

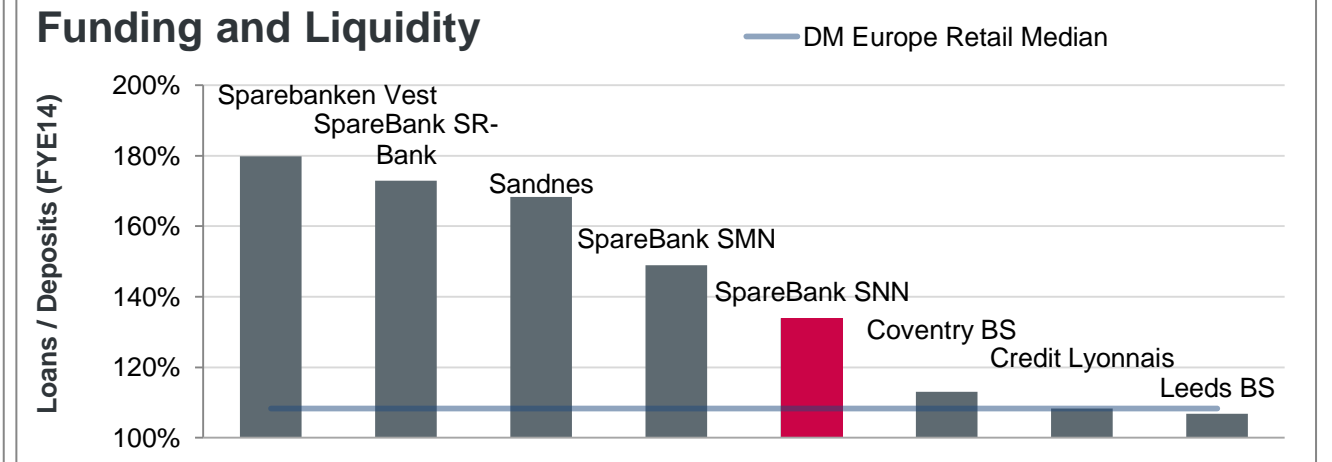
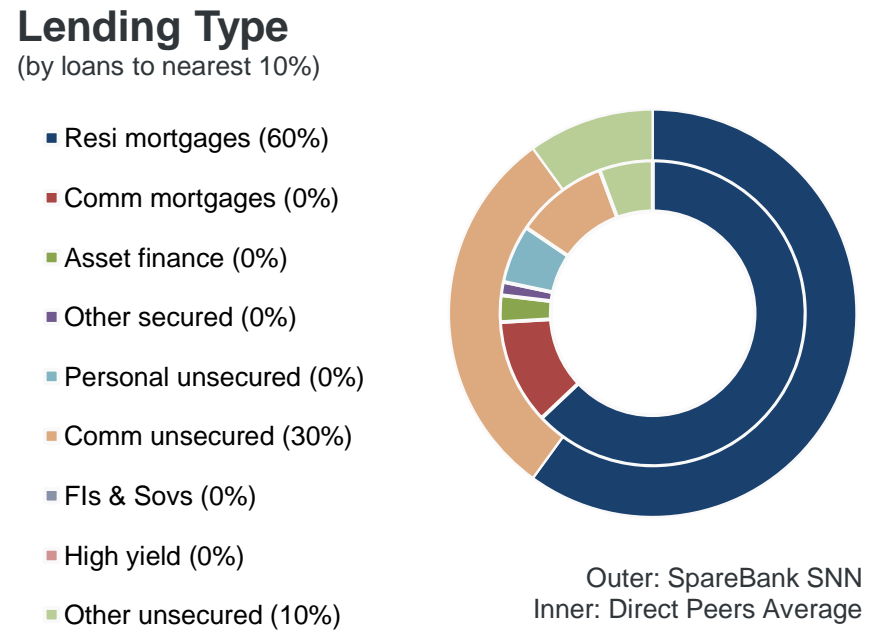
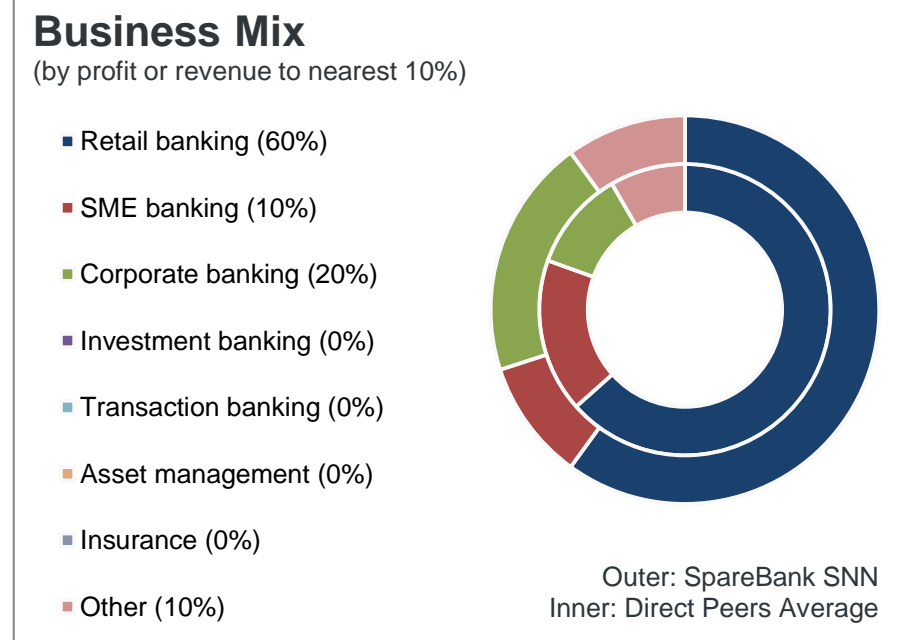
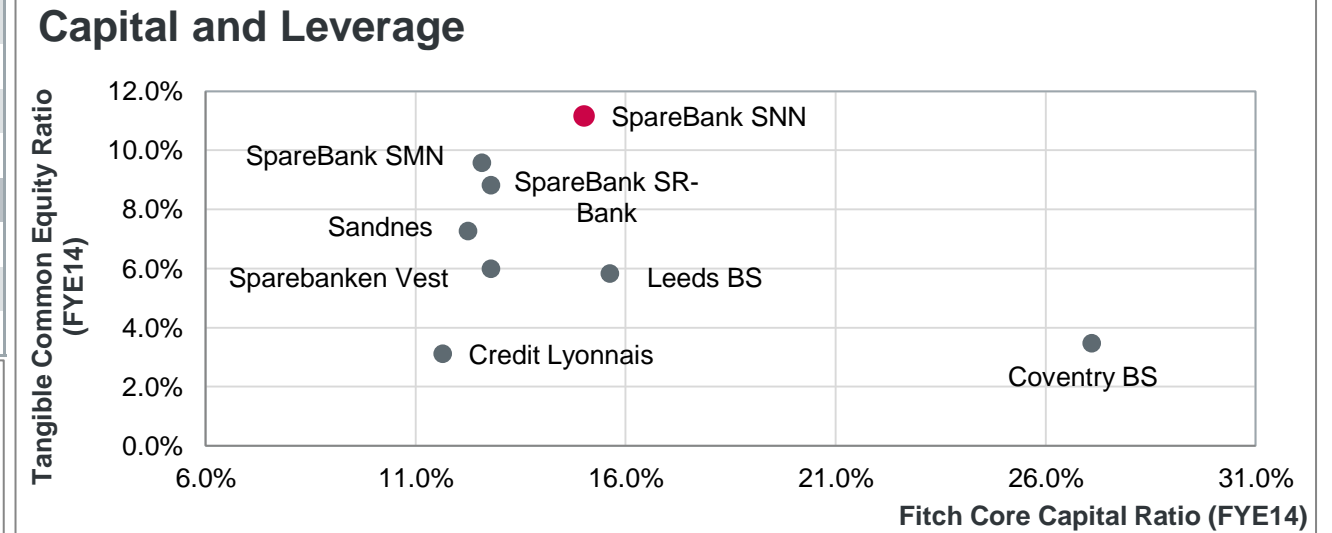
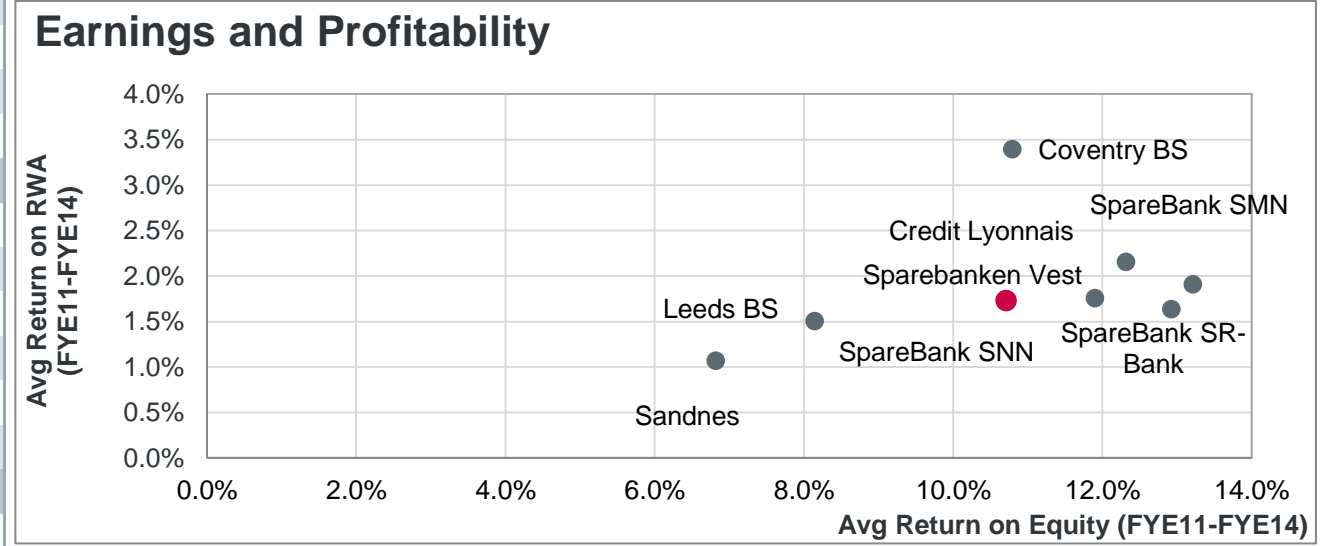
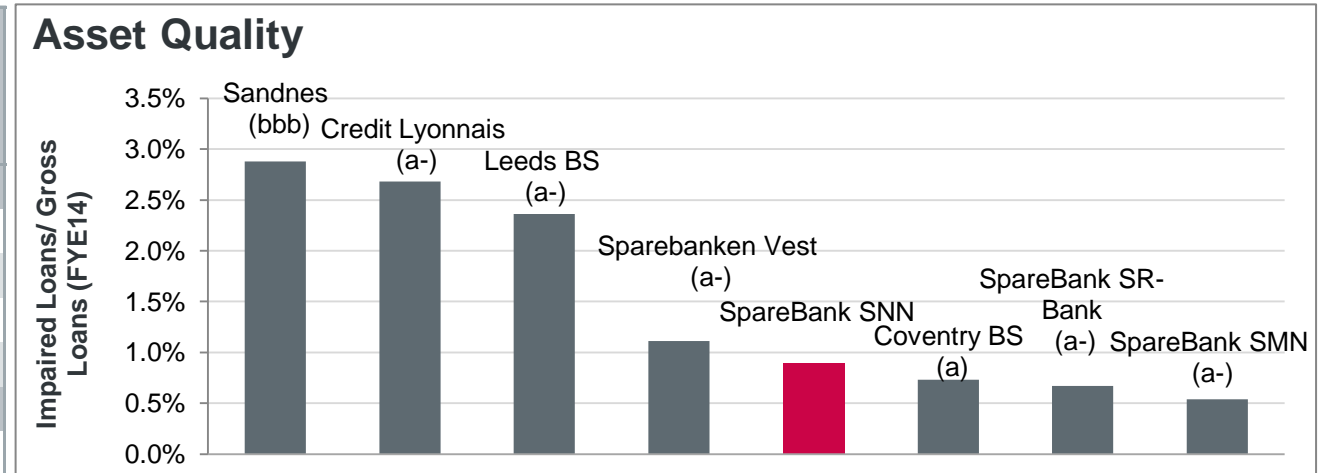
Banks Ratings Navigator		
Navigator date:	20 Nov 2015	
Last rating action:	04 Nov 2015	
Sector Details:		
Bank sector:	Retail	
Region:	DM Europe	
Country:	Norway	
Country IDR:	AAA Stable	
Last action:	16 Oct 15 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
04 Nov 15	a	Affirmed
19 Nov 14	a	Affirmed
06 Dec 13	a	Affirmed
Issuer Default Rating (IDR)		
04 Nov 15	A Stable	Affirmed
19 Nov 14	A Stable	Affirmed
06 Dec 13	A Stable	Affirmed
Support Rating Floor (SRF)		
04 Nov 15	BB+	Affirmed
19 May 15	BB+	Affirmed
19 Nov 14	BB+	Affirmed
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
■	Higher Influence	
■	Moderate Influence	
■	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
78	DM Europe Retail	
5	Norway Retail	
Relevant Criteria & References		
Global Bank Rating Criteria (Mar 2015)		
Macro-Prudential Risk Monitor (Mar 2015)		

