

# **REPORT AND ACCOUNTS FOR THE FIRST 9 MONTHS OF 2006 SPAREBANKEN SØR**

## **ACCOUNTING PRINCIPLES ETC.**

The Parent Bank's quarterly accounts have been prepared in accordance with NGR. The Group quarterly accounts are prepared in compliance with IFRS, including IAS 34 relating to interim reporting. The transitional effects of the implementation of IFRS, and the accounting principles, have been explained in a separate note forming part of the quarterly accounts. Accounting figures from previous periods have been restated on the basis of today's accounting principles.

## **RESULT**

The Bank's pre-tax result at the end of the third quarter of 2006 totalled NOK 218 million, down by NOK 33 million on the corresponding interim period in 2005. In relation to average assets, this amounted to 1.27 per cent, as against 1.65 per cent at the same time last year. At the end of the third quarter, the after-tax return on equity capital was 11.4 per cent, as against 14.9 per cent 12 months earlier. The reduction in the overall result is primarily ascribable to lower income from securities, coupled with a somewhat higher level of costs, as a result of a generally higher level of business activity.

## **NET INTEREST INCOME AND AVERAGE INTEREST MARGIN**

Net interest income totalled NOK 369 million at the end of the third quarter, up by NOK 17 million on the comparable interim period last year. In relation to average assets, however, there has been a shrinkage from 2.32 per cent to 2.15 per cent during the last 12 months. During the first three quarters of the year, Norges Bank raised its benchmark rate of interest three times, on each occasion by 0.25 percentage point. The Bank has followed up on this by adjusting its interest rates for lending and deposits in accordance with the changes in market rates. In spite of this, however, the Bank's overall margins have narrowed as a result of the competitive situation. Higher lending volumes have helped compensate for the loss in revenue generation due to this particular aspect, so that a higher total level of net interest income has nevertheless been achieved.

## **OTHER (NON-INTEREST) INCOME**

Net other operating income totalled NOK 91 million at the end of the third quarter, down by NOK 14 million on the same time last year. In relation to average assets, this amounted to a reduction from 0.69 to 0.53 per cent this year. Lower revenue generation from securities as a result of falling prices on the Oslo Stock Exchange is the most important reason for the shrinkage in other income. Fee- and commission income posted a larger growth than previously, higher revenues gained from the sale of unit trusts being an important reason for the improvement.

The Bank's real estate brokerage company, ABCenter, continued its good progress, making a NOK 6 million profit contribution at the end of the third quarter.

## **OPERATING COSTS**

Costs totalled NOK 239 million, up from NOK 212 million at the end of the third quarter last year. Measured against average assets, however, the overall cost ratio was trimmed from 1.40 to 1.39 per cent during the last 12 months. During the first three quarters of the year, the Bank's operations have been characterised by high activity levels, primarily in connection with the conversion to the new IT-systems which were installed by EDB Businesspartner AS. This project has now been successfully completed.

### **CREDIT LOSSES AND COMMITMENTS IN DEFAULT**

Total credit losses amounted to only NOK 3 million at the end of the third quarter. Of this, increased group write-downs of loans totalled NOK 4 million. At the end of the third quarter, total group write-downs amounted to NOK 50 million.

Commitments in default as well as bad and doubtful commitments have remained at a low level. At the end of the third quarter, net commitments in default and bad and doubtful commitments totalled NOK 193 million, equivalent to 0.91 per cent of total lending. At the same time last year, the corresponding figures were NOK 186 million and 1.01 per cent respectively.

### **BALANCE SHEET**

At the end of the third quarter, aggregate assets stood at NOK 24.3 billion, 13.8 per cent up from NOK 21.3 billion at the same time last year. During the last 12-month period, loans increased by 15.4 per cent, retail banking and corporate banking expanding by 11.3 and 23.0 per cent respectively. Deposits were up by 3.3 per cent overall, the corporate- and retail banking sectors increasing by 1.9 and 4.9 per cent respectively.

At the end of the third quarter, the Bank's overall deposit coverage ratio amounted to 59.7 per cent, compared to 63.8 per cent at the beginning of the year.

The Bank's funding loans raised in the certificate- and bond markets totalled NOK 8.0 billion at the end of the quarter currently under review, up from NOK 6.6 billion 12 months ago.

### **CAPITAL ADEQUACY RATIO - EQUITY AND RELATED CAPITAL**

At the end of the third quarter of 2006, the Bank's capital adequacy ratio amounted to 12.2 per cent, up from 10.9 per cent at the same time last year. The Bank's equity and related capital totalled NOK 2.1 billion, subordinated loan capital accounting for NOK 0.3 million, the remainder consisting of accrued earnings which have been added to the Savings Bank's Fund.

