

Norway
Credit Update

Sparebanken Rogaland

Ratings

Sparebanken Rogaland

Foreign Currency

Long-Term IDR*	A
Short-Term	F1
Outlook	Stable

Individual	B
Support	3

Sovereign Risk

Foreign Long-Term IDR*	AAA
Local Long-Term IDR*	AAA
Outlook	Stable

* IDR – Issuer Default Rating

Financial Data

Sparebanken Rogaland

	31 Mar 06	31 Dec 05
Total Assets (USDm)	10,617	9,932
Total Assets (NOKm)	69,886	67,237
Equity (NOKm)	3,697	3,830
Operat. Profit (NOKm)	251	1,020
Net Income (NOKm)	202	862
Op. Profit/Assets (%)	1.46	1.61
Op. Profit/Equity (%)	26.68	29.41
Tier 1 Ratio (%)	8.40	8.98

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■ Rating Rationale

- The ratings of Sparebanken Rogaland (“SR”) reflect its strong regional franchise, continued strong core profitability and asset quality, sound capitalisation and adequate liquidity.
- In 2005 and Q106, SR continued to be one of the most profitable banks in Norway. Its involvement in the SpareBank 1 Alliance (“the Alliance”) cooperation scheme has enabled the bank to raise its profile and the contribution from its stake in the holding company SpareBank 1 Gruppen (“SG”) increased to NOK119 million in 2005. Underlying profitability was supported by management’s successful focus on growing fee income, offsetting the net interest margin erosion, and sound cost management. Higher financial gains on the back of buoyant domestic markets and the NOK76m recovery from settlement of the Finance Credit case also boosted 2005 bottom line.
- Asset quality improved further in 2005 with non-performing loans (over three months in arrears) at a historically low 0.21% of gross lending at end-2005, as a result of sound risk management procedures and a benign and diversified economic environment in the Rogaland county. Despite the lack of geographic diversification, the book is well balanced with retail loans representing 68% of total lending at end-March 2006.
- The establishment of a proprietary investment company in late 2005 will marginally increase equity risk but risk appetite should remain limited, with an initial capital of NOK200m (5% of group own funds). Balance sheet liquidity, although weak by international comparison, is typical for a Norwegian bank and closely monitored. A committed line of credit also supports liquidity.
- Capitalisation is sound although Tier 1 capital includes some hybrids (12% of Tier 1 capital at end-2005).

Support

- SR has no owners or shareholders, although it does have publicly traded ‘primary capital certificates’. SR has no legal right to receive support from other members of the Alliance, although the other banks would probably want to provide some form of mutual support. However, in Fitch Ratings’ opinion, there is a moderate probability that, given SR’s strong regional franchise, the government would provide support should it be required.

■ Rating Outlook and Key Rating Drivers

- The Outlook for SR’s ratings is Stable, supported by the expected continuation of sound risk management and good core performance.
- Upside potential in SR’s ratings is limited by its size and regional concentration. Downside risk would arise from a lower capitalisation or marked deterioration in asset quality.

■ Profile

- SR is the second-largest Norwegian-owned bank. It provides a full range of services and, through its subsidiaries, it also offers leasing, project finance, private equity and real-estate brokerage services.
- SR is a founding member of the Alliance, along with Sparebanken Midt-Norge, Sparebanken Nord-Norge and Samspar (a group of 17 smaller savings banks). The Alliance established the holding company, SG, which has made several acquisitions and established new subsidiaries. SR now holds a 17.6% stake in SG.