Rating	Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Financial Profile				Viability Rating	Support Rating Floor	Issuer Default Rating
						Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity			
aaa										aaa	AAA	AAA
aa+		↑								aa+	AA+	AA+
aa										aa	AA	AA
aa-	■	↑								aa-	AA-	AA-
a+	■				↑	↑	↑	↑	↑	a+	A+	A+
a	■		↑	↑	↑	↑	↑	↑	↑	a	A	A Stable
a-	■		↑	↑	↑	↑	↑	↑	↑	a-	A-	A-
bbb+	■		↑	↑	↑	↑	↑	↑	↑	bbb+	BBB+	BBB+
bbb	■									bbb	BBB	BBB
bbb-	■									bbb-	BBB-	BBB-
bb+	■									bb+	BB+	BB+
bb	■									bb	BB	BB
bb-	■									bb-	BB-	BB-
b+	■									b+	B+	B+
b	■									b	B	B
b-	■									b-	B-	B-
ccc										ccc	CCC	CCC
cc										cc	CC	CC
c										c	C	C
f										f	NF	D or RD

Support Rating Floor			
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)	Value		
Actual country D-SIB SRF	A+ to A-		
Support Rating Floor:	BB+		
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system			✓
Size of potential problem	✓		
Structure of banking system			✓
Liability structure of banking system		✓	
Sovereign financial flexibility		✓	
