

# CREDIT PROFILE OF SPAREBANK 1 SR-BANK

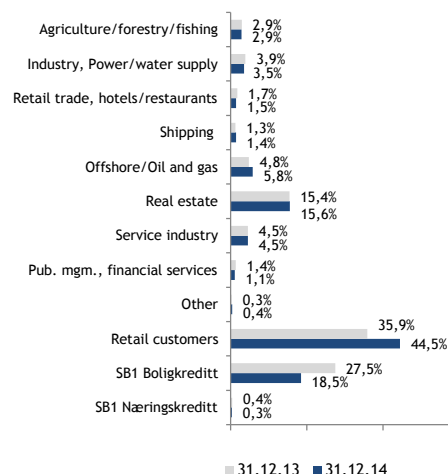
31 December 2014

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

## SpareBank 1 SR-Bank in brief

- SR-Bank is a Norwegian bank concentrating on the market in the Southwestern region of Norway. The Bank traces its roots to 1839 and business lines focus mainly on traditional savings and mortgages
- SR-Bank is the market leader with a 38% market share. Our market share is underpinned by strong brand recognition and local presence and in recent years our presence has continued to grow in the adjacent Hordaland and Agder counties
- SR-Bank has three principal business areas: Retail Division, Corporate Division and Capital Markets Division. In addition, three fully owned subsidiaries, specialize in real estate brokerage, asset management and lease financing. SR-Bank is also the joint owner of the covered bond institutions, SpareBank 1 Boligkreditt and SpareBank 1 Naeringskreditt
- SR-Bank operates as an independent financial institution within the SpareBank 1 Alliance. The Alliance was formed in 1996 as a strategic partnership with six other regional Norwegian banks in order to realize synergies with regards to expenses, IT solutions, marketing and branding
- SR-Bank's long-term rating is A2/A- and short term rating is P-1/F2 from Moody's and Fitch. SR-Bank's outlook is negative from Moody's and stable from Fitch

## Lending portfolio (in per cent)



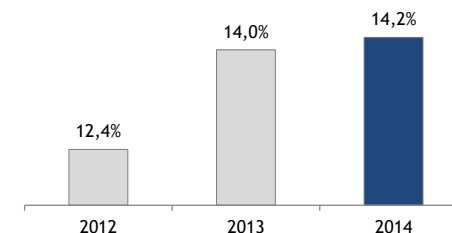
| Key figures                    | Q4 2014 | Q4 2013 | 2014 | 2013 | 2012 |
|--------------------------------|---------|---------|------|------|------|
| Net interest margin (%)        | 1,51    | 1,46    | 1,45 | 1,42 | 1,27 |
| Net loans to customers (BNOK)  | 142     | 120     | 142  | 120  | 109  |
| Impairment losses on loans (%) | 0,27    | 0,17    | 0,20 | 0,11 | 0,13 |
| Total assets (BNOK)            | 175     | 157     | 175  | 157  | 142  |
| Total Equity (BNOK)            | 15,4    | 14,1    | 15,4 | 14,1 | 12,6 |

## CET1 ratio



| Income statement (MNOK)         | Q4 2014 | Q4 2013 | 2014  | 2013  | 2012  |
|---------------------------------|---------|---------|-------|-------|-------|
| Net interest income             | 655     | 574     | 2.404 | 2.119 | 1.742 |
| Net commission and other income | 405     | 489     | 1.732 | 1.824 | 1.466 |
| Net investment income           | 116     | 195     | 778   | 555   | 578   |
| Total Income                    | 1.176   | 1.258   | 4.914 | 4.498 | 3.786 |
| Total operating expenses        | 530     | 534     | 2.056 | 2.019 | 1.888 |
| Operating Profit                | 646     | 724     | 2.858 | 2.479 | 1.898 |
| Impairment Losses               | 93      | 50      | 257   | 132   | 137   |
| Net Profit                      | 448     | 567     | 2.095 | 1.860 | 1.361 |

## Return on equity

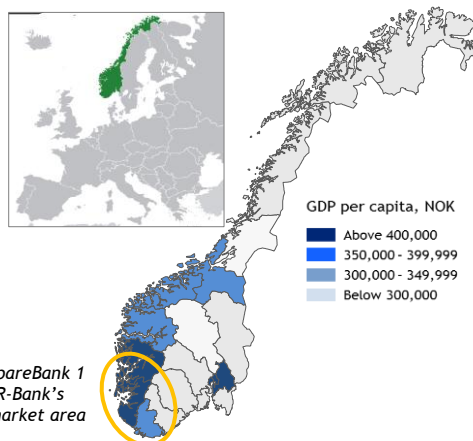


SR-Bank operates in an attractive region of one of Europe's strongest economies

## Market characteristics

- The Norwegian economy remains one of the strongest globally, by a number of key metrics;
  - Government surplus expect to be equivalent to 11% of GDP
  - Unemployment rate of 3.5%
  - GDP growth of 2.0%
  - Second highest GDP per capita in Europe
- SR-Bank's principal regions, Rogaland, Hordaland and Agder are all part of the Southwestern region. This region is one of Norway's most populous, containing 76% of the country's registered oil service companies and accounting for 75% of the total revenues
- Stavanger, the regional capital of Rogaland and SR-Bank's headquarters, is the centre of the Norwegian oil industry. The oil industry constitutes the backbone of the region's strong economy and continuous high level of activity is anticipated in the region as a result of recent oil and gas discoveries
- In addition to the strong commercial development in the region, government infrastructure investments continue to remain significant and are planned to reach 100 - 150 BNOK within the next ten years

