

## CREDIT OPINION

10 April 2017

Update

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### RATINGS

#### SpareBank 1 SR-Bank ASA

|                   |                             |
|-------------------|-----------------------------|
| Domicile          | Norway                      |
| Long Term Debt    | A1                          |
| Type              | Senior Unsecured - Fgn Curr |
| Outlook           | Negative                    |
| Long Term Deposit | A1                          |
| Type              | LT Bank Deposits - Fgn Curr |
| Outlook           | Negative                    |

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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## SpareBank 1 SR-Bank ASA

### Annual Update

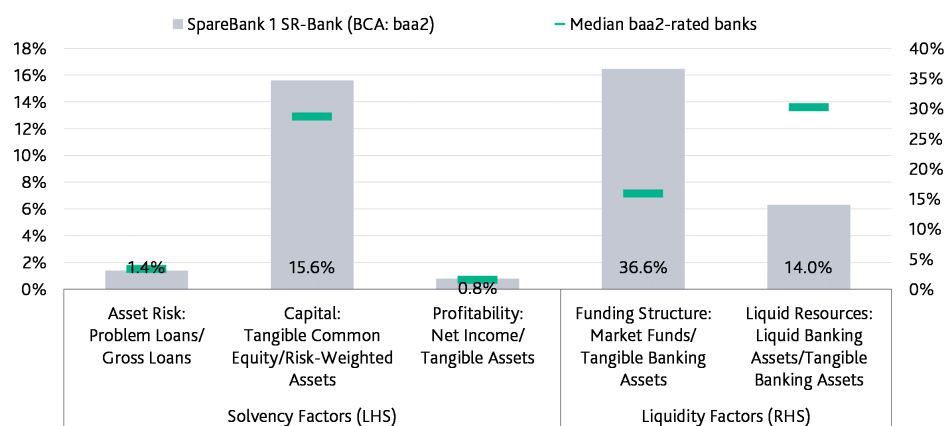
#### Summary Rating Rationale

Moody's assigns a baseline credit assessment (BCA) of baa2 SpareBank 1 SR-Bank, an adjusted BCA of baa1, a long-term deposit rating of A1, and a senior unsecured debt rating of A1. We also assign a Counterparty Risk Assessment (CR Assessment) of Aa3(cr) long term and Prime-1(cr) short term.

SpareBank 1 SR-Bank's BCA of baa2 primarily reflects the bank's solid regional position, strengthened capital buffers (common equity Tier 1 capital ratio of 14.7% in December 2016) and increased pre-provision income in 2016 compared to 2015. These strengths are balanced against the bank's limited geographic reach, which results in high credit-risk concentrations in more volatile sectors, such as oil/offshore and commercial real estate. The bank had a significant increase in problem loans and related impairments in 2016, driven mainly by exposure to the oil sector in view of the bank's location in the city of Stavanger, Norway's oil hub. However, its robust risk management systems have helped the bank maintain sound asset quality with a problem loans to gross loans (including covered bond loans) ratio of 1.2% in December 2016.

Exhibit 1

#### Rating Scorecard - Key Financial Ratios



Source: Moody's Financial Metrics

This report was republished on April 13 with the re-saved same scorecard, amended figure for adjusted market funds to tangible banking assets (including loans transferred to covered bonds companies) and re-formatted chart for Exhibit 1.

As a member of the SpareBank 1 Alliance, SpareBank 1 SR-Bank's adjusted BCA of baa1 is aligned with the average baa1 of the other alliance members rated by Moody's, reflecting one notch rating uplift from its BCA through affiliate support. The bank's A1 deposit and senior unsecured debt ratings take into account our Loss Given Failure (LGF) analysis of the bank's large volume of deposits and substantial layers of subordination, resulting in two notches of rating uplift. In addition our assessment of a moderate probability of government support results in one additional notch of rating uplift for debt and deposits.

## Credit Strengths

- » Sparebank 1 SR-Bank's BCA is supported by its Very Strong- Macro Profile
- » A strengthened capital buffer provides protection from current and future credit losses
- » Large volume of deposits and junior debt result in deposit ratings benefiting from a very low loss-given-failure rate, with a two notch uplift from the BCA
- » Moderate probability of government support resulting in one additional notch of rating uplift for debt and deposits

## Credit Challenges

- » Exposures to oil-related volatile sectors pose risks to asset quality
- » Profitability under pressure due to elevated credit costs, although pre-provision income has increased
- » Reliance on market funding renders the bank vulnerable to fluctuations in investor sentiment, albeit with comfortable liquidity

## Rating Outlook

SpareBank 1 SR-Bank's deposit and debt ratings carry a negative outlook to capture some downward pressure on earnings and increased asset risk in the bank's corporate book, resulting from the reduction in petroleum investments. The outlook could stabilize if the bank demonstrates in 2017 that its satisfactory performance will be sustained, and the elevated credit risks in its oil-related exposures are managed effectively.

