**CREDIT PROFILE OF SPAREBANK 1 SR-BANK**

**September 2013**

**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.

<table>
<thead>
<tr>
<th>Key figures</th>
<th>1H 2013</th>
<th>1H 2012</th>
<th>Growth</th>
<th>2012</th>
<th>2011</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest margin (%)</td>
<td>1,35%</td>
<td>1,21%</td>
<td>11,6%</td>
<td>1,27</td>
<td>1,31</td>
<td>-3,1%</td>
</tr>
<tr>
<td>Net loans to customers (BNOK)</td>
<td>114</td>
<td>105</td>
<td>8,6%</td>
<td>109</td>
<td>101</td>
<td>7,9%</td>
</tr>
</tbody>
</table>
| 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% |

<table>
<thead>
<tr>
<th>Income statement (MNOK)</th>
<th>1H 2013</th>
<th>1H 2012</th>
<th>Growth</th>
<th>2012</th>
<th>2011</th>
<th>Growth</th>
</tr>
</thead>
</table>
| 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%

**CET1 ratio**

- Q2 2011 | 9%
- Q2 2012 | 9%
- Q2 2013 | 10,3%

**Return on equity**

- 2011 | 11,2%
- 2012 | 12,1%
- 1H 2013 | 12,4%

**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**

**SpareBank 1 SR-Bank’s market area**

**Markets**

**SpareBank 1 SR-Bank**

**Bjørgsted Terrasse 1**

**NO-4066 Stavanger**

**Dag Hjelle**

**Head of Treasury**

Tel: +47 51 50 94 37
dag.hjelle@sr-bank.no

**Vidar Torsoe**

**Investor Relations**

Tel: +47 970 80 656
vidar.torsoe@sr-bank.no
2013 generated an improved result and stronger equity position

Financial highlights

<table>
<thead>
<tr>
<th>Measure</th>
<th>1H 2013</th>
<th>2012</th>
<th>2011</th>
<th>Growth (2011/2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax profit (MNOK)</td>
<td>1.012</td>
<td>1.761</td>
<td>1.495</td>
<td>266</td>
</tr>
<tr>
<td>Net interest margin (%)</td>
<td>1,35</td>
<td>1,27</td>
<td>1,31</td>
<td>-0,04</td>
</tr>
<tr>
<td>Return on equity after tax (%)</td>
<td>12,1</td>
<td>12,4</td>
<td>11,2</td>
<td>1,2</td>
</tr>
</tbody>
</table>

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

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

Solvency

Deposit to loan ratio

<table>
<thead>
<tr>
<th>Q2 12</th>
<th>Q3 12</th>
<th>Q4 12</th>
<th>Q1 13</th>
<th>Q2 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>68%</td>
<td>66%</td>
<td>62%</td>
<td>61%</td>
<td>64%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Issuer / Ticker</th>
<th>Coupon</th>
<th>Amount</th>
<th>Maturity</th>
<th>ISIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>SR-Bank / SPAROG</td>
<td>3,625%</td>
<td>EUR500mn</td>
<td>24-March-2015</td>
<td>XS04977119486</td>
</tr>
<tr>
<td>SR-Bank / SPAROG</td>
<td>3,500%</td>
<td>EUR500mn</td>
<td>21-April-2016</td>
<td>XS0551556409</td>
</tr>
<tr>
<td>SR-Bank / SPAROG</td>
<td>3,500%</td>
<td>EUR500mn</td>
<td>27-March-2017</td>
<td>XS0762421195</td>
</tr>
<tr>
<td>SR-Bank / SPAROG</td>
<td>2,000%</td>
<td>EUR500mn</td>
<td>14-May-2018</td>
<td>XS0853250271</td>
</tr>
<tr>
<td>SR-Bank / SPAROG</td>
<td>2,125%</td>
<td>EUR500mn</td>
<td>27-February-2019</td>
<td>XS0965489239</td>
</tr>
<tr>
<td>SR-Bank / SPAROG</td>
<td>2,125%</td>
<td>EUR500mn</td>
<td>03-February-2020</td>
<td>XS08876758664</td>
</tr>
</tbody>
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