## Geographical focus



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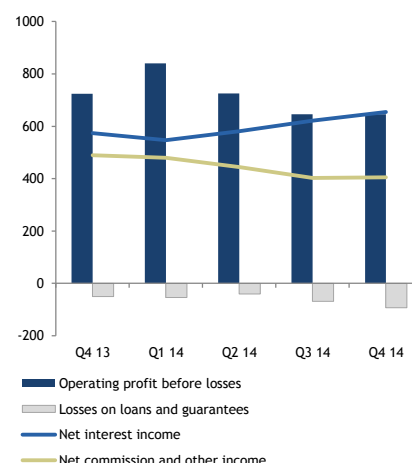
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## Solid financial performance over time

| Financial highlights   | Measure  | 2014  | 2013  | 2012  |
|--|--|-------|-------|-------|
| Improved earnings y-o-y from underlying operations driven by increased lending margins while deposit margins came under pressure | Pre-tax profit (MNOK)  | 2,601 | 2,347 | 1,761 |
|  | Net interest margin (%)                                      | 1,45  | 1,42  | 1,27  |
|  | Return on equity after tax (%)                               | 14,2  | 14,0  | 12,4  |
| Low write-downs on loans and impaired loans  | Impairment losses on loans and guarantees (% of gross loans) | 0,20  | 0,11  | 0,13  |
| Continued focus on cost structure and efficiency   | Cost ratio   | 41,8  | 44,9  | 49,9  |
| SR-Bank has experienced a solid growth in customers underpinned by strong brand recognition and local presence                   | Annual growth in loans to customers, gross                   | 4,7   | 5,3   | 7,8   |
|  | Annual growth in deposits from customers (%)                 | 13,7  | 6,0   | 5,5   |
| Strong capital generation allowed an improved CET 1 while increase in balance sheet  | Total assets on balance sheet (BNOK)                         | 175   | 157   | 142   |
|  | CET 1 capital ratio (%)                                      | 11,5  | 11,1  | 10,0  |

## Quarterly financial development

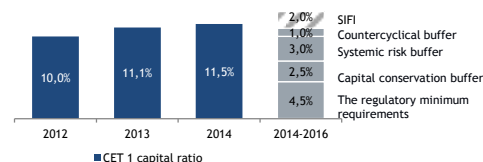
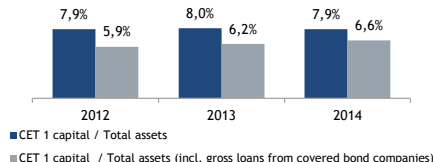
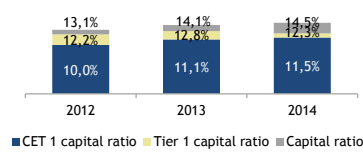


## SR-Bank displays high solidity

### Solvency

### "Leverage ratio"

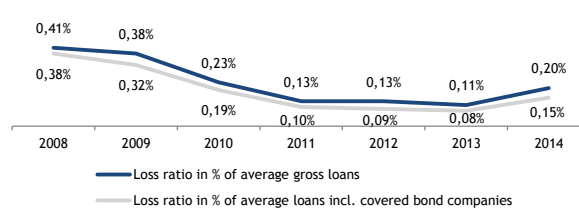
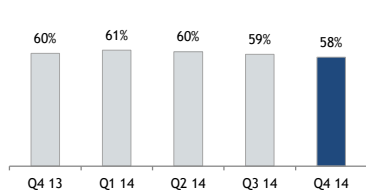
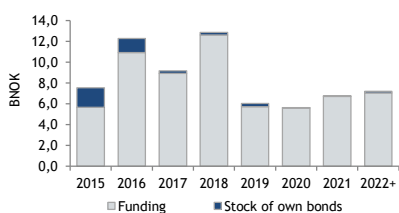
### Regulatory capital



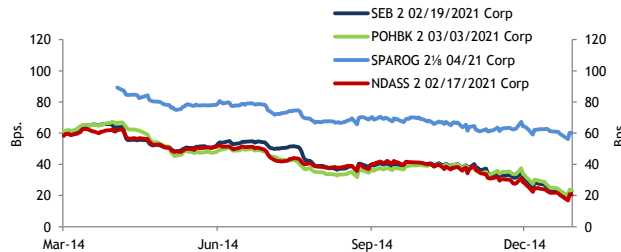
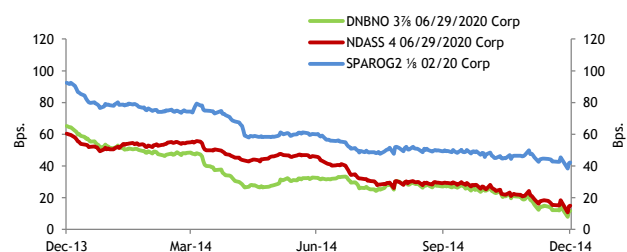
### Annual funding maturity

### Deposit to loan ratio

### Impairment losses



## SR-Bank's outstanding bonds offer pick-up 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 |
| SR-Bank / SPAROG | 2,125% | EUR750mn | 14-April-2021    | XS1055336251 |

Markets