Sovereign propensity to support system			
Track record of banking sector support		✓	
Resolution legislation			✓
Government statements of support		✓	
Sovereign propensity to support bank			
Systemic importance			✓
Ownership		✓	
Liability structure of bank		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

Drivers & Sensitivities	
Strong Franchise, Regionally Concentrated	SpareBank 1 Nord-Norge's (SNN) ratings reflect its strong retail franchise in northern Norway, although geographical concentration has a higher influence on the ratings than for larger, more diversified peers.
Resilient Profitability	Revenue generation is supported by its strong franchise, and benefits from lower competition than in other parts of Norway. Cost efficiency is acceptable. Loan impairment charges are low.
Strong Asset Quality	A large retail loan book underpins SNN's strong asset quality. A house price correction is a risk, but house prices and growth in the region are lower than in other parts of the country.
Wholesale Funding Reliance	SNN has structural reliance on wholesale funding, although somewhat less than its rated domestic peers due to its strong retail deposit base. Fitch expects SNN to maintain strong liquidity to mitigate refinancing risks.
Sound Capitalisation	SNN's risk-weighted capitalisation is strong compared to its domestic and international peers. Leverage is low in a European context. It is well placed to meet its long-term common equity Tier 1 target of 14.5% in 2016 (end-September 2015: 13.5%).
Focus On Retail and SMEs	Fitch expects SNN to maintain its conservative risk appetite and focus on retail and SME customers. Fitch also expects SNN to continue to reduce concentration risk arising from mid-sized to large corporates.
Upgrade Unlikely	An upgrade is unlikely due to the already high ratings in the context of the company profile and geographical concentration.
House Prices and Funding Access are Key Sensitivities	A downgrade would most likely result from a significant house price correction should SNN be unable to absorb losses via earnings. Inability to access competitively priced funding or reduced emphasis on liquidity are also rating sensitivities.