26 May 2006

Balance Sheet Analysis: IFRS
SPAREBANKEN ROGALAND

	31 Mar 2006				31 Dec 2005	
	3 Months - 1st Quarter USDm Original	3 Months - 1st Quarter NOKm Original	As % of Assets Original	Average NOKm Original	Year End NOKm Preliminary	As % of Assets Preliminary
A. LOANS						
1. Private	6,584.4	43,342.0	62.02	42,616.0	41,890.0	62.30
2. Corporate	3,117.5	20,521.0	29.36	19,824.5	19,128.0	28.45
3. Government	n.a.	n.a.	-	n.a.	730.0	1.09
4. Other	n.a.	n.a.	-	n.a.	64.0	0.10
5. Loan Impairment	50.4	332.0	0.48	332.0	332.0	0.49
6. Loan Impairment (memo)	n.a.	n.a.	-	n.a.	n.a.	-
7. Less: Loans from the Insurance Business	n.a.	n.a.	-	n.a.	n.a.	-
TOTAL A	9,651.5	63,531.0	90.91	62,505.5	61,480.0	91.44
B. OTHER EARNING ASSETS						
1. Loans and Advances to Banks	43.0	283.0	0.40	163.0	43.0	0.06
2. Government Securities	n.a.	n.a.	-	n.a.	n.a.	-
3. Trading Assets	62.9	414.0	0.59	440.5	467.0	0.69
4. Derivatives	92.7	610.0	0.87	564.5	519.0	0.77
5. Other Securities and Investments	501.0	3,298.0	4.72	3,228.5	3,159.0	4.70
6. Equity Investments	78.8	519.0	0.74	508.5	498.0	0.74
7. Insurance	n.a.	n.a.	-	n.a.	0.0	0.00
TOTAL B	778.4	5,124.0	7.33	4,905.0	4,686.0	6.97
C. TOTAL EARNING ASSETS (A+B)	10,429.9	68,655.0	98.24	67,410.5	66,166.0	98.41
D. TANGIBLE FIXED ASSETS	45.9	302.0	0.43	303.5	305.0	0.45
E. NON-EARNING ASSETS						
1. Cash and Due from Banks	73.2	482.0	0.69	416.5	351.0	0.52
2. Other	67.9	447.0	0.64	431.0	415.0	0.62
F. TOTAL ASSETS	10,616.9	69,886.0	100.00	68,561.5	67,237.0	100.00
G. DEPOSITS & MONEY MARKET FUNDING						
1. Due to Customers - Current	6,014.1	39,588.0	56.65	33,397.0	27,206.0	40.46
2. Due to Customers - Savings	n.a.	n.a.	-	n.a.	n.a.	-
3. Due to Customers - Term	n.a.	n.a.	-	n.a.	10,324.0	15.35
4. Deposits with Banks	555.6	3,657.0	5.23	3,646.5	3,636.0	5.41
5. Other Deposits	n.a.	n.a.	-	n.a.	n.a.	-
TOTAL G	6,569.7	43,245.0	61.88	42,205.5	41,166.0	61.23
H. OTHER LIABILITIES						
1. Derivatives	55.6	366.0	0.52	284.5	203.0	0.30
2. Trading Liabilities	n.a.	n.a.	-	n.a.	n.a.	-
3. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	n.a.	-
4. Insurance	n.a.	n.a.	-	n.a.	n.a.	-
TOTAL H	55.6	366.0	0.52	284.5	203.0	0.30
I. OTHER FUNDING						
1. Long-term Borrowing	2,737.4	18,019.0	25.78	18,035.0	18,051.0	26.85
2. Subordinated Debt	350.2	2,305.0	3.30	2,067.5	1,830.0	2.72
3. Other Funding	n.a.	n.a.	-	n.a.	n.a.	-
TOTAL I	3,087.6	20,324.0	29.08	20,102.5	19,881.0	29.57
J. NON-INTEREST BEARING	342.4	2,254.0	3.23	1,952.5	1,651.0	2.46
K. HYBRID CAPITAL						
1. Non-cumulative Hybrid Capital	n.a.	n.a.	-	n.a.	506.0	0.75
2. Other Hybrid	n.a.	n.a.	-	n.a.	n.a.	-
L. TOTAL LIABILITIES	10,055.3	66,189.0	94.71	64,798.0	63,407.0	94.30
M. EQUITY						
1. Common Equity	561.0	3,693.0	5.28	3,758.0	3,823.0	5.69
2. Minority Interest	0.6	4.0	0.01	5.5	7.0	0.01
3. Revaluation Reserves	0.0	0.0	0.00	0.0	0.0	0.00
TOTAL M	561.6	3,697.0	5.29	3,763.5	3,830.0	5.70
MEMO: CORE CAPITAL	561.6	3,697.0	5.29	3,763.5	3,830.0	5.70
MEMO: ELIGIBLE CAPITAL	561.6	3,697.0	5.29	4,016.5	4,336.0	6.45
N. TOTAL LIABILITIES & EQUITY	10,616.9	69,886.0	100.00	68,561.5	67,237.0	100.00
Exchange Rate		USD1 = NOK 6.5825			USD1 = NOK 6.7700	