### **FUTURE PROSPECTS**

The result at the end of the third quarter is somewhat affected by developments on the Oslo Stock Exchange, coupled with higher overall costs than last year. The increase in total costs is attributable to various activities which will strengthen the Bank's position in the future. The main challenge remains the demanding competitive situation. However, the Board of Directors is optimistic with regard to the Bank's further development.

**Arendal, 17 October 2006**

**The Board of Directors of Sparebanken Sør**

**Profit and Loss Account**

PARENT BANK NGR Amounts in NOK million

GROUP IFRS Amounts in NOK million

30.09.2006	30.09.2005	31.12.2005		Noter	30.09.2006	30.09.2005	31.12.2005
718	568	778	Interest- and similar income		718	568	773
349	216	306	Interest- and similar costs		348	216	303
<b>369</b>	<b>352</b>	<b>472</b>	<b>Net interest- and credit commission income</b>		<b>370</b>	<b>352</b>	<b>470</b>
14	11	11	Dividends and other income from securities with variable yield		8	8	8
80	75	104	Commissions receivable and income from banking services		150	137	197
17	19	26	Commissions payable and costs relating to banking services		17	19	26
5	25	27	Net value change and gains/losses on f/x and securities		17	25	32
9	13	16	Other operating income		9	13	16
<b>91</b>	<b>105</b>	<b>132</b>	<b>Net other operating income</b>		<b>167</b>	<b>164</b>	<b>227</b>
190	169	253	Wages, salaries and general administration costs		247	217	330
13	11	15	Depreciation of fixed- and intangible assets		14	14	19
36	32	45	Other operating costs		36	32	45
<b>239</b>	<b>212</b>	<b>313</b>	<b>Total operating costs</b>		<b>297</b>	<b>263</b>	<b>394</b>
<b>221</b>	<b>245</b>	<b>291</b>	<b>Operating costs before credit losses</b>		<b>240</b>	<b>253</b>	<b>303</b>
3		1	Losses on loans, guarantees etc.	2	3		1
-	6	7	Losses/gains on securities held on a long-term basis			6	7
<b>218</b>	<b>251</b>	<b>297</b>	<b>Result before taxation cost</b>		<b>237</b>	<b>259</b>	<b>309</b>
62	63	76	Tax payable on ordinary result		68	65	84
<b>156</b>	<b>188</b>	<b>221</b>	<b>Result from ordinary operations after tax</b>		<b>169</b>	<b>194</b>	<b>225</b>
			Minority interests		4	5	4
			<b>Result after minority interests</b>		<b>165</b>	<b>189</b>	<b>221</b>

## Balance Sheet

PARENT BANK NGR Amounts in NOK million				GROUP IFRS Amounts in NOK million			
30.09.2006	30.09.2005	31.12.2005	ASSETS	Notes	30.09.2006	30.09.2005	31.12.2005
105	275	147	Cash-in-hand and claims on central banks		105	275	147
158	368	188	Loans to and claims on credit institutions		158	368	188
21,178	18,334	19,170	Gross loans to and claims on customers	1 3 5	21,165	18,340	19,166
62	78	76	Write-downs of individual loans	1	62	78	76
50	48	46	Write-downs of groups of loans	1	50	48	46
<b>21,066</b>	<b>18,208</b>	<b>19,048</b>	<b>Net loans to and claims on customers</b>		<b>21,053</b>	<b>18,214</b>	<b>19,044</b>
2	2	2	Repossessed assets		2	2	2
2,191	2,068	1,700	Certificates, bonds and other interest-bearing securities		2,195	2,068	1,703
188	184	179	Shares		188	184	179
11	11	11	Equity stakes in associated companies		11	11	11
35	28	29	Equity stakes in Group companies				
15	3	6	Intangible assets		19	6	6
137	116	120	Fixed assets	1	158	141	141
239	21	17	Other assets		274	53	62
			Financial derivatives	1	57	129	95
182	51	44	Prepayments and accrued income	1	182	51	44
<b>24,329</b>	<b>21,335</b>	<b>21,491</b>	<b>TOTAL ASSETS</b>		<b>24,402</b>	<b>21,502</b>	<b>21,622</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>							
664	272	446	Liabilities to credit institutions		664	272	446
12,647	12,240	12,243	Deposits from and liabilities to customers	1 4	12,640	12,228	12,235
7,952	6,560	6,608	Debt incurred through the issuance of securities	1	7,974	6,705	6,711
359	228	225	Other liabilities		377	250	252
			Financial derivatives	1	36	18	16
355	156	62	Incurred costs and prepaid income	1	355	155	61
61	61	72	Provisions for liabilities and costs	1	61	66	71
300			Subordinated bond loan		300		
<b>22,338</b>	<b>19,517</b>	<b>19,656</b>	<b>Total liabilities</b>		<b>22,407</b>	<b>19,694</b>	<b>19,792</b>
			Minority interests		2	2	2
1,835	1,630	1,835	Accrued equity capital	1 6	1,828	1,617	1,828
156	188		Retained earnings		165	189	
<b>1,991</b>	<b>1,818</b>	<b>1,835</b>	<b>Total equity capital</b>		<b>1,993</b>	<b>1,806</b>	<b>1,828</b>
<b>24,329</b>	<b>21,335</b>	<b>21,491</b>	<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b>		<b>24,402</b>	<b>21,502</b>	<b>21,622</b>
<b>OFF BALANCE SHEET ITEMS</b>							
<b>Conditional liabilities</b>							
522	597	498	Guarantees		522	597	498
1,643	1,604	1,518	Book value of assets pledged as collateral security for debt		1,643	1,604	1,518
2	2	2	Other conditional liabilities		2	2	2
<b>Liabilities:</b>							
5,888	5,297	5,340	Interest rate swaps		5,888	5,297	5,340
565	239	336	Forward exchange contracts - bought		565	239	336
513	239	336	Forward exchange contracts - sold		513	239	336

