

Bank Ratings Navigator		
Navigator date:	24 Nov 2014	
Last rating action:	19 Nov 2014	
Sector Details:		
Bank sector:	Retail	
Region:	DM Europe	
Country:	Norway	
Country IDR:	AAA Stable	
Last action:	31 Oct 14 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	a	
Bank Rating History		
Viability Rating (VR)		
19 Nov 14	a-	Affirmed
06 Dec 13	a-	Affirmed
19 Feb 13	a-	Affirmed
Issuer Default Rating (IDR)		
19 Nov 14	A- Stable	Affirmed
06 Dec 13	A- Stable	Affirmed
19 Feb 13	A- Stable	Affirmed
Support Rating Floor (SRF)		
19 Nov 14	BB+	Affirmed
26 Mar 14	BB+	Affirmed
06 Dec 13	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		
80	DM Europe Retail	
5	Norway Retail	
Relevant Criteria & References		
Global Financial Institutions Rating Criteria		
All Master Criteria (Banks)		
Macro-Prudential Risk Monitor (June 2014)		

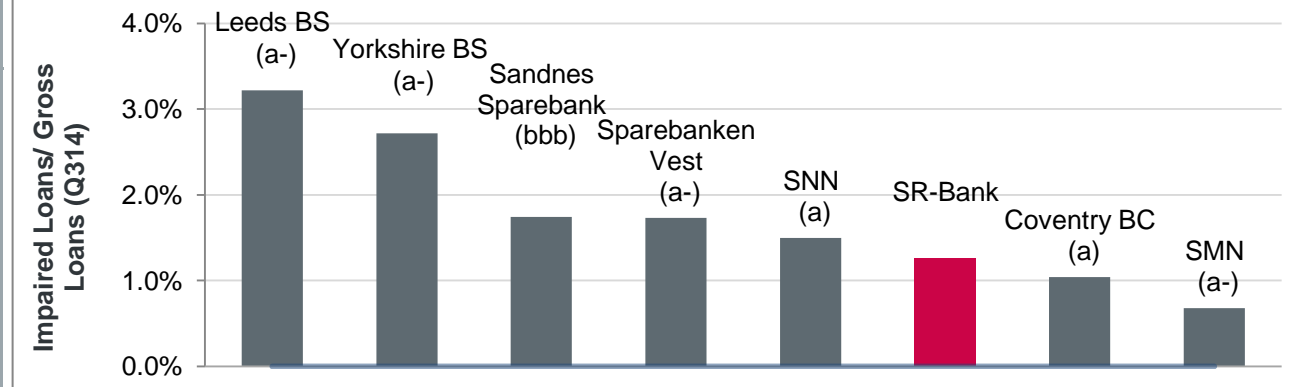
Rating	Peer Ratings	Operating Environment	Company Profile	Management	Risk Appetite	Financial Profile				Viability Rating	Support Rating Floor	Issuer Default Rating
						Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity			
aaa										aaa	AAA	AAA
aa+		↑								aa+	AA+	AA+
aa										aa	AA	AA
aa-		↓								aa-	AA-	AA-
a+	■				↑	↑	↑	↑	↑	a+	A+	A+
a	■		↑	↑	↑	↑	↑	↑	↑	a	A	A
a-	■		↑	↑	↑	↑	↑	↑	↑	a-	A-	A- Stable
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				Value
Typical D-SIFI SRF for country's rating level (assuming high propensity)				A+ to A-
Actual country D-SIFI SRF				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				