## Factors that Could Lead to an Upgrade

Upward rating momentum could develop if SpareBank 1 SR-Bank shows: (1) stabilisation of its asset quality trends, especially in the more volatile segments, such as oil/offshore and commercial real estate; (2) continued good access to capital markets and improved liquidity; and/or (3) strong earnings generation without an increase in its risk profile.

## Factors that Could Lead to a Downgrade

Future downward rating pressure would emerge if (1) Sparebank 1 SR-Bank's problem loan ratio increases significantly above our system-wide expectation of approximately 2%; (2) financing conditions become more difficult; (3) the bank's risk profile increases, for example as a result of increased exposures to more volatile sectors or if the quality of the oil-related portfolio deteriorates further; and/or (4) the macroeconomic environment weakens more than currently anticipated, leading to a lower Macro Profile; (5) a reduction in the rating uplift as a result of our LGF analysis; (6) introduction of the official resolution law in Norway and revision of our government support assumptions.

## Key Indicators

Exhibit 2

### SpareBank 1 SR-Bank ASA (Consolidated Financials) [1]

|                            | 12-16 <sup>2</sup> | 12-15 <sup>2</sup> | 12-14 <sup>2</sup> | 12-13 <sup>3</sup> | 12-12 <sup>3</sup> | Avg.              |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| Total Assets (NOK billion) | 193                | 192                | 175                | 157                | 142                | 8.1 <sup>4</sup>  |
| Total Assets (EUR million) | 21,303             | 19,974             | 19,281             | 18,779             | 19,291             | 2.5 <sup>4</sup>  |
| Total Assets (USD million) | 22,469             | 21,697             | 23,331             | 25,876             | 25,433             | -3.1 <sup>4</sup> |

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

|  |       |       |       |       |       |                    |
|--|-------|-------|-------|-------|-------|--------------------|
| Tangible Common Equity (NOK billion)                             | 18    | 17    | 15    | 14    | 12    | 9.7 <sup>4</sup>   |
| Tangible Common Equity (EUR million)                             | 1,999 | 1,736 | 1,689 | 1,657 | 1,707 | 4.0 <sup>4</sup>   |
| Tangible Common Equity (USD million)                             | 2,108 | 1,886 | 2,044 | 2,284 | 2,250 | -1.6 <sup>4</sup>  |
| Problem Loans / Gross Loans (%)                                  | 1.4   | 0.9   | 0.7   | 1.1   | 1.1   | 1.0 <sup>5</sup>   |
| Tangible Common Equity / Risk Weighted Assets (%)                | 15.6  | 14.0  | 12.7  | 12.3  | 11.3  | 14.1 <sup>6</sup>  |
| Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%) | 11.4  | 8.0   | 5.9   | 8.7   | 9.4   | 8.7 <sup>5</sup>   |
| Net Interest Margin (%)  | 1.5   | 1.5   | 1.5   | 1.5   | 1.3   | 1.5 <sup>5</sup>   |
| PPI / Average RWA (%)  | 2.1   | 1.6   | 1.9   | 1.9   | 1.5   | 1.9 <sup>6</sup>   |
| Net Income / Tangible Assets (%)                                 | 0.8   | 0.8   | 1.1   | 1.2   | 0.9   | 1.0 <sup>5</sup>   |
| Cost / Income Ratio (%)  | 45.0  | 51.3  | 48.4  | 48.3  | 55.4  | 49.7 <sup>5</sup>  |
| Market Funds / Tangible Banking Assets (%)                       | 36.6  | 39.2  | 41.6  | 41.1  | 38.7  | 39.4 <sup>5</sup>  |
| Liquid Banking Assets / Tangible Banking Assets (%)              | 14.0  | 12.4  | 11.4  | 11.3  | 9.7   | 11.8 <sup>5</sup>  |
| Gross loans / Due to customers (%)                               | 183.5 | 173.5 | 173.8 | 167.8 | 162.0 | 172.1 <sup>5</sup> |