**Cash Flow Statement**

PARENT BANK Amounts in NOK million

GROUP Amounts in NOK million

PARENT BANK				GROUP		
30.09.2006	30.09.2005	31.12.2005		30.09.2006	30.09.2005	31.12.2005
<b>338</b>	<b>272</b>	<b>223</b>	<b>Net payments received from operations</b>	<b>340</b>	<b>277</b>	<b>234</b>
-2,008	-1,242	-2,086	Increase in loans	-2,008	-1,242	-2,090
-222	-10	-3	Change in other assets	-212	-7	-16
-513	-306	83	Change in securities	-508	-306	83
30	-331	-151	Change in loans to credit institutions	30	-331	-151
<b>-2,713</b>	<b>-1,889</b>	<b>-2,157</b>	<b>Net change in current financial operations</b>	<b>-2,698</b>	<b>-1,886</b>	<b>-2,174</b>
<b>-26</b>	<b>-26</b>	<b>-51</b>	<b>Net cash flow from investments</b>	<b>-30</b>	<b>-31</b>	<b>-48</b>
404	1,400	1,403	Change in deposits from customers	405	1,400	1,404
1,644	390	438	Change in liabilities incurred through the issuance of securities	1,644	390	438
218	-169	5	Change in funding loans from financial institutions	218	-169	5
93	60	49	Change in other liabilities	79	57	51
<b>2,359</b>	<b>1,681</b>	<b>1,895</b>	<b>Net cash flow from long-term financing</b>	<b>2,346</b>	<b>1,678</b>	<b>1,898</b>
<b>-42</b>	<b>38</b>	<b>-90</b>	<b>Net change in liquid funds</b>	<b>-42</b>	<b>38</b>	<b>-90</b>
147	237	237	Liquid funds as at 01.01	147	237	237
<b>105</b>	<b>275</b>	<b>147</b>	<b>Liquid funds as at 30.09</b>	<b>105</b>	<b>275</b>	<b>147</b>

## **Accounting principles - quarterly accounts**

### **Basis for preparation of accounts**

The quarterly accounts of the Sparebanken Sør Group cover the period from 01.01 to 30.09.06. With effect from the third quarter, Sparebanken Sør prepares its Group accounts in accordance with the IFRS rules and regulations and according to IAS 34. For the time being, it is not permitted to apply IFRS to the Bank's company accounts and the Parent Bank's accounts have therefore been prepared in accordance with Norsk God Regnskapskikk (NGR) (Norwegian Good Accounting Practice). The accounts are presented in NOK, which is also the Group's functional currency.

### **Currency**

Transactions in foreign currencies have been converted into NOK at the rates of exchange ruling at the time the transactions were concluded. Any foreign exchange loss and gain arising from such transactions, or from the conversion of money items in foreign currencies on the balance sheet date in question, are incorporated in the profit and loss account.

### **Securities**

Securities consist of shares and units, certificates and bonds. Shares and units are classified in the Group accounts either at their actual value through the profit and loss account or as available for sale, with any value changes adjusted against the equity capital. If the real value cannot be ascertained with certainty, acquisition cost is used in the case of the category 'available for sale'. In the Parent Bank's accounts, these value changes will be incorporated in the profit and loss account.

Certificates and bonds are classified in the Group accounts at their actual value through the profit and loss account. All financial instruments which are classified at their actual value through the profit and loss account are assessed at their actual value, and any change in value from the opening balance is included in the profit and loss account as income from other financial investments. In the Parent Bank's accounts, instruments which do not form part of the trading portfolio are assessed according to the lower of cost or market valuation rule.

### **Fixed assets**

Fixed assets comprise buildings, building plots and sites, and operational movable property. Buildings and operational movable property are carried in the accounts at cost minus depreciation and write-downs. Building plots and sites are shown in the accounts at cost minus any write-downs. Straight-line depreciation reflecting the assets' economic life is applied. No properties are classified as investment properties in the balance sheet.

