CREDIT PROFILE OF SPAREBANK 1 SR-BANK

27 April 2017

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 about 40% 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 owner of the covered bond institution SR-Boligkreditt and a 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 A1/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.

Key figures

<table>
<thead>
<tr>
<th>Key figures</th>
<th>Q1 2017</th>
<th>Q1 2016</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest margin (%)</td>
<td>1,53</td>
<td>1,44</td>
<td>1,48</td>
<td>1,42</td>
<td>1,45</td>
</tr>
<tr>
<td>Net loans to customers (BNOK)</td>
<td>160</td>
<td>155</td>
<td>158</td>
<td>155</td>
<td>142</td>
</tr>
<tr>
<td>Impairment losses on loans (%)</td>
<td>0,42</td>
<td>0,39</td>
<td>0,50</td>
<td>0,28</td>
<td>0,20</td>
</tr>
<tr>
<td>Total assets (BNOK)</td>
<td>200</td>
<td>195</td>
<td>193</td>
<td>192</td>
<td>175</td>
</tr>
<tr>
<td>Total Equity (BNOK)</td>
<td>18,6</td>
<td>17,3</td>
<td>18,3</td>
<td>16,9</td>
<td>15,4</td>
</tr>
</tbody>
</table>

Income statement (MNOK)

<table>
<thead>
<tr>
<th>Income statement (MNOK)</th>
<th>Q1 2017</th>
<th>Q1 2016</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>739</td>
<td>698</td>
<td>2,871</td>
<td>2,593</td>
<td>2,404</td>
</tr>
<tr>
<td>Net commission and other income</td>
<td>371</td>
<td>352</td>
<td>1,443</td>
<td>1,532</td>
<td>1,732</td>
</tr>
<tr>
<td>Net investment income</td>
<td>89</td>
<td>79</td>
<td>654</td>
<td>304</td>
<td>778</td>
</tr>
<tr>
<td>Total Income</td>
<td>1,199</td>
<td>1,129</td>
<td>4,968</td>
<td>4,429</td>
<td>4,914</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>519</td>
<td>492</td>
<td>2,032</td>
<td>1,863</td>
<td>2,056</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>680</td>
<td>637</td>
<td>2,936</td>
<td>2,566</td>
<td>2,858</td>
</tr>
<tr>
<td>Impairment Losses</td>
<td>168</td>
<td>150</td>
<td>778</td>
<td>420</td>
<td>257</td>
</tr>
<tr>
<td>Net Profit</td>
<td>403</td>
<td>386</td>
<td>1,755</td>
<td>1,746</td>
<td>2,095</td>
</tr>
</tbody>
</table>

CET1 ratio

<table>
<thead>
<tr>
<th>CET1 ratio</th>
<th>31.03.15</th>
<th>31.03.16</th>
<th>31.03.17</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,1%</td>
<td>12,7%</td>
<td>14,7%</td>
<td></td>
</tr>
</tbody>
</table>

Return on equity

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<th>31.03.15</th>
<th>31.03.16</th>
<th>31.03.17</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,7%</td>
<td>9,0%</td>
<td>8,7%</td>
<td></td>
</tr>
</tbody>
</table>

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 4% of GDP
  - Registered unemployment rate of 2.9%
  - GDP growth of 0.8% in 2016, expected 1.6% in 2017
  - Sovereign wealth fund exceeding 200% of GDP
  - 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 23% of the country’s population

- Stavanger, the regional capital of Rogaland and SR-Bank’s headquarters, is the centre of the Norwegian oil industry. The petroleum sector is simplifying processes and reducing costs to increase profitability with lower oil prices. This released capacity, helped by low interest rates and a weak exchange rate, will contribute to growth in traditional export industries and other sectors