Analysts	
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Key Financial Ratios (19 Nov 2015)	SpareBank SNN				Direct Peers Median				Region Sector Median								
	Number of Banks:				8	8	8	8									
	Statement:				FYE14	FYE13	FYE12	FYE11	FYE14	FYE13	FYE12	FYE11	FYE14	FYE13	FYE12	FYE11	
Size (USDbn)																	
Total assets	11.20	12.75	13.52	11.86	19.36	20.54	21.16	18.15	43.23	46.53	42.59	40.09					
Risk weighted assets (incl. Basel floor/cap)	8.32	9.54	9.89	8.63	8.78	10.25	10.63	9.51	18.99	22.14	22.02	23.83					
Total equity	1.26	1.40	1.24	1.07	1.47	1.44	1.30	1.13	2.47	2.64	2.20	2.14					
Fitch core capital (FCC)	1.25	1.39	1.23	1.07	1.43	1.41	1.28	1.09	2.22	2.20	1.88	1.68					
Asset Quality																	
Growth of gross loans	6.9%	5.0%	5.6%	5.3%	9.4%	6.1%	6.6%	5.0%	2.1%	-1.1%	1.7%	3.0%					
Impaired loans/gross loans	0.9%	1.5%	1.8%	1.6%	1.0%	1.4%	1.6%	1.5%	3.7%	4.0%	3.9%	3.9%					
Reserves for impaired loans/impaired loans	74.4%	52.7%	50.7%	53.4%	65.4%	51.0%	48.8%	49.7%	56.3%	52.7%	51.4%	50.7%					
Imp loans less reserves for imp Loans/FCC	1.5%	4.8%	7.2%	5.9%	10.7%	12.4%	12.9%	13.9%	15.8%	18.3%	17.3%	16.0%					
Loan impairment charges/avg gross loans	0.5%	0.3%	0.4%	0.2%	0.2%	0.2%	0.1%	0.1%	0.4%	0.6%	0.6%	0.4%					
Earnings and Profitability																	
Net interest income/average earning assets	1.9%	1.8%	1.7%	1.7%	1.7%	1.7%	1.5%	1.4%	1.6%	1.6%	1.5%	1.6%					
Non-interest expense/gross revenues	52.3%	53.5%	59.8%	63.8%	51.5%	53.5%	56.1%	59.4%	61.7%	61.5%	62.1%	65.0%					
Loans & secs imp charges/pre-imp op. profit	19.3%	12.7%	20.3%	12.9%	17.9%	10.8%	10.3%	12.6%	27.0%	36.7%	38.0%	43.1%					
Operating profit/average total assets	1.7%	1.6%	1.1%	1.0%	0.8%	0.9%	0.9%	0.7%	0.5%	0.4%	0.3%	0.5%					
Operating profit/risk weighted assets	2.2%	2.0%	1.4%	1.3%	2.1%	1.9%	1.6%	1.4%	1.4%	1.3%	0.8%	0.8%					
Net income/average total equity	12.2%	13.1%	9.0%	8.6%	13.0%	11.8%	10.4%	8.7%	6.5%	5.7%	4.2%	4.1%					
Capital and Leverage																	
Fitch core capital/risk weighted assets	15.0%	14.5%	12.4%	12.4%	12.8%	12.6%	11.5%	10.3%	13.2%	12.1%	11.3%	10.3%					
Fitch eligible capital/risk weighted assets	15.0%	14.5%	12.4%	12.4%	14.7%	14.5%	12.0%	12.4%	14.7%	12.5%	11.3%	10.3%					
Tangible common equity/tangible assets	11.2%	10.9%	9.1%	9.0%	6.6%	6.4%	6.3%	6.0%	5.9%	5.6%	5.4%	5.5%					
Core Tier 1 regulatory capital ratio	12.6%	12.3%	10.3%	10.6%	12.1%	11.4%	10.5%	9.8%	12.7%	11.9%	10.7%	9.8%					
Internal capital generation	9.7%	10.1%	7.5%	5.1%	10.1%	9.9%	7.6%	6.4%	4.4%	3.5%	2.2%	2.9%					
Funding and Liquidity																	
Loans/customer deposits	133.9%	127.5%	125.2%	123.7%	141.4%	135.6%	134.3%	138.2%	108.3%	114.7%	119.9%	122.2%					
Interbank assets/interbank liabilities	134.9%	32.5%	43.6%	15.1%	90.6%	38.2%	33.8%	23.3%	67.1%	87.4%	91.4%	96.7%					
Customer deposits/total funding excl derivs	64.9%	67.6%	66.4%	66.8%	61.6%	62.4%	61.7%	61.2%	71.1%	67.6%	66.1%	64.7%					



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