### **Interest income and interest costs**

Interest income and interest costs are incorporated in the profit and loss account at amortised cost through the use of the effective interest rate method.

The effective interest rate method is a method used to calculate the amortised cost for loans and deposits, and to apportion interest income and interest cost over the expected term to maturity. The effective rate of interest is defined as the rate of interest which discounts the expected future cash flows in question over the expected maturity at the present value of the financial asset or liability involved. If a financial asset has been written down as a result of impairment of value, the interest income in question is shown in the accounts by using the rate of interest at which future cash flows are discounted in order to estimate the impairment of value which has occurred.

**Loans to customers**

Fixed-interest rate loans to customers are shown at their actual value in the Group accounts; gains and losses due to a change in the actual value are incorporated in the profit and loss account. Other loans are included in the accounts at amortised cost through the use of the effective interest rate method. In the Parent Bank's accounts, all loans are shown at amortised cost.

On each balance sheet day, an assessment is made in order to ascertain whether there is any objective evidence of an impairment of value of a loan or groups of loans. Impairment of value is deemed to exist only if there is objective evidence of it. The impairment of value must refer to events after the first time the loan has been included in the accounts and such impairment of value must be estimated in a reliable manner.

If there is objective evidence showing that impairment of value has occurred, the extent of the loss is estimated as the difference between the loan's book value and the present value of future cash flows discounted at the loan's original effective rate of interest. The book value of the loan is reduced by using an appropriation account, and the loss is charged to the profit and loss account.

**Funding loans and liabilities**

Deposits are initially shown in the accounts at actual value. During subsequent accounting periods, they are included in the accounts at amortised cost.

In the Group accounts, certificate- and bond debt is assessed at actual value through the profit and loss account. In the Parent Bank's accounts, such liabilities are evaluated at amortised cost.

**Financial derivatives and hedging**

Financial derivatives comprise foreign currency- and interest rate instruments. Financial derivatives are shown in the Group accounts at actual value through the profit and loss account. In the Parent Bank's accounts, current income and costs relating to the financial derivatives involved are shown in accordance with the accounting items being hedged through such instruments.

**Pension liabilities**

The Parent Bank provides pension schemes which give its staff the right to future agreed pension benefits. In connection with the transition to IFRS, any estimate discrepancies which had not been incorporated in the profit and loss account according to the former accounting principles applied have been adjusted against the equity capital. Any future estimate discrepancies will be shown in the accounts to the extent that they exceed 10 per cent of the higher of gross pension liabilities and gross pension resources.

**Consolidation**

The Group accounts comprise the Savings Bank and those of its subsidiaries where the Bank, on its own or together with subsidiaries, owns more than 50 per cent and/or has a deciding influence and where such ownership is deemed to be permanent. Internal transactions are netted out. In the Bank's accounts, the equity stakes in its subsidiaries are shown on the basis of the equity method of accounting.

Note 1

IFRS opening balance sheet as at 01.01.2005

	B/S at 31.12.2004 NGAAP	Change in financial instrum.	New lending rules 1)	Change in pensions guar. 1)	Change in pensions not g. 1)	Reversal of write-up of buildings	Tax	B/S as at 01.01.2005 IFRS
Cash and claims on central banks	237							237
Loans to credit institutions	37							37
Gross lending	17,093	36	-14					17,115
Specific loss provisions	-82		-8					-90
Non-specific loss provisions	-169		121					-48
<b>Net lending</b>	<b>16,842</b>	<b>36</b>	<b>99</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,977</b>
Reposessed assets	6							6
Bonds/certificates	1,788							1,788
Shares	159							159
Associated companies	11							11
Group companies								0
Intangible assets	7							7
Fixed assets	131					-5		126
Other assets	46							46
Financial derivatives		180						180
Prepayments	94			-72				22
<b>Total assets</b>	<b>19,358</b>	<b>216</b>	<b>99</b>	<b>-72</b>	<b>0</b>	<b>-5</b>	<b>0</b>	<b>19,596</b>
Liabilities to credit institutions	441							441
Deposits from customers	10,828	5						10,833
Liabilities through issuance of securities	6,170	194						6,364
Other liabilities	175							175
Financial derivatives		31						31
Incurred costs	67						-4	63
Provisions for liabilities and costs	46				24			70
<b>Total liabilities</b>	<b>17,727</b>	<b>230</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>0</b>	<b>-4</b>	<b>17,977</b>
<b>Minority interests</b>	<b>2</b>							<b>2</b>
Equity capital	1,629		99	-72	-24		-1	1,631
IFRS impact on equity capital		-14				-5	5	-14
Retained earnings								0
<b>Total equity capital</b>	<b>1,629</b>	<b>-14</b>	<b>99</b>	<b>-72</b>	<b>-24</b>	<b>-5</b>	<b>4</b>	<b>1,617</b>
<b>Total liabilities and equity capital</b>	<b>19,358</b>	<b>216</b>	<b>99</b>	<b>-72</b>	<b>0</b>	<b>-5</b>	<b>0</b>	<b>19,596</b>