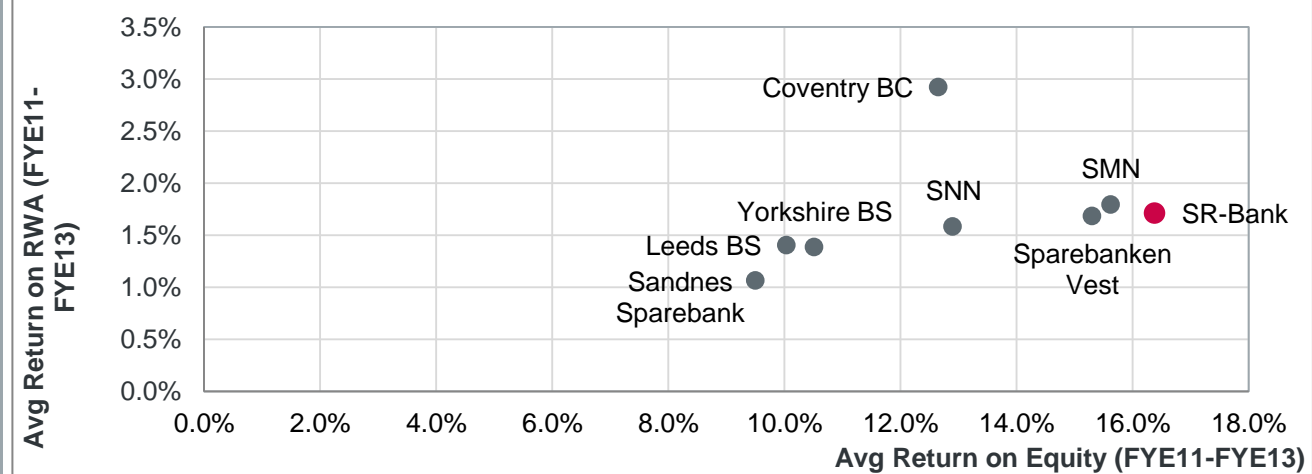
Drivers & Sensitivities	
Company Profile Constrains Ratings	SpareBank 1 SR-Bank's (SR) geographical concentration, compared to more highly rated international peers, constrains the ratings.
Strong Customer Relationships Supports Revenues	SR's profitability is solid. Revenue generation is supported by a strong retail and SME franchise in oil-rich south-western Norway. Cost efficiency is acceptable. Loan impairment charges are low.
Sound Asset Quality	Fitch Ratings expects impaired loans to remain low, supported by a benign operating environment. A significant house price correction remains a risk, although our base case remains that of a stabilisation to a moderate fall.
Wholesale Funding Reliance	SR relies more heavily on wholesale funding than other rated Alliance members. It has retained good access to both domestic and international funding markets. Fitch expects SR to maintain strong liquidity to mitigate refinancing risks.
Good Capitalisation	SR's capitalisation compares well with both European and local peers, particularly on an unweighted basis, leaving leverage low in a European context.
Focus on Oil Price Effects	Fitch expects SR will maintain its conservative risk appetite and continue to reduce concentration risk arising from mid- to large sized corporates, and that SR will continue to monitor exposures to the oil industry and sensitivities to a low oil price.
Upgrade Unlikely	An upgrade is unlikely given the already high ratings in the context of the company profile and geographical concentration. The structural reliance on wholesale funding is also a somewhat limiting factor.
House Prices and Funding Access are Key Sensitivities	A downgrade would most likely result from a significant house price correction should SR 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 (20 Nov 2014)	SR-Bank				Direct Peers Median				Region Sector Median							
	Number of Banks:				5	8	8	8								
	Statement:				Q314	FYE13	FYE12	FYE11	Q314	FYE13	FYE12	FYE11	Q314	FYE13	FYE12	FYE11
Size (USDbn)																
Total assets	26.1	25.8	25.4	21.9	18.2	20.5	21.2	18.2	n.a	50.9	43.1	40.2				
Risk weighted assets (incl. Basel floor/cap)	18.2	18.6	20.0	17.0	10.7	10.2	10.6	9.5	n.a	23.9	24.9	26.6				
