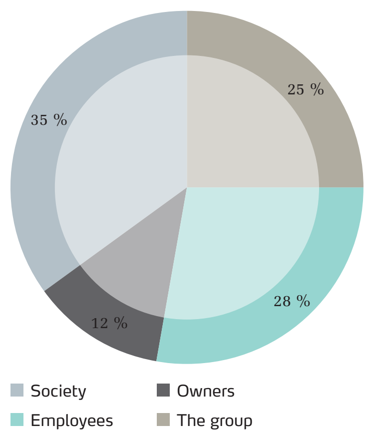
VERSATILE CONTRIBUTIONS MAKE A ROBUST SOCIETY

SpareBank 1 SR-Bank has a comprehensive social commitment. We support local initiative in the fields of culture, sport, research and education. This is done by making active use of the endowment fund for public benefit and through a large range of different sponsor agreements.

During 2011, some NOK 60 million was granted to various charitable projects in our region. In addition, we have contributed more than NOK 16 million through various sponsor agreements especially aimed at children and teenagers within sports and culture.

In 2011, we allocated NOK 10 million for development of infrastructure in and around Lysefjorden with the purpose of increasing the fjord's attractiveness through better and easier accessibility. In 2011, parts of this grant were earmarked for renovation of the 4 444 steps from the bottom to the top of Flørli, as well as a new facility for leisure boats. Work is already underway. We believe that our contribution to the development of the fjord will benefit the community as a whole as more people will have the opportunity to climb the many steps to the top of Flørli. In addition, increased visits to Lysefjorden provide new opportunities for tourism in the area. We did it intentionally.

Distribution of value added

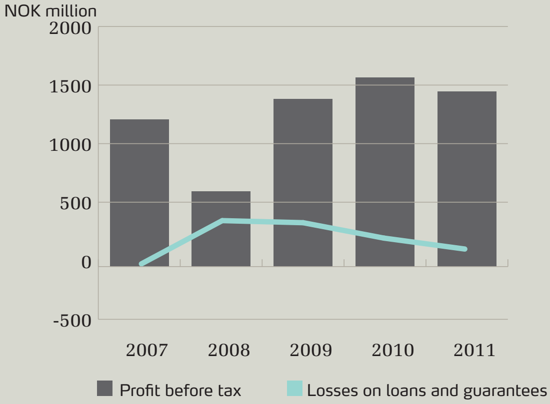


KEY FIGURES LAST 5 YEARS

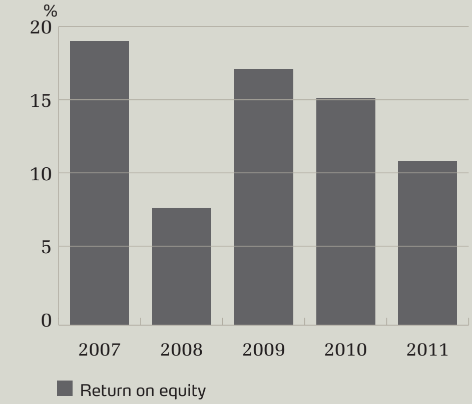
(figures in NOK million)