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel III - fully-loaded or transitional phase-in; IFRS [3] Basel II; IFRS [4] Compound Annual Growth Rate (%). Any interim period amounts presented are assumed to be fiscal year end amounts for calculation purposes [5] Simple average of periods presented [6] Simple average of Basel III periods presented

Source: Moody's Financial Metrics

## Detailed Rating Considerations

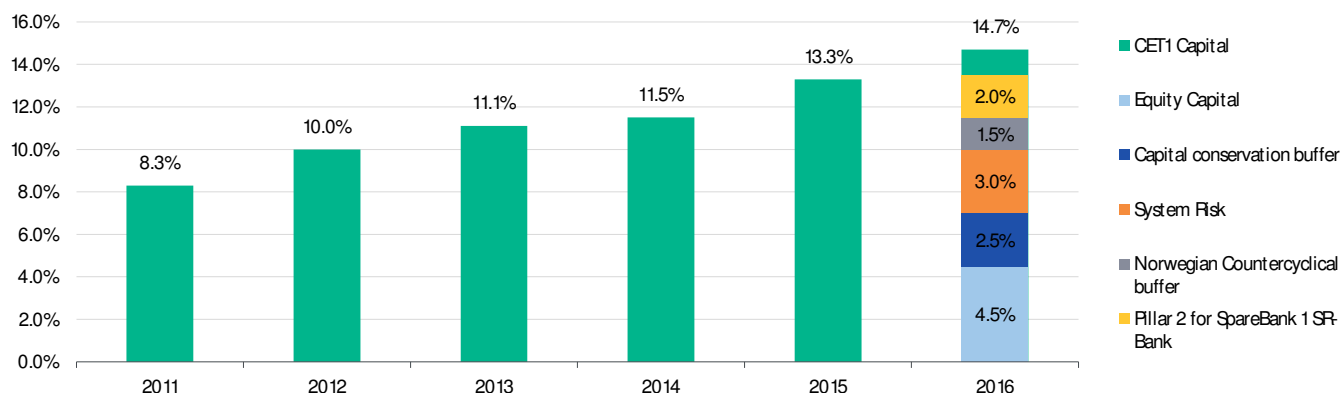
### SpareBank 1 SR-Bank's BCA is Supported by its Very Strong- Macro Profile

SpareBank 1 SR-Bank's operating environment is purely domestic and its Macro Profile is thus aligned with that of Norway, at Very Strong-. Norwegian banks benefit from operating in an affluent and developed country with very high economic, institutional and government financial strength as well as low susceptibility to event risk. Norway has a diversified and growing economy, which demonstrates resilience to the ongoing weakness in the oil sector. The main risks to the system stem from a high level of household indebtedness and domestic banks' reliance on market funding. However, these risks are offset by the strength of households' ability to service debt, banks' adequate capitalisation and the relatively small size of the banking system compared to GDP.

### A Strengthened Capital Buffer Provides Protection from Current and Future Credit Losses

SpareBank 1 SR-Bank improved its common equity Tier 1 (CET1) ratio to 14.7% at end December 2016, compared to 13.3% at end 2015, well above the increased regulatory requirements, as the bank took initiatives to enhance its capital buffer against potential future losses. We note that in November 2016 the Finanstilsynet (FSA) has set a Pillar 2 requirement of 2.0% for SpareBank 1 SR-Bank, which combined with the upcoming increase in the countercyclical buffer to 2% in December 2017 from 1.5% currently, the total minimum CET1 requirement for the bank will increase to 14.0% by the end of 2017 from 13.5% in 2016 (see Exhibit 3). SpareBank 1 SR-Bank is planning to focus on strict capital management and is well positioned to continue developing its leading position in Southern Western Norway. The board has set a target for a CET1 capital ratio of 15.0% by year-end 2017. This would entail lower risk-weighted assets growth than local peers, a stronger focus on risk pricing and a moderate level of dividend payout.

Exhibit 3

**SpareBank 1 SR-Bank CET 1 Development**

Source: Company report and presentation

The bank's Tangible Common Equity (TCE) to risk-weighted assets (RWA) as calculated by Moody's amounted to 15.6% at end-December 2016, as good earnings generation has supported its capital levels.