Sparebanken Rogaland: May 2006

Income Statement Analysis: IFRS
SPAREBANKEN ROGALAND

	31 Mar 2006		31 Dec 2005	
	Income	As % of	Income	As % of
	Expenses	Total AV	Expenses	Total AV
	NOKm	Earning Assts	NOKm	Earning Assts
	Original	Original	Preliminary	Preliminary
1. Interest Income	641.0	3.80	2,314.0	-
2. Interest Expense	370.0	2.20	1,163.0	-
3. NET INTEREST REVENUE	271.0	1.61	1,151.0	-
4. Net Fees & Commissions	104.0	0.62	377.0	-
5. Net Insurance Revenue	0.0	0.00	0.0	-
6. Other Operating Income	150.0	0.89	510.0	-
7. Personnel Expenses	144.0	0.85	541.0	-
8. Other Operating Expenses	128.0	0.76	471.0	-
9. PRE-IMPAIRED OPERATING PROFIT	253.0	1.50	1,026.0	-
10. Loan Impairment Charge	2.0	0.01	6.0	-
11. Other Credit Impairment and Provisions	n.a.	-	n.a.	-
12. OPERATING PROFIT	251.0	1.49	1,020.0	-
13. Other Income and Expenses	n.a.	-	76.0	-
14. PUBLISHED PRE-TAX PROFIT	251.0	1.49	1,096.0	-
15. Taxes	49.0	0.29	234.0	-
16. Profit/(Loss) from Discontinued Operations	0.0	0.00	0.0	-
17. Change in Value of AFS Investments	n.a.	-	n.a.	-
18. Currency Translation Differences	n.a.	-	n.a.	-
19. Other Gains/(Losses) not in Published Net Income	n.a.	-	n.a.	-
20. FITCH COMPREHENSIVE INCOME	202.0	1.20	862.0	-
21. Total Gains/(Losses) not in Published Net Income	n.a.	-	n.a.	-
22. IFRS Dividends included in Fitch Interest Expense	n.a.	-	n.a.	-
23. PUBLISHED NET INCOME	202.0	1.20	862.0	-

Ratio Analysis: IFRS

SPAREBANKEN ROGALAND

		31 Mar 2006		31 Dec 2005	
		3 Months - 1st Quarter		Year End	
		NOKm		NOKm	
		Original		Preliminary	
I. PERFORMANCE					
1. Net Interest Margin	%		1.61		1.86
2. Loan Yield	%		n.a.		3.79
3. Cost of Funds	%		2.38		2.00
4. Costs/Average Assets	%		1.59		1.60
5. Costs/Income	%		53.97		52.74
6. Pre-Impairment Operating ROAA	%		1.48		1.62
7. Operating ROAA	%		1.46		1.61
8. Pre-impairment Operating ROAE	%		26.89		29.58
9. Operating ROAE	%		26.68		29.41
II. CAPITAL ADEQUACY					
1. Internal Capital Generation	%		21.47		15.58
2. Core Capital/Total Assets	%		5.29		5.70
3. Eligible Capital/Regulatory Weighted Risks	%		7.79		9.61
4. Eligible Capital-Eligible Revaluation Reserves/Regulatory Weighted Risks	%		7.79		9.61
5. Tier 1 Regulatory Capital Ratio	%		8.40		8.98
6. Total Regulatory Capital Ratio	%		11.03		11.84
7. Free Capital/Equity	%		297.11		75.35
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits & Money Mkt Funding	%		7.60		7.38
2. Loans/Deposits	%		160.48		163.82
IV. ASSET QUALITY					
1. Loan Impairment Charge/Gross Loans (av.)	%		0.01		0.01
2. Total Credit Impairment/Pre-impairment Operating Profit	%		0.79		0.58
3. Loan Impairment/Gross Impaired Loans	%		71.86		72.02
4. Individual Loan Impairment/Gross Impaired Loans	%		35.30		35.40
5. Impaired Loans Gross / Loans Gross	%		0.72		0.75
6. Impaired Loans Net/Eligible Capital	%		3.52		2.98
7. Net Charge-offs/Gross Loans (av.)	%		0.02		0.00

Balance Sheet Analysis: Norwegian GAAP
SPAREBANKEN ROGALAND (C.)

