



## Fitch: SpareBank 1 Alliance Banks' Performance Resilient despite Oil Pressure

**Link to Fitch Ratings' Report:** The Major Sparebanken of the SpareBank 1 Alliance (<https://www.fitchratings.com/site/re/893037>)

Fitch Ratings-London-26 January 2017: Fitch Ratings says in a new report that the prospects for the three largest Norwegian savings banks in the Sparebank 1 Alliance - SpareBank 1 SR-Bank (SR) (A-/Stable), SpareBank 1 SMN (SMN) (A-/Stable), and SpareBank 1 Nord-Norge (SNN) (A/Stable) - remain strong in 2017 despite continued pressure from low oil prices on economic activity and certain loan portfolios.

Strong regional franchises will continue to support stable revenue generation and strong pre-impairment profitability. Fitch expects higher loan impairment charges for SR and SMN in 2016 and 2017, mainly from offshore service vessel (OSV) lending, but these should be easily absorbed by earnings. Mortgage lending margins have come under pressure recently but we expect a slight rebound in 2017.

The banks benefit from their Alliance membership through cost efficiencies and wider income diversification. They remain focused on retail and SME customers and are reducing concentration risk relating to larger customers.

We expect oil-related asset quality pressure to remain contained to OSV lending, where a combination of high fixed costs and reduced demand has forced both SR and SMN to make significant restructurings. A more widespread contagion effect is a risk to the banks, in particular for SR given its concentration to the Stavanger region, but recent signs point to an increase in economic activity and improved consumer confidence. The banks' oil- and gas-related exposures vary significantly as a result of their regional footprints, but Fitch believes they are well-managed and supported by good local customer knowledge and strong underwriting standards.

Risk-weighted capital ratios are sound and leverage is low for all banks. As with most of their Nordic peers, the banks rely on wholesale funding to varying degrees. Fitch believes the banks will retain large liquidity portfolios to mitigate refinancing risk.

The ratings are primarily sensitive to deteriorating asset quality particularly if prolonged low oil prices lead to higher unemployment, deterioration in commercial real estate exposure or a significant house price correction, if the banks are unable to absorb losses via earnings. Upgrades to the banks' ratings are unlikely given the already high ratings in the context of their company profiles, size and geographical and lending concentrations.

For more details, see "The Major Sparebanken of the SpareBank 1 Alliance", published today at [www.fitchratings.com](http://www.fitchratings.com) or by clicking the link above.

### Contact:

Bjorn Norrman  
Senior Director  
+44 20 3530 1330  
Fitch Ratings Limited  
30 North Colonnade  
London E14 5GN

David Bengtsson  
Analyst  
+44 20 3530 1664

Media Relations: Elaine Bailey, London, Tel: +44 203 530 1153, Email: [elaine.bailey@fitchratings.com](mailto:elaine.bailey@fitchratings.com).

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com).

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings) (<https://www.fitchratings.com/understandingcreditratings>). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION

OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2017 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

**Endorsement Policy** - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures (<https://www.fitchratings.com/regulatory>) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.