- 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 years

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GDP per capita, NOK

Geographical focus

SpareBank 1 SR-Bank's market area
CREDIT PROFILE OF SPAREBANK 1 SR-BANK

27 April 2017

SpareBank 1 SR-Bank is a Norwegian regional savings bank rated A1 / A-

Financial highlights | Measure | 31.03.2017 | 2016 | 2015
---|---|---|---|---
Good earnings from underlying operations and good cost control | Pre-tax profit (MNOK) | 512 | 2,158 | 2,146
| Net interest margin (%) | 1,53 | 1,48 | 1,42
| Return on equity after tax (%) | 8,7 | 10,0 | 10,8
Moderate write-downs on loans and impaired loans | Impairment losses on loans and guarantees (% of gross loans) | 0,42 | 0,50 | 0,28
Continued focus on cost structure and efficiency | Cost ratio | 43,3 | 40,9 | 42,1
SR-Bank has experienced a solid growth in customers underpinned by strong brand recognition and local presence | Annual growth in loans to customers, gross | -0,4 | -0,9 | 5,4
| Annual growth in deposits from customers (%) | 7,0 | -3,9 | 9,8
Strong capital generation allowed an improved CET 1 while increase in balance sheet | CET 1 capital ratio (%) | 14,7 | 14,7 | 13,3
SR-Bank displays high solidity

Solvency

| Measure | 31.03.15 | 31.03.16 | 31.03.17
---|---|---|---
CET 1 capital ratio | 8,0% | 8,1% | 8,7%
Tier 1 capital ratio | 6,7% | 7,1% | 7,8%
Capital ratio | 0% | 5% | 10%
CET 1 capital / Total assets | 13,3% | 14,7% | 14,7%
CET 1 capital / Total assets (incl. gross loans from covered bond companies) | 12,1% | 13,4% | 14,7%
CET 1 capital / Total assets excluding operational profit before losses in Q1 16 | 13,2% | 14,5% | 15,6%
CET 1 capital / Total assets excluding operating profit before losses in Q1 17 | 14,3% | 15,6% | 17,5%

Regulatory capital

| Pillar 2 | 2015 | 2016 | 2017 |
---|---|---|---
Countercyclical buffer | 4,5% | 4,5% | 4,5%
Systemic risk buffer | 2,9% | 3,0% | 3,0%
Capital conservation buffer | 0,0% | 0,0% | 0,0%
The regulatory minimum requirements | 12,0% | 12,0% | 12,0%

Quarterly financial development

| Measure | Q1 16 | Q2 16 | Q3 16 | Q4 16 | Q1 17 |
---|---|---|---|---|---
Operating profit before losses | 0,38% | 0,38% | 0,23% | 0,19% | 0,13% |
Losses on loans and guarantees | 0,13% | 0,13% | 0,09% | 0,08% | 0,11% |
Net interest income | 0,11% | 0,11% | 0,11% | 0,15% | 0,20% |
Net commission and other income | 0,75% | 0,75% | 0,75% | 0,42% | 0,50% |

SR-Bank’s outstanding bonds offer pick-up to Nordic peers

| Issuer / Ticker | Coupon | Amount | Maturity | ISIN |
---|---|---|---|---|
SR-Bank / SRBANK | 2,000% | EUR500mn | 14-May-2018 | XS0853250271 |
SR-Bank / SRBANK | 2,125% | EUR500mn | 27-February-2019 | XS0965489239 |
SR-Bank / SRBANK | 2,125% | EUR500mn | 03-February-2020 | XS087658644 |
SR-Bank / SRBANK | 0,250% | EUR750mn | 14-April-2021 | XS1055536251 |
SR-Bank / SRBANK | 0,500% | EUR500mn | 12-April-2022 | XS1596016847 |
SR-Bank / SRBANK | 0,500% | EUR750mn | 18-June-2023 | XS1596016847 |
SR-Bank / SRBANK | 2,000% | USD600mn | 12-April-2022 | XS1055536251 |
SR-Bank / SRBANK | 2,000% | USD600mn | 18-June-2023 | XS1596016847 |

Markets