**IFRS opening B/S as at 01.01.2006**

	B/S as at 31.12.2005 NGAAP	Change in financial instrum.	New lending rules 1)	Change in pensions guar. 1)	Change in pensions not g. 1)	Reversal of write-up of buildings	Tax	B/S as at 01.01.2006 IFRS
Cash and claims on central banks	147							147
Loans to credit institutions	188							188
Gross lending	19,168	15	-17					19,166
Specific loss provisions	-69		-7					-76
Non-specific loss provisions	-169		123					-46
<b>Net lending</b>	<b>18,930</b>	<b>15</b>	<b>99</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,044</b>
Reposessed assets	2							2
Bonds/certificates	1,700	3						1,703
Shares	179							179
Associated companies	11							11
Group companies								0
Intangible assets	6							6
Fixed assets	145					-4		141
Other assets	62							62
Financial derivatives		95						95
Prepayments	113			-69				44
<b>Total assets</b>	<b>21,483</b>	<b>113</b>	<b>99</b>	<b>-69</b>	<b>0</b>	<b>-4</b>	<b>0</b>	<b>21,622</b>
Liabilities to credit institutions	446							446
Deposits from customers	12,232	3						12,235
Liabilities through issuance of securities	6,608	103						6,711
Other liabilities	252							252
Financial derivatives		16						16
Incurred costs	62						-1	61
Provisions for liabilities and costs	51				20			71
<b>Total liabilities</b>	<b>19,651</b>	<b>122</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>-1</b>	<b>19,792</b>
<b>Minority interests</b>	<b>2</b>							<b>2</b>
Equity capital	1,830		99	-69	-20		-3	1,837
Equity capital - subsidiaries								0
IFRS impact on equity capital		-9				-4	4	-9
Retained earnings								0
<b>Total equity capital</b>	<b>1,830</b>	<b>-9</b>	<b>99</b>	<b>-69</b>	<b>-20</b>	<b>-4</b>	<b>1</b>	<b>1,828</b>
<b>Total liabilities and equity capital</b>	<b>21,483</b>	<b>113</b>	<b>99</b>	<b>-69</b>	<b>0</b>	<b>-4</b>	<b>0</b>	<b>21,622</b>

1) Also applied in Parent Bank's accounts

**Note 2 - Losses on loans and guarantees**

PARENT BANK Amounts in NOK million				GROUP Amounts in NOK million			
30.09.2006	30.09.2005	31.12.2005		30.09.2006	30.09.2005	31.12.2005	
-3	-11	-13	Period's change in individual	-3	-11	-13	
4	0	-2	Period's change in group writ	4	0	-2	
2	11	16	Period's conf. losses - ind. w	2	11	16	
1	3	3	Period's conf. losses - no ind	1	3	3	
1	3	3	Period's recoveries relating to	1	3	3	
<b>3</b>	<b>0</b>	<b>1</b>	<b>Credit loss cost for the per</b>	<b>3</b>	<b>0</b>	<b>1</b>	

**Note 3 - Commitments in default - bad and doubtful commitments**

PARENT BANK Amounts in NOK million				GROUP Amounts in NOK million		
30.09.2006	30.09.2005	31.12.2005		30.09.2006	30.09.2005	31.12.2005
111	96	77	Commitments in default	111	96	77
-27	-27	-22	Individual write-downs	-27	-27	-22
<b>84</b>	<b>69</b>	<b>55</b>	<b>Net commitments in default</b>	<b>84</b>	<b>69</b>	<b>55</b>
148	161	181	Other bad and doubtful commitments	148	161	181
-39	-44	-47	Individual write-downs	-39	-44	-47
<b>109</b>	<b>117</b>	<b>134</b>	<b>Net bad and doubtful commitments</b>	<b>109</b>	<b>117</b>	<b>134</b>

Commitments in default are defined as the sum of a customer's total commitments if at least one loan has been in default for 90 days or more.

**Note 4 - Deposits from customers broken down by industrial, commercial and other sectors**

PARENT BANK Amounts in NOK million				GROUP Amounts in NOK million		
30.09.2006	30.09.2005	31.12.2005		30.09.2006	30.09.2005	31.12.2005
1,151	1,022	1,286	Public sector	1,151	1,022	1,286
232	220	212	Primary industry	232	220	212
1,005	1,361	1,227	Industry/building and construction/transport	1,005	1,361	1,227
561	502	440	Wholesale- and retail trade/hotels/restaurants	561	502	440
1,477	1,221	1,285	Financing/real estate management	1,470	1,209	1,277
7,377	7,009	6,995	Retail banking customers	7,377	7,009	6,995
844	905	798	Sundry	844	905	798
<b>12,647</b>	<b>12,240</b>	<b>12,243</b>	<b>TOTAL</b>	<b>12,640</b>	<b>12,228</b>	<b>12,235</b>