Total equity	2.3	2.3	2.3	1.6	1.4	1.4	1.3	1.1	n.a	3.0	1.8	1.9				
Fitch core capital (FCC)	2.3	2.3	2.3	1.6	1.4	1.4	1.3	1.1	n.a	2.5	1.6	1.6				
Asset Quality																
Growth of gross loans	14.2%	9.8%	8.0%	-4.2%	5.4%	7.4%	6.6%	5.0%	n.a	-1.3%	1.9%	1.8%				
Impaired loans/gross loans	0.8%	1.3%	1.1%	1.1%	1.1%	1.4%	1.6%	1.5%	n.a	5.5%	4.8%	4.2%				
Reserves for impaired loans/impaired loans	62.4%	49.2%	60.6%	70.2%	62.4%	46.5%	41.0%	38.9%	n.a	52.2%	55.3%	50.8%				
Imp loans less reserves for imp Loans/FCC	2.6%	5.5%	3.9%	3.4%	2.6%	9.7%	17.6%	23.1%	n.a	29.2%	18.0%	17.4%				
Loan impairment charges/avg gross loans	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	n.a	0.7%	0.8%	0.5%				
Earnings and Profitability																
Net interest income/average earning assets	1.5%	1.9%	1.6%	1.4%	1.7%	1.7%	1.5%	1.4%	n.a	1.6%	1.6%	1.6%				
Non-interest expense/gross revenues	45.3%	48.7%	53.6%	53.4%	48.7%	51.5%	56.1%	56.4%	n.a	61.9%	62.1%	64.0%				
Loans & secs imp charges/pre-imp op. profit	7.4%	5.3%	7.2%	8.5%	7.4%	8.6%	10.3%	11.7%	n.a	38.1%	50.9%	44.4%				
Operating profit/average total assets	1.7%	1.6%	1.3%	1.1%	1.7%	0.9%	0.9%	0.6%	n.a	0.4%	0.3%	0.5%				
Operating profit/risk weighted assets	2.3%	2.1%	1.6%	1.5%	2.3%	2.0%	1.5%	1.3%	n.a	1.1%	0.7%	0.7%				
Net income/average total equity	15.0%	14.1%	12.3%	11.3%	15.0%	11.8%	8.9%	8.0%	n.a	5.7%	3.6%	4.0%				
Capital and Leverage																
Fitch core capital/risk weighted assets	12.9%	12.4%	11.3%	9.5%	12.7%	13.0%	12.0%	11.4%	n.a	11.4%	10.1%	9.4%				
Fitch eligible capital/risk weighted assets	12.9%	12.4%	11.3%	9.5%	n.a	20.6%	26.2%	25.3%	n.a	11.4%	9.4%	9.6%				
Tangible common equity/tangible assets	9.0%	8.9%	8.9%	7.4%	9.0%	6.4%	6.3%	6.0%	n.a	5.6%	5.1%	5.3%				
Core Tier 1 regulatory capital ratio	11.3%	11.1%	10.0%	8.3%	11.4%	12.8%	10.9%	10.3%	n.a	11.8%	10.3%	9.6%				
Internal capital generation	14.6%	10.3%	7.7%	8.0%	14.6%	9.9%	7.6%	6.7%	n.a	3.6%	2.6%	3.0%				
Funding and Liquidity																
Loans/customer deposits	169.1%	167.8%	162.0%	158.3%	164.7%	135.3%	134.3%	138.2%	n.a	117.4%	122.6%	127.6%				
Interbank assets/interbank liabilities	40.3%	33.5%	24.0%	15.1%	78.2%	32.0%	33.8%	23.3%	n.a	80.4%	79.4%	84.4%				
Customer deposits/total funding excl derivs	56.0%	52.6%	55.4%	55.6%	56.0%	62.5%	61.7%	61.2%	n.a	66.8%	65.1%	61.4%				

