

# CREDIT PROFILE OF SPAREBANK 1 SR-BANK

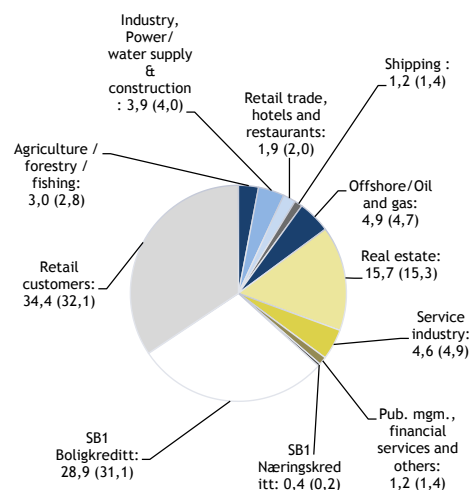
September 2013

SpareBank 1 SR-Bank is a Norwegian regional savings bank rated A2 / A-

## SpareBank 1 SR-Bank in brief

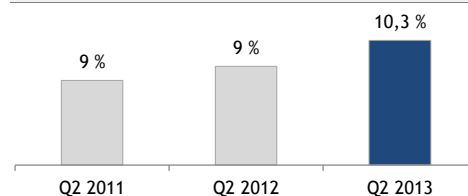
- SR-Bank is a regional commercial bank in Norway, primarily focused on savings and mortgages
- It operates as a stand-alone company but is part of the country wide SpareBank 1 Alliance, which includes six additional regional banks that joined forces in 1996 to create economies-of-scale related to expenses, IT solutions, marketing and branding
- SR-Bank benefits from strong brand recognition and local presence in the South west part of Norway, where it enjoys a leading 38 % market share. In addition, growth strategies in the adjacent Hordaland and Agder counties have been deployed
- The bank compresses three divisions: capital markets, retail market and corporate market, as well as three fully owned subsidiaries that focus solely on real estate brokerage, asset management and lease financing. Also, it partly owns SpareBank 1 Boligkreditt and SpareBank 1 Naeringskreditt, which issue covered bonds
- SR-Bank is rated A2/A- for the long-term rating and P-1/F2 for the short-term rating by Moody's and Fitch

## Lending portfolio



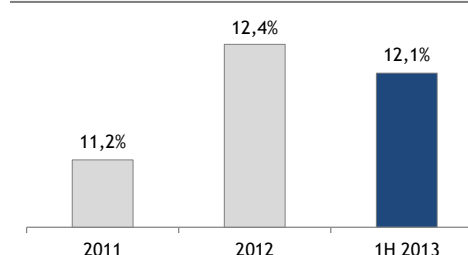
Key figures	1H 2013	1H 2012	Growth	2012	2011	Growth
Net interest margin (%)	1,35 %	1,21 %	11,6 %	1,27	1,31	-3,1 %
Net loans to customers (BNOK)	114	105	8,6 %	109	101	7,9 %
Impairment losses on loans (%)	0,09 %	0,13 %	-30,8 %	0,13	0,13	0,0 %
Total assets (BNOK)	151	140	7,9 %	142	131	8,4 %
Total Equity (BNOK)	13,0	11,4	14,0 %	13,0	10,0	30,0 %

## CET1 ratio



Income statement (MNOK)	1H 2013	1H 2012	Growth	2012	2011	Growth
Net interest income	977	814	20,0 %	1.742	1.756	-0,8 %
Net commission and other income	869	681	27,6 %	1.466	1.192	23,0 %
Net investment income	223	289	-22,8 %	578	319	81,2 %
Total Income	2.069	1.784	16,0 %	3.786	3.267	15,9 %
Total operating expenses	1.007	918	9,7 %	1.888	1.633	15,6 %
Operating Profit	1.062	866	22,6 %	1.898	1.634	16,2 %
Impairment Losses	50	68	-26,5 %	137	139	-1,4 %
Net Profit	1.012	798	26,8 %	1.361	1.081	25,9 %