**Note 5 - Gross lending broken down by industrial, commercial and other sectors**

PARENT BANK Amounts in NOK million				GROUP Amounts in NOK million		
30.09.2006	30.09.2005	31.12.2005		30.09.2006	30.09.2005	31.12.2005
60	66	59	Public sector	60	66	59
374	329	348	Primary industry	374	329	348
1,326	1,043	1,159	Industry/building and construction/transport	1,326	1,043	1,159
1,469	1,458	1,497	Wholesale- and retail trade/hotels/restaurants	1,469	1,458	1,497
4,543	3,416	3,810	Financing/real estate management	4,530	3,393	3,806
13,000	11,661	11,955	Retail banking customers	13,000	11,690	11,955
406	361	342	Sundry	406	361	342
<b>21,178</b>	<b>18,334</b>	<b>19,170</b>	<b>TOTAL</b>	<b>21,165</b>	<b>18,340</b>	<b>19,166</b>

**Note 6 - Equity capital movements**

PARENT BANK Amounts in NOK million			GROUP Amounts in NOK million		
3. kv. 2006	3. kv. 2005		3. kv. 2006	3. kv. 2005	
1,835	1,630	Equity capital as at 01.01	1,828	1,617	
156	188	Profit	165	194	
<b>1,991</b>	<b>1,818</b>	<b>Equity capital as at 30.09</b>	<b>1,993</b>	<b>1,811</b>	

**Note 7 - Equity and related capital - capital adequacy ratio**

	30.09.2006	30.09.2005	31.12.2005
Savings Bank's Fund	1,835	1,630	1,835
Subordinated loan capital	300		
Intangible assets and over-funded pension liabilities	-15	-48	-54
Equity and related capital in other financial institutions	-2	-2	-2
<b>Net equity and related capital</b>	<b>2,118</b>	<b>1,580</b>	<b>1,779</b>
Weighted asset calculation basis	17,310	14,409	14,594
<b>Capital adequacy ratio</b>	<b>12.2 %</b>	<b>10.9 %</b>	<b>12.2 %</b>

Note 8 - Segment-related reporting

Reporting by segment

P&L Account (NOK million)	Group as at 30.09.06					Group as at 30.09.05				
	Retail bkg	Corp.	ABCcenter	Unallotted	Total	Ret. bkg.	BM	ABCcenter	Unallotted	Total
Net interest- and credit comm. income	176	116	1	77	370	197	118		37	352
Net other operating income	36	12	70	49	167	35	21	62	46	164
Operating costs	97	74	58	68	297	98	58	49	58	263
<b>Op. res. bef. credit loss per seg.</b>	<b>115</b>	<b>54</b>	<b>13</b>	<b>58</b>	<b>240</b>	<b>134</b>	<b>81</b>	<b>13</b>	<b>25</b>	<b>253</b>
Losses on loans and guarantees				3	3	-1	1		0	0
Loss/gain on long-term securities				0					6	6
<b>Pre-tax result per segment</b>	<b>115</b>	<b>54</b>	<b>13</b>	<b>55</b>	<b>237</b>	<b>135</b>	<b>80</b>	<b>13</b>	<b>31</b>	<b>259</b>
Loans to customers	13,126	8,058		-19	21,165	11,797	6,553		-10	18,340
Individual write-down of loans	-18	-43		-1	-62	-20	-55		-3	-78
Group write-down of loans				-50	-50				-48	-48
Other assets			70	3,279	3,349		3	62	3,223	3,288
<b>Total assets per segment</b>	<b>13,108</b>	<b>8,015</b>	<b>70</b>	<b>3,209</b>	<b>24,402</b>	<b>11,777</b>	<b>6,501</b>	<b>62</b>	<b>3,162</b>	<b>21,502</b>
Deposits from and liabs to customers	7,961	4,634		45	12,640	7,592	4,547		89	12,228
Open accounts/other liabilities	5,147	3,381	70	1,171	9,769	4,185	1,954	62	1,267	7,468
<b>Total liabilities per segment</b>	<b>13,108</b>	<b>8,015</b>	<b>70</b>	<b>1,216</b>	<b>22,409</b>	<b>11,777</b>	<b>6,501</b>	<b>62</b>	<b>1,356</b>	<b>19,696</b>
Equity capital				1,993	1,993				1,806	1,806
<b>Total liabs and eq. cap. per segm.</b>	<b>13,108</b>	<b>8,015</b>	<b>70</b>	<b>3,209</b>	<b>24,402</b>	<b>11,777</b>	<b>6,501</b>	<b>62</b>	<b>3,162</b>	<b>21,502</b>