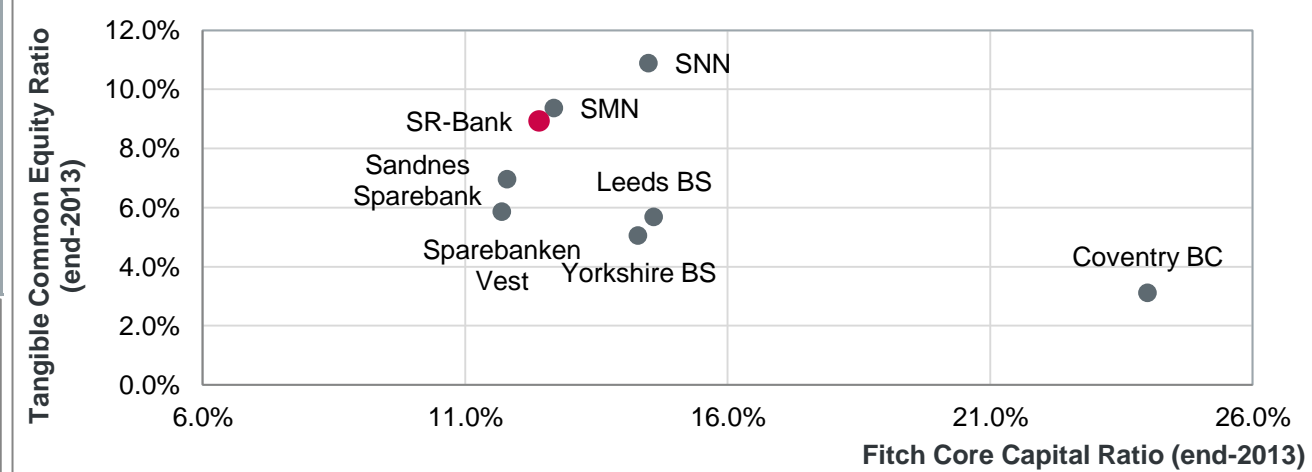
Asset Quality



Earnings and Profitability



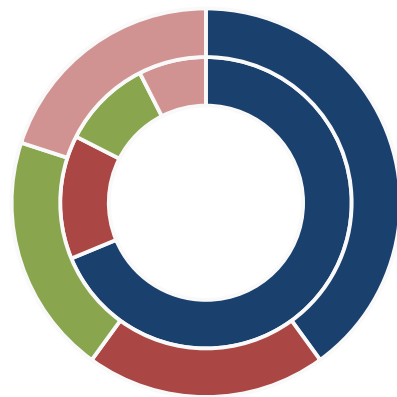
Capital and Leverage



Business Mix

(by profit or revenue to nearest 10%)

- Retail banking (40%)
- SME banking (20%)
- Corporate banking (20%)
- Investment banking (0%)
- Transaction banking (0%)
- Asset management (0%)
- Insurance (0%)
- Other (20%)

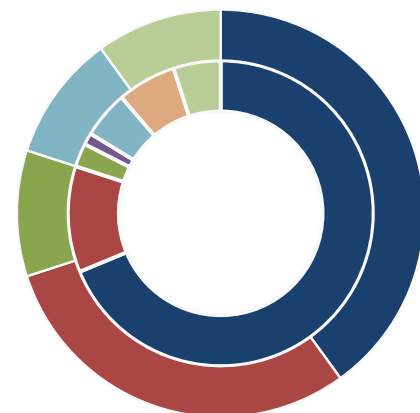


Outer: SR-Bank
Inner: Direct Peers Average

Lending Type

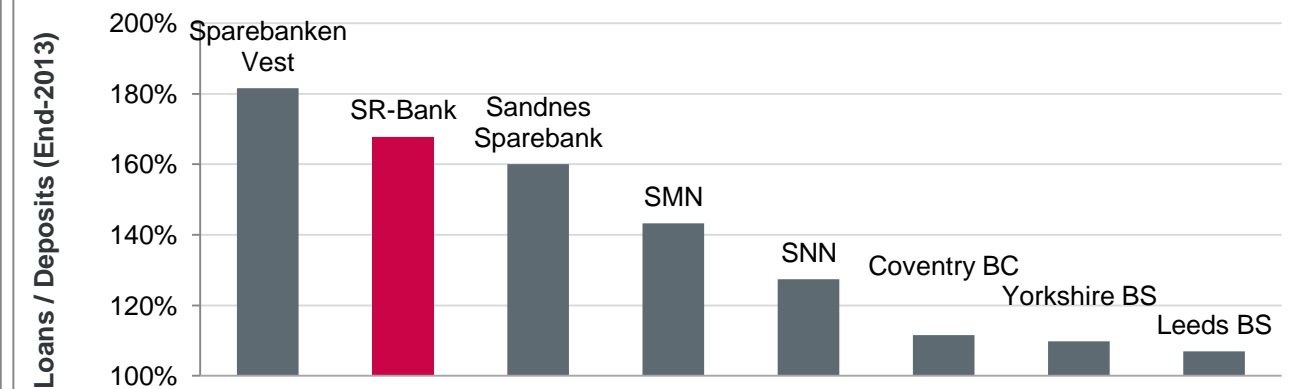
(by loans to nearest 10%)

- Resi mortgages (40%)
- Comm mortgages (30%)
- Asset finance (10%)
- Other secured (0%)
- Personal unsecured (10%)
- Comm unsecured (0%)
- FIs & Sovs (0%)
- High yield (0%)
- Other unsecured (10%)



Outer: SR-Bank
Inner: Direct Peers Average

Funding and Liquidity



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