SpareBank 1 SR-Bank Group	2011	2010	2009	2008	2007
Profit and loss					
Net interest income	**1 756**	1 742	1 676	1 644	1 340
Net income from financial instruments	**89**	257	384	-234	142
Other operating income	**1 422**	1 415	1 319	1 072	1 141
Total net income	**3 267**	3 414	3 379	2 482	2 623
Total operating expenses before loan losses	**1 633**	1 566	1 579	1 453	1 357
Operating profit before loan losses	**1 634**	1 848	1 800	1 029	1 266
Losses on loans and guarantees	**139**	234	368	386	10
Operating profit before tax	**1 495**	1 614	1 432	643	1 256
Tax charge	**414**	297	321	163	249
Profit after tax available for distribution:	**1 081**	1 317	1 111	480	1 007
Majority interests	**1 081**	1 317	1 109	469	994
Minority interests	**-**	-	2	11	13
Return (as percentage of average total assets)					
Net interest income	**1.31 %**	1.35 %	1.35 %	1.49 %	1.42 %
Net income from financial instruments	**0.07 %**	0.20 %	0.31 %	-0.21 %	0.15 %
Other operating income	**1.06 %**	1.10 %	1.06 %	0.97 %	1.21 %
Total net income	**2.44 %**	2.65 %	2.72 %	2.25 %	2.78 %
Total operating expenses before loan losses	**1.22 %**	1.22 %	1.27 %	1.32 %	1.44 %
Operating profit before loan losses	**1.22 %**	1.43 %	1.45 %	0.93 %	1.34 %
Losses on loans and guarantees	**0.10 %**	0.18 %	0.30 %	0.35 %	0.01 %
Operating profit before tax	**1.12 %**	1.25 %	1.15 %	0.58 %	1.33 %
Tax charge	**0.31 %**	0.23 %	0.26 %	0.15 %	0.26 %
Profit after tax	**0.81 %**	1.02 %	0.89 %	0.44 %	1.07 %
Volumes					
Total assets	**131 142**	134 778	124 909	125 858	103 249
Lending to retail market	**47 593**	56 492	45 847	51 528	51 095
Lending to retail market including SB1 Boligkreditt	**92 287**	82 349	70 601	63 754	56 085
Lending to corporate market	**52 563**	48 736	47 063	47 500	36 447
Lending to corporate market including SB1 Næringskreditt	**53 198**	49 040	47 063	47 500	36 447
Deposits from retail market	**31 445**	28 683	25 180	24 511	21 450
Deposits from corporate market	**32 557**	32 054	29 106	28 360	28 764
Lending growth in retail market excluding SB1 Boligkreditt %	**-15.8**	23.2	-11.0	0.8	5.4
Lending in corporate market excluding SB1 Næringskreditt %	**7.9**	3.6	-0.9	30.3	26.4
Percentage growth in deposits retail market	**9.6**	13.9	2.7	14.3	11.8
Percentage growth in deposits corporate market	**1.6**	10.1	2.6	-1.4	23.1
Equity					
Equity certificate capital	**3 180**	3 180	3 014	1 865	1 764
Primary capital	**2 739**	2 477	2 241	2 066	1 970
Dividend equalisation reserve	**1 639**	1 511	971	913	1 114
Other reserves	**2 199**	2 234	1 847	1 110	977
Minority interests	**-**	-	-	12	16
Total equity	**9 757**	9 402	8 073	5 966	5 841
Key figures					
Return on equity %	**11.2**	15.5	17.5	8.0	19.4
Cost ratio	**50.0**	45.9	46.7	58.5	51.7
No. of full-time equivalents employed	**1 213**	1 163	1 093	1 117	1 021
Loan loss ratio	**0.13**	0.23	0.38	0.41	0.01
Gross defaults as percentage of total lending	**0.41**	0.42	0.42	0.35	0.10
Other doubtful commitments as percentage of total lending	**0.69**	0.72	0.81	1.26	0.73
Capital adequacy %	**11.44**	12.41	11.86	9.80	9.77
Core capital adequacy %	**10.62**	10.21	9.61	6.44	7.35
Average total assets	**133 629**	128 830	124 283	110 244	94 246

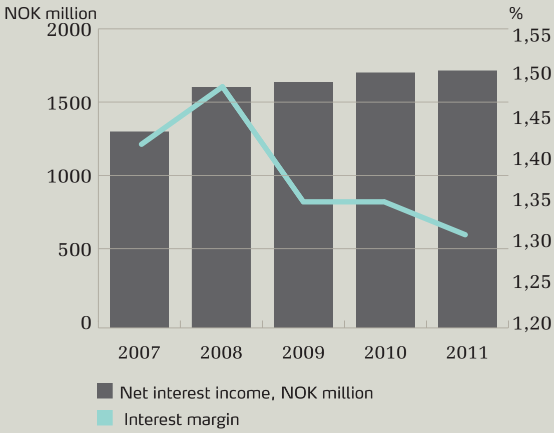
Profit and loss



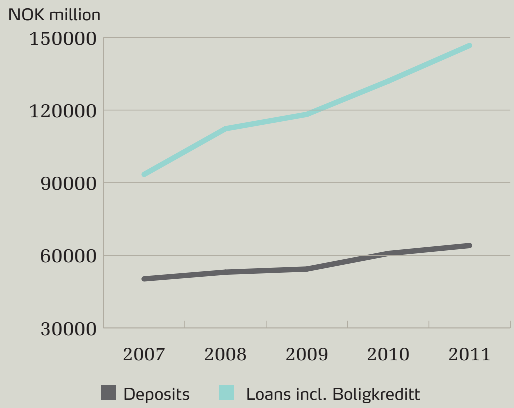
Return on equity



Net interest income and interest margin

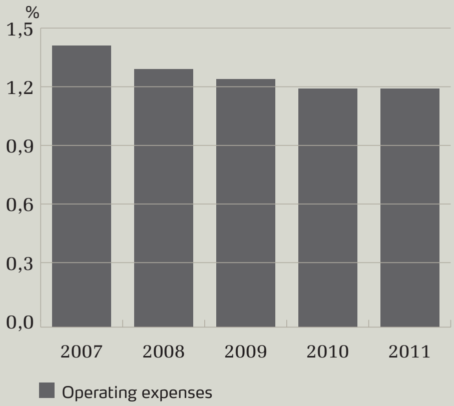


Loans and deposits

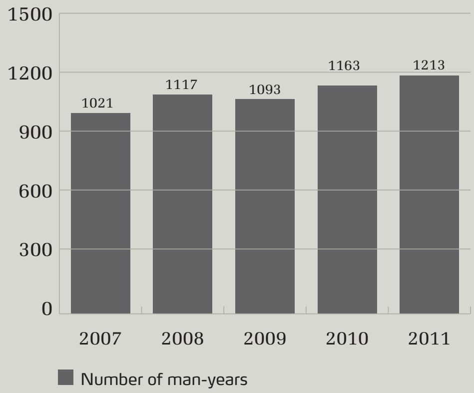


Operating expenses

% of average total assets



Number of man-years, the group



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