	31 Dec 2004				31 Dec 2003		31 Dec 2002		31 Dec 2001	
	Year End USDm Preliminary	Year End NOKm Preliminary	As % of Assets Preliminary	Average NOKm Preliminary	Year End NOKm Original	As % of Assets Original	Year End NOKm Original	As % of Assets Original	Year End NOKm Original	As % of Assets Original
A. LOANS										
1. Overdrafts	742.5	4,485.0	7.58	3,695.5	2,906.0	5.52	2,427.0	4.90	2,492.0	5.14
2. Repayment Loans	7,781.5	47,000.0	79.39	45,336.0	43,672.0	82.96	40,694.0	82.15	39,265.0	81.01
3. Other Customer Loans	488.1	2,948.0	4.98	2,622.0	2,296.0	4.36	2,324.0	4.69	2,009.0	4.14
4. (Loan Loss Reserves)	98.3	594.0	1.00	642.5	691.0	1.31	771.0	1.56	646.0	1.33
TOTAL A	8,913.7	53,839.0	90.95	51,011.0	48,183.0	91.53	44,674.0	90.18	43,120.0	88.96
B. OTHER EARNING ASSETS										
1. Deposits with Banks	11.1	67.0	0.11	108.0	149.0	0.28	144.0	0.29	352.0	0.73
2. Treasury Bills & CDs	474.7	2,867.0	4.84	2,621.0	2,375.0	4.51	2,268.0	4.58	1,916.0	3.95
3. Bonds	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Short-Term Investments	57.5	347.0	0.59	355.5	364.0	0.69	679.0	1.37	1,025.0	2.11
5. Long-Term Investments	52.0	314.0	0.53	283.5	253.0	0.48	261.0	0.53	326.0	0.67
TOTAL B	595.2	3,595.0	6.07	3,368.0	3,141.0	5.97	3,352.0	6.77	3,619.0	7.47
C. TOTAL EARNING ASSETS (A+B)	9,508.9	57,434.0	97.02	54,379.0	51,324.0	97.50	48,026.0	96.95	46,739.0	96.43
D. FIXED ASSETS	51.2	309.0	0.52	315.0	321.0	0.61	332.0	0.67	321.0	0.66
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	156.0	942.0	1.59	743.5	545.0	1.04	631.0	1.27	667.0	1.38
2. Other	84.9	513.0	0.87	482.5	452.0	0.86	549.0	1.11	744.0	1.53
F. TOTAL ASSETS	9,801.0	59,198.0	100.00	55,920.0	52,642.0	100.00	49,538.0	100.00	48,471.0	100.00
G. DEPOSITS & MONEY MARKET FUNDING										
1. Demand Deposits	3,806.3	22,990.0	38.84	22,197.0	21,404.0	40.66	21,634.0	43.67	17,689.0	36.49
2. Time Deposits	1,667.5	10,072.0	17.01	8,467.0	6,862.0	13.04	6,000.0	12.11	6,322.0	13.04
3. Interbank										
(a) Bank of Norway	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
(b) Other Banks	445.4	2,690.0	4.54	3,801.0	4,912.0	9.33	4,959.0	10.01	5,875.0	12.12
4. Other	331.1	2,000.0	3.38	2,124.0	2,248.0	4.27	4,535.0	9.15	4,345.0	8.96
TOTAL G	6,250.3	37,752.0	63.77	36,589.0	35,426.0	67.30	37,128.0	74.95	34,231.0	70.62
H. OTHER FUNDING										
1. Long-term Debt	2,501.8	15,111.0	25.53	13,261.5	11,412.0	21.68	7,316.0	14.77	8,592.0	17.73
2. Subordinated Debt	216.6	1,308.0	2.21	1,358.0	1,408.0	2.67	1,460.0	2.95	1,709.0	3.53
3. Hybrid Capital	74.8	452.0	0.76	459.5	467.0	0.89	0.0	0.00	250.0	0.52
I. OTHER (Non-int. bearing)	233.1	1,408.0	2.38	1,263.0	1,118.0	2.12	1,076.0	2.17	1,001.0	2.07
J. LOAN LOSS RESERVES (see LOANS)										
K. UNTAXED RESERVES (Non-equity)	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
L. EQUITY	524.3	3,167.0	5.35	2,989.0	2,811.0	5.34	2,558.0	5.16	2,688.0	5.55
M. TOTAL LIABILITIES & EQUITY	9,801.0	59,198.0	100.00	55,920.0	52,642.0	100.00	49,538.0	100.00	48,471.0	100.00
Exchange Rate		USD1 = NOK 6.0400			USD1 = NOK 6.6800		USD1 = NOK 6.9657		USD1 = NOK 8.9693	

Income Statement Analysis: Norwegian GAAP
SPAREBANKEN ROGALAND (C.)