Reporting by region

P&L Account (NOK million)	Group as at 30.09.06					Group as at 30.09.05				
	Øst	Vest	ABCcenter	Unallotted	Total	Øst	Vest	ABCcenter	Unallotted	Total
Net interest and credit comm. income	154	155	1	60	370	155	159		38	352
Net other operating income	36	38	70	23	167	35	36	62	31	164
Operating costs	82	89	58	68	297	75	81	49	58	263
<b>Op. res. bef. cr. loss per segm.</b>	<b>108</b>	<b>104</b>	<b>13</b>	<b>15</b>	<b>240</b>	<b>115</b>	<b>114</b>	<b>13</b>	<b>11</b>	<b>253</b>
Losses on loans and guarantees	5	-6		4	3	1	-1		0	0
Loss/gain on long-term securities				0					6	6
<b>Pre-tax result per segment</b>	<b>103</b>	<b>110</b>	<b>13</b>	<b>11</b>	<b>237</b>	<b>114</b>	<b>115</b>	<b>13</b>	<b>17</b>	<b>259</b>
Loans to customers	9,630	11,157		378	21,165	8,506	9,509		325	18,340
Individual write-down of loans	-37	-29		4	-62	-28	-49		-1	-78
Group write-down of loans				-50	-50				-48	-48
Other assets	111	96	70	3,072	3,349	90	89	62	3,047	3,288
<b>Total assets per segment</b>	<b>9,704</b>	<b>11,224</b>	<b>70</b>	<b>3,404</b>	<b>24,402</b>	<b>8,568</b>	<b>9,549</b>	<b>62</b>	<b>3,323</b>	<b>21,502</b>
Deposits from and liabs to customers	5,913	6,547		180	12,640	5,869	6,027		332	12,228
Open accounts/other liabilities	3,791	4,677	70	1,231	9,769	2,699	3,522	62	1,185	7,468
<b>Total liabilities per segment</b>	<b>9,704</b>	<b>11,224</b>	<b>70</b>	<b>1,411</b>	<b>22,409</b>	<b>8,568</b>	<b>9,549</b>	<b>62</b>	<b>1,517</b>	<b>19,696</b>
Equity capital				1,993	1,993				1,806	1,806
<b>Total liabs and eq. cap. per segm.</b>	<b>9,704</b>	<b>11,224</b>	<b>70</b>	<b>3,404</b>	<b>24,402</b>	<b>8,568</b>	<b>9,549</b>	<b>62</b>	<b>3,323</b>	<b>21,502</b>

## QUARTERLY RESULTS (Parent Bank)

Amounts in NOK million	3rd q. 2006	2nd q. 2006	1st q. 2006	4th q. 2005	3rd q. 2005	2nd q. 2005
Net interest- and credit commission income	127	122	120	120	121	116
Net other operating income	29	20	42	27	35	38
Operating costs	81	82	76	101	68	78
<b>Operating result before credit losses</b>	<b>75</b>	<b>60</b>	<b>86</b>	<b>46</b>	<b>88</b>	<b>76</b>
Losses on loans, guarantees etc.	-6	7	2	3	-1	-1
Loss/gain on securities held on a long-term basis				1	4	2
<b>Result before taxation cost</b>	<b>81</b>	<b>53</b>	<b>84</b>	<b>44</b>	<b>93</b>	<b>79</b>
Tax payable on ordinary result	24	18	20	13	23	19
<b>Result from ordinary operations after tax</b>	<b>57</b>	<b>35</b>	<b>64</b>	<b>31</b>	<b>70</b>	<b>60</b>

## QUARTERLY RESULTS (Group)

Amounts in NOK million	3rd q. 2006	2nd q. 2006	1st q. 2006	4th q. 2005	3rd q. 2005	2nd q. 2005
Net interest- and credit commission income	128	122	120	121	120	116
Net other operating income	64	40	63	58	54	60
Operating income	101	100	96	133	85	95
<b>Operating result before credit losses</b>	<b>91</b>	<b>62</b>	<b>87</b>	<b>46</b>	<b>89</b>	<b>81</b>
Losses on loans, guarantees etc.	-6	7	2	3	-1	-1
Loss/gain on securities held on a long-term basis				1	4	2
<b>Result before taxation cost</b>	<b>97</b>	<b>55</b>	<b>85</b>	<b>44</b>	<b>94</b>	<b>84</b>
Tax payable on ordinary result	29	19	20	16	24	16
<b>Result from ordinary operations after tax</b>	<b>68</b>	<b>36</b>	<b>65</b>	<b>28</b>	<b>70</b>	<b>68</b>

