

# CREDIT PROFILE OF SPAREBANK 1 SR-BANK

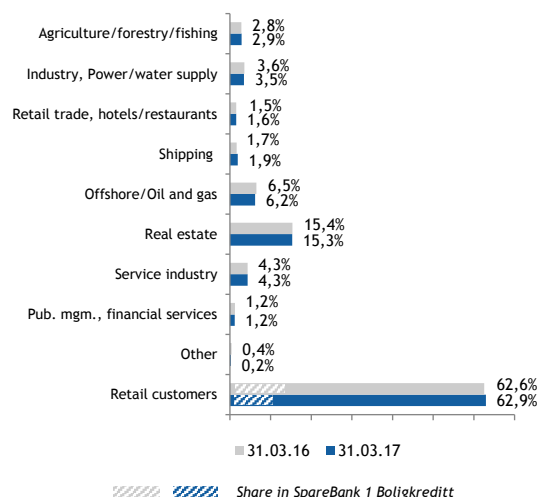
27 April 2017

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

## SpareBank 1 SR-Bank in brief

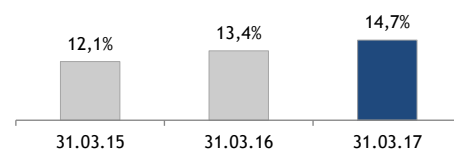
- SR-Bank is a Norwegian bank concentrating on the market in the Southwestern region of Norway. The Bank traces its roots to 1839 and business lines focus mainly on traditional savings and mortgages
- SR-Bank is the market leader with about 40% market share. Our market share is underpinned by strong 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

## Lending portfolio (in per cent)



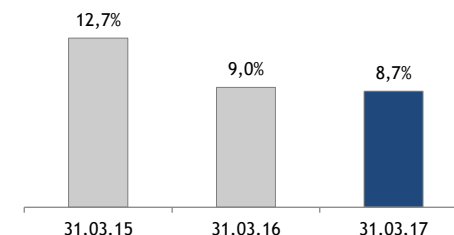
Key figures	Q1 2017	Q1 2016	2016	2015	2014
Net interest margin (%)	1,53	1,44	1,48	1,42	1,45
Net loans to customers (BNOK)	160	155	158	155	142
Impairment losses on loans (%)	0,42	0,39	0,50	0,28	0,20
Total assets (BNOK)	200	195	193	192	175
Total Equity (BNOK)	18,6	17,3	18,3	16,9	15,4

## CET1 ratio



Income statement (MNOK)	Q1 2017	Q1 2016	2016	2015	2014
Net interest income	739	698	2.871	2.593	2.404
Net commission and other income	371	352	1.443	1.532	1.732
Net investment income	89	79	654	304	778
Total Income	1.199	1.129	4.968	4.429	4.914
Total operating expenses	519	492	2.032	1.863	2.056
Operating Profit	680	637	2.936	2.566	2.858
Impairment Losses	168	150	778	420	257
Net Profit	403	386	1.755	1.746	2.095

## Return on equity

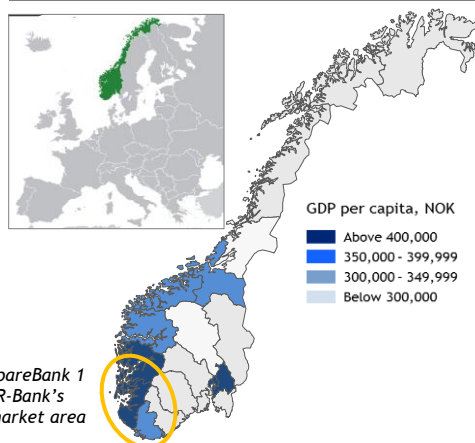


## SR-Bank operates in an attractive region of one of Europe's strongest economies

### Market characteristics

- The Norwegian economy remains one of the strongest globally, by a number of key metrics;
  - Government surplus expect to be equivalent to 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 25% 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