## Return on equity

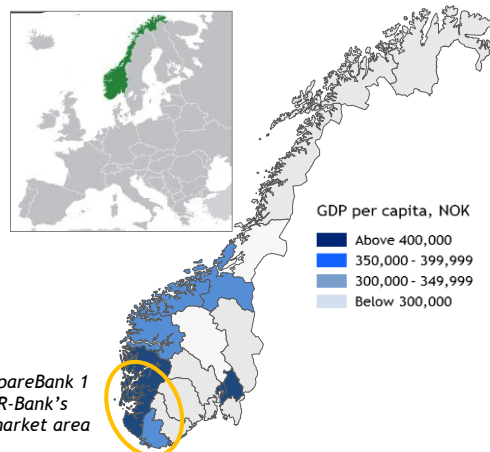


SR-Bank operates in the most expanding region of one of Europe's strongest economies

## Market characteristics

- The Norwegian economy ranks second in Europe measured by GDP per capita, and it has recently performed significantly better than both the Euro area as a whole and its neighbouring Nordic peers
- Counties Rogaland, Hordaland and Agder are all part of the south-west region, which is the country's most expansive region in terms of population. The area contains 76% of the country's registered companies, which accounts for 75% of the country's total corporate revenues
- The Norwegian oil industry, centred in Stavanger, constitutes the backbone of the region's strong economy and significant growth is anticipated in the region as a result of a consecutive oil & gas discoveries
- The region is further stimulated by a number of government infrastructure investments, which are planned to reach 100 - 150 BNOK within the next ten years

## Geographical focus



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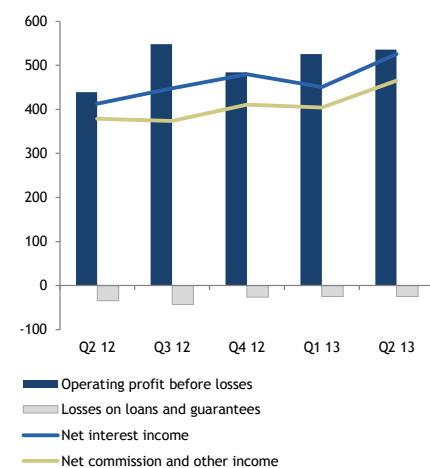
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## 2013 generated an improved result and stronger equity position

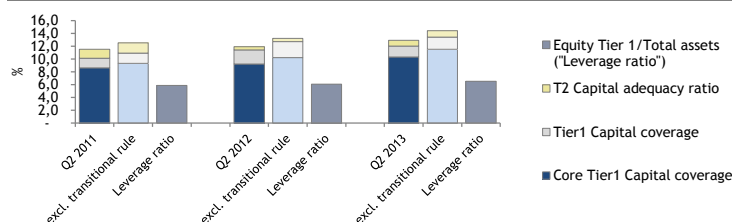
Financial highlights	Measure	1H 2013	2012	2011	Growth (2011/2012)
Improved earnings from underlying operations driven by increased lending margins while deposit margins came under pressure	Pre-tax profit (MNOK)	1.012	1.761	1.495	266
	Net interest margin (%)	1,35	1,27	1,31	-0,04
	Return on equity after tax (%)	12,1	12,4	11,2	1,2
Low write-downs on loans and stable level of impaired loans	Impairment losses on loans and guarantees (% of gross loans)	0,09	0,13	0,13	+/-0
Managed to avoid an increase in the cost structure	Cost ratio	48,7	49,9	50	-0,1
SR-Bank has experienced a solid growth in customers, which increased with 10,000 retail and 1,000 corporate during 2012	Annual growth in loans to customers, gross	6,1	7,8	11,2	-3,4
	Annual growth in deposits from customers (%)	2,8	5,5	5,4	0,1
Substantial strengthening of equity allowed an improved Core capital ratio while increase in balance sheet	Total assets on balance sheet (BNOK)	151	142	131	11
	Core capital Adequacy (%)	10,3	10,0	8,3	1,7