## QUARTERLY RESULTS (Parent Bank)

As a percentage of average assets	3rd q. 2006	2nd q. 2006	1st q. 2006	4th q. 2005	3rd q. 2005	2nd q. 2005
Net interest- and credit commission income	2.15	2.13	2.17	2.25	2.31	2.28
Net other operating income	0.49	0.35	0.76	0.51	0.68	0.74
Operating costs	1.37	1.43	1.37	1.93	1.33	1.51
<b>Operating result before credit losses</b>	<b>1.27</b>	<b>1.05</b>	<b>1.56</b>	<b>0.83</b>	<b>1.66</b>	<b>1.51</b>
Losses on loans, guarantees etc.	-0.10	0.12	0.04	0.06	-0.01	0.00
Loss/gain on securities held on a long-term basis	0.00	0.00	0	0.02	0.08	0.04
<b>Result before taxation cost</b>	<b>1.37</b>	<b>0.93</b>	<b>1.52</b>	<b>0.79</b>	<b>1.75</b>	<b>1.55</b>
Tax payable on ordinary result	0.40	0.32	0.36	0.24	0.44	0.37
<b>Result from ordinary operations after tax</b>	<b>0.97</b>	<b>0.61</b>	<b>1.16</b>	<b>0.55</b>	<b>1.31</b>	<b>1.18</b>

## FINANCIAL HIGHLIGHTS 2002-2006 (Parent Bank)

<b>Profit and Loss Account</b>	<b>30.09.06</b>	<b>30.09.05</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Interest- and credit commission income	718	568	778	725	1,039	1,216
Interest costs	349	216	306	266	604	775
<b>Net interest- and credit commission income</b>	<b>369</b>	<b>352</b>	<b>472</b>	<b>459</b>	<b>435</b>	<b>441</b>
Net other operating income	91	105	132	129	126	45
Operating costs	239	212	313	313	319	303
<b>Operating result before credit losses</b>	<b>221</b>	<b>245</b>	<b>291</b>	<b>275</b>	<b>242</b>	<b>183</b>
Losses on loans, guarantees etc.	3	-	1	22	75	78
Loss/gain on securities held on a long-term basis	-	6	7	-2	-1	
<b>Result before taxation cost</b>	<b>218</b>	<b>251</b>	<b>297</b>	<b>251</b>	<b>166</b>	<b>105</b>
Tax payable on ordinary result	62	63	76	63	52	34
<b>Result from ordinary operations after tax</b>	<b>156</b>	<b>188</b>	<b>221</b>	<b>188</b>	<b>114</b>	<b>71</b>

<b>Profit and Loss Account items as a percentage of average assets</b>	<b>30.09.06</b>	<b>30.09.05</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Interest- and credit commission income	4.19%	3.74%	3.79%	3.90%	6.05%	7.91%
Interest costs	2.04%	1.42%	1.49%	1.43%	3.52%	5.04%
<b>Net interest- and credit commission income</b>	<b>2.15%</b>	<b>2.32%</b>	<b>2.30%</b>	<b>2.47%</b>	<b>2.53%</b>	<b>2.87%</b>
Net other operating income	0.53%	0.69%	0.64%	0.69%	0.74%	0.29%
Operating costs	1.39%	1.40%	1.52%	1.68%	1.86%	1.97%
<b>Operating costs before credit losses</b>	<b>1.29%</b>	<b>1.61%</b>	<b>1.42%</b>	<b>1.48%</b>	<b>1.41%</b>	<b>1.19%</b>
Losses on loans, guarantees etc.	0.02%	0.00%	0.00%	0.12%	0.44%	0.51%
Loss/gain on securities held on a long-term basis	0.00%	0.04%	0.03%	-0.01%	0.00%	-0.01%
<b>Result before taxation cost</b>	<b>1.27%</b>	<b>1.65%</b>	<b>1.45%</b>	<b>1.35%</b>	<b>0.97%</b>	<b>0.67%</b>
Tax payable on ordinary result	0.36%	0.41%	0.37%	0.34%	0.30%	0.22%
<b>Result from ordinary operations after tax</b>	<b>0.91%</b>	<b>1.24%</b>	<b>1.08%</b>	<b>1.01%</b>	<b>0.67%</b>	<b>0.45%</b>
Average assets	22,872	20,269	20,531	18,618	17,177	15,384
<b>From the Balance Sheet</b>						
Assets	24,169	21,307	21,461	19,341	17,577	16,258
Gross loans	21,178	18,351	19,187	17,116	15,586	14,166
Deposits from customers	12,647	12,240	12,243	10,840	10,263	10,363
Equity and related capital	2,118	1,580	1,779	1,579	1,406	1,293
Capital adequacy ratio	12.2 %	10.9 %	12.2	12.2 %	11.8 %	11.6 %
<b>Other key financial figures</b>						
Costs as a % of income excluding securities and foreign exchange	52.53%	49.07%	54.25%	55.30%	61.43%	57.60%
Deposits as a percentage of gross loans	59.72%	66.70%	63.81	63.33%	65.90%	73.20%
Return on equity capital	11.40%	14.90%	12.96%	12.94%	8.54%	5.62%
Number of branches	28	29	29	29	35	39
Number of man-years worked at the Bank	307	308	309	306	345	351