### Geographical focus



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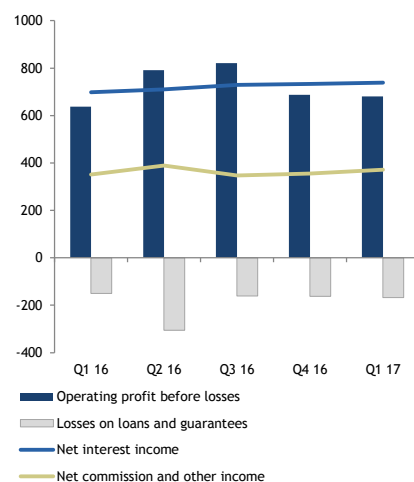
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Financial highlights	Measure	31.03.2017	2016	2015
	Pre-tax profit (MNOK)	512	2,158	2,146
Good earnings from underlying operations and good cost control	Net interest margin (%)	1,53	1,48	1,42
	Return on equity after tax (%)	8,7	10,0	10,8
Moderate write-downs 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	Total assets on balance sheet (BNOK)	200	193	192
	CET 1 capital ratio (%)	14,7	14,7	13,3

## Quarterly financial development

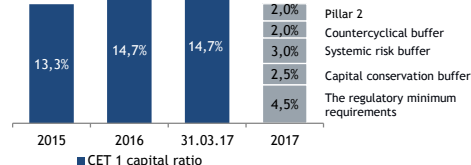
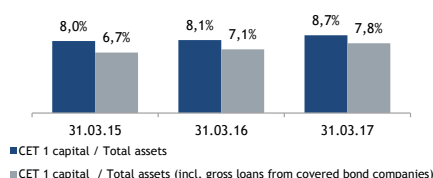
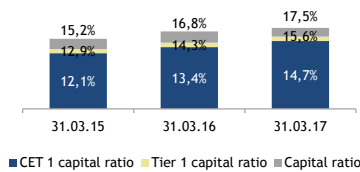


## SR-Bank displays high solidity

### Solvency

### "Leverage ratio"

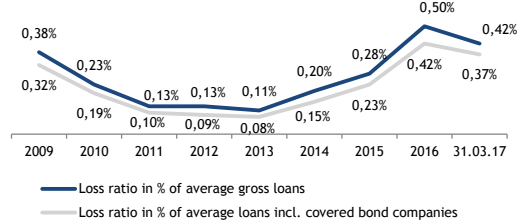
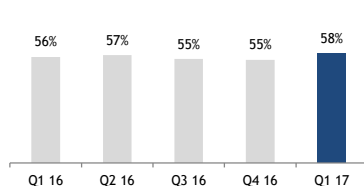
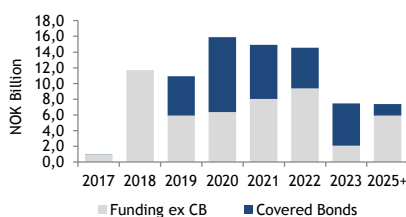
### Regulatory capital



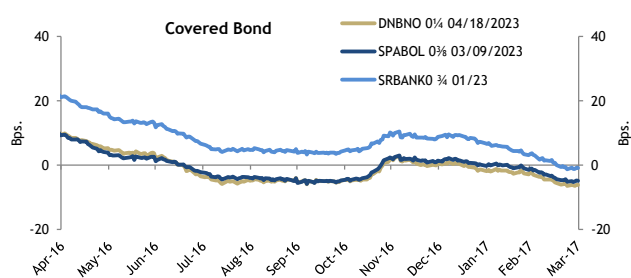
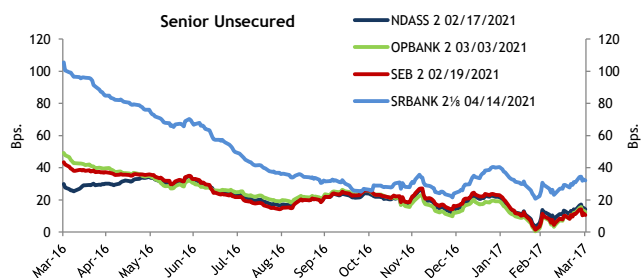
### Annual funding maturity

### 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 / 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	XS0876758664
SR-Bank / SRBANK	2,125%	EUR750mn	14-April-2021	XS105536251
SR-Bank / SRBANK	0,375%	EUR500mn	10-February-2022	XS1516271290
SR-BOL / SRBANK	0,500%	EUR500mn	28-September-2020	XS1297977115
SR-BOL / SRBANK	0,125%	EUR750mn	8-September-2021	XS1429577791
SR-BOL / SRBANK	0,750%	EUR500mn	18-January-2023	XS1344895450
SR-BOL / SRBANK	2,500%	USD600mn	12-April-2022	XS1596016847