The bank's management has currently no plans to issue equity capital as retained earnings should be sufficient to reach the bank's increased CET1 ratio target of at least 15% by end 2017. We also note that the bank's Tier 1 capital ratio was 15.6% and the total capital adequacy ratio was 17.5% in December 2016. Such capital metrics compare favourably with other Nordic banks, as the transitional rules in Norway envisage that the minimum requirement for capital adequacy cannot amount to less than 80% of the corresponding amount calculated according to the Basel I rules. Moreover, the bank's leverage ratio was satisfactory at 7.3% as of year-end 2016, significantly higher than the international requirement.

The bank increased its dividend payment to NOK2.25 per equity certificate (33% payout ratio) in 2016 from NOK1.5 in 2015, and stated that unless capital requirements dictate otherwise, the board's goal will be to ensure that the payout ratio gradually increases in the lead up to 2018.

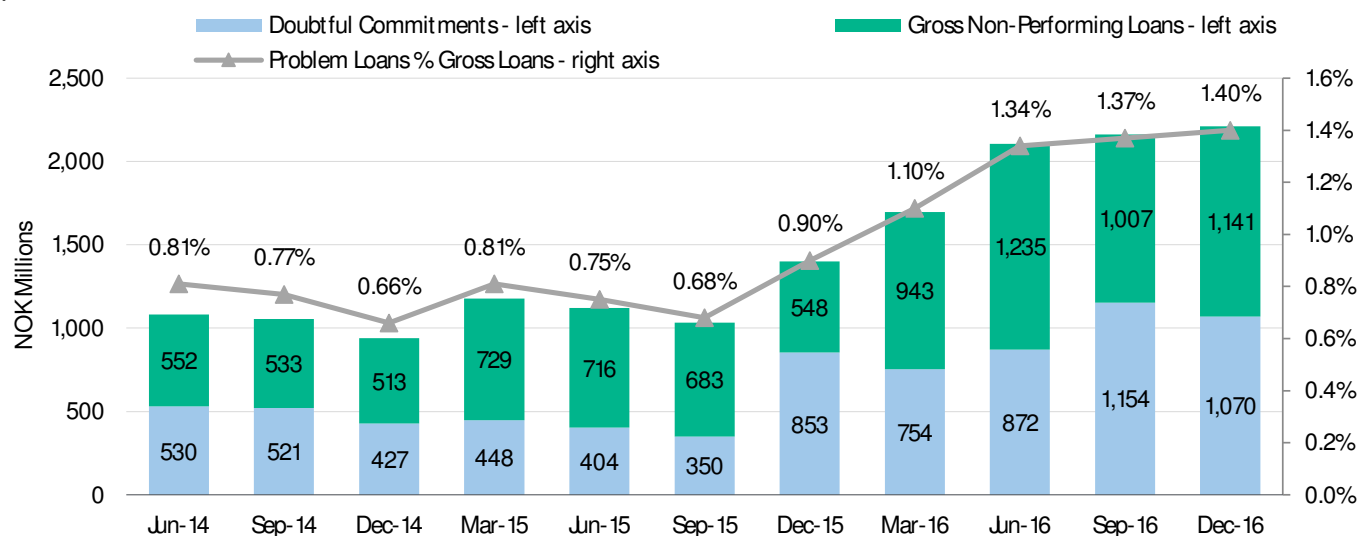
Our assigned capital score takes into account the more stringent capital requirements set by the FSA for 2017 and the likelihood of persistently high minimum ratios, which would reduce the bank's current capital buffer.

### Exposures to Volatile Sectors Pose Risks to Asset Quality

In line with our expectations, there was some asset-quality deterioration from the bank's previous very strong position, as SpareBank 1 SR-Bank's business is concentrated on the area around Stavanger, a logistics centre to Norway's off-shore industry that faces the challenges from reduced investments and lower oil prices. The bank's stock of nonperforming loans and doubtful commitments increased from a year earlier by around 58% to approximately NOK2.2 billion (or 1.4% of gross loans excluding covered bond loans) in December 2016, compared with NOK1.4 billion (or 0.9% of gross loans) in December 2015 (see exhibit 4). The increase was predominantly the result of companies in the oil sector experiencing financial difficulties mainly through excess capacity in their off-shore service vessels (OSVs) fleet. The Norwegian Petroleum Directorate expects a further reduction in investments in the petroleum sector of around 10% in 2017 compared with 2016, which will likely continue to affect the overall level of activity in the region in 2017.

Exhibit 4

## SpareBank 1 SR-Bank