## Quarterly financial development

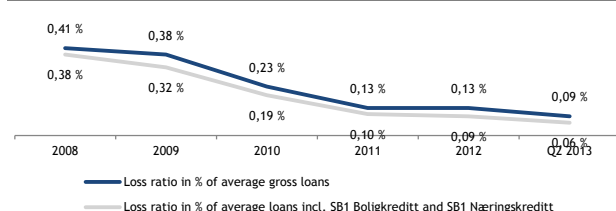


## SR-Bank displays high solidity with noticeably low historical impairment losses

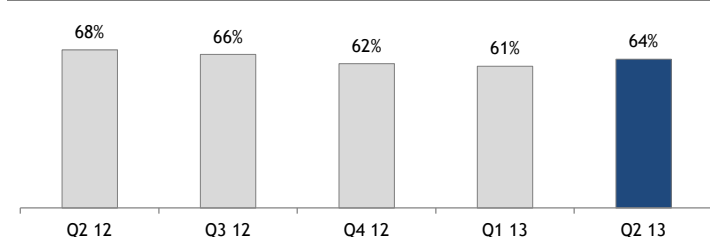
### Solvency



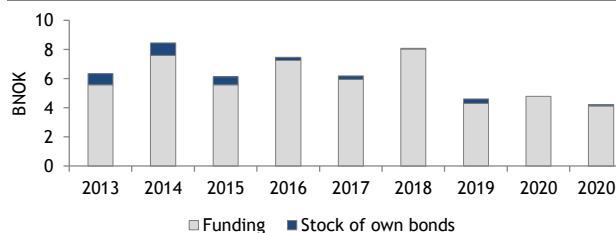
### Impairment losses



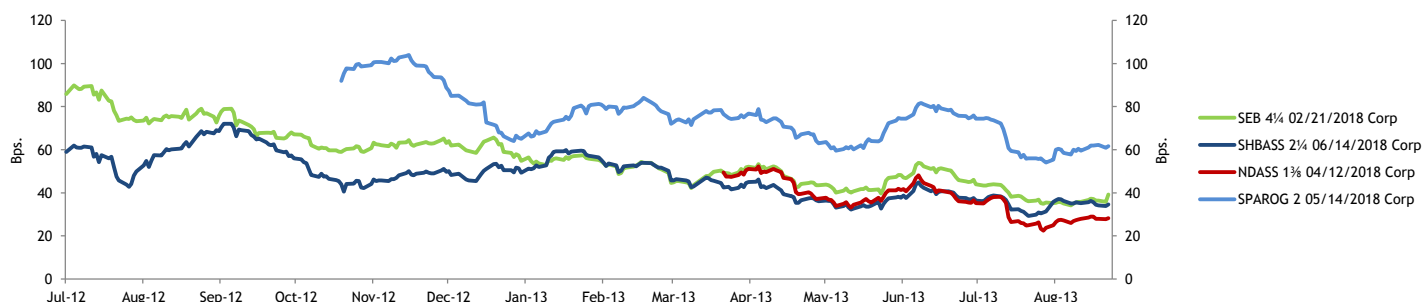
### Deposit to loan ratio



### Annual funding maturity



## SR-Bank's outstanding bonds continue to trade closer to Nordic peers



Issuer / Ticker	Coupon	Amount	Maturity	ISIN
SR-Bank / SPAROG	3,625 %	EUR500mn	24-March-2015	XS0497119486
SR-Bank / SPAROG	3,500 %	EUR500mn	21-April-2016	XS0551556409
SR-Bank / SPAROG	3,500 %	EUR500mn	27-March-2017	XS0762421195
SR-Bank / SPAROG	2,000 %	EUR500mn	14-May-2018	XS0853250271
SR-Bank / SPAROG	2,125 %	EUR500mn	27-February-2019	XS0965489239
SR-Bank / SPAROG	2,125 %	EUR500mn	03-February-2020	XS0876758664