	31 Dec 2004		31 Dec 2003		31 Dec 2002		31 Dec 2001	
	Income Expenses NOKm Preliminary	As % of Total AV Earning Assts Preliminary	Income Expenses NOKm Original	As % of Total AV Earning Assts Original	Income Expenses NOKm Original	As % of Total AV Earning Assts Original	Income Expenses NOKm Original	As % of Total AV Earning Assts Original
1. Interest Received	2,157.0	3.97	3,023.0	6.09	3,729.0	7.87	3,545.0	7.98
2. Interest Paid	1,014.0	1.86	1,914.0	3.85	2,646.0	5.58	2,580.0	5.81
3. NET INTEREST REVENUE	1,143.0	2.10	1,109.0	2.23	1,083.0	2.29	965.0	2.17
4. Other Operating Revenue	687.0	1.26	587.0	1.18	104.0	0.22	411.0	0.93
5. Personnel Expenses	527.0	0.97	483.0	0.97	431.0	0.91	407.0	0.92
6. Other Non-interest Expenses	434.0	0.80	408.0	0.82	381.0	0.80	378.0	0.85
7. PRE-PROVISION OPERATING PROFIT	869.0	1.60	805.0	1.62	375.0	0.79	591.0	1.33
8. Loan and Guarantee Losses	81.0	0.15	250.0	0.50	341.0	0.72	159.0	0.36
9. OPERATING PROFIT	788.0	1.45	555.0	1.12	34.0	0.07	432.0	0.97
10. Extraordinary Items	n.a.	-	14.0	0.03	-16.0	-0.03	-10.0	-0.02
11. Transfer To (From) Untaxed Reserves	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. PRE-TAX PROFIT	788.0	1.45	569.0	1.15	18.0	0.04	422.0	0.95
13. Taxes	202.0	0.37	160.0	0.32	51.0	0.11	127.0	0.29
14. PUBLISHED NET INCOME	586.0	1.08	409.0	0.82	-33.0	-0.07	295.0	0.66
MEMO: NET INCOME BEFORE NET APPROPRIATIONS (14 + 11)	586.0	1.08	409.0	0.82	-33.0	-0.07	295.0	0.66

Ratio Analysis: Norwegian GAAP
SPAREBANKEN ROGALAND (C.)

		31 Dec 2004 Preliminary	31 Dec 2003 Original	31 Dec 2002 Original	31 Dec 2001 Original
I. PROFITABILITY LEVEL					
1. Pre-Prov Op Profit/Total Assets (av.)	%	1.55	1.58	0.77	1.28
2. Operating Profit/Total Assets (av.)	%	1.41	1.09	0.07	0.94
3. Net Income bef Appr/Equity (av.)	%	19.61	15.24	-1.26	11.29
4. Net Income bef Appr/Total Assets (av.)	%	1.05	0.80	-0.07	0.64
5. Total Non-interest Expenses/Net Int. Revenue + Other Operating Income	%	52.51	52.54	68.41	57.05
6. Net Interest Rev./Total Assets (av.)	%	2.04	2.17	2.21	2.10
II. CAPITAL ADEQUACY (year end)					
1. Internal Capital Generation	%	12.65	9.61	-4.12	5.82
2. Equity/Total Assets	%	5.35	5.34	5.16	5.55
3. Equity/Loans	%	5.88	5.83	5.73	6.23
4. Capital/Risks - Tier 1	%	9.08	9.11	7.24	7.92
5. Capital/Risks - Total	%	11.57	12.39	10.81	12.69
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits & Money Mkt Funding	%	10.09	8.24	7.81	7.55
2. Liquid Assets & Marketable Debt Securities/Deposits & Money Mkt Funding	%	10.27	8.66	8.20	8.57
3. Loans/Deposits & Money Mkt Funding	%	142.61	136.01	120.32	125.97
IV. ASSET QUALITY					
1. Loan and Guarantee Losses/Loans (av.) + Guarantees (av.)	%	0.15	0.51	0.73	0.37
2. Loan and Guarantee Losses/Profit Before Loan and Guarantee Losses	%	9.32	31.06	90.93	26.90
3. Specific Loan Loss Reserves/Impaired & Doubtful Loans gross of Loan Loss Res.	%	37.69	37.40	37.11	39.84
4. Loan Loss Reserves/Total Loans	%	1.09	1.41	1.70	1.48
5. Impaired Loans gross/Loans gross	%	0.38	0.88	0.71	0.71
6. Impaired Loans net/Equity	%	3.92	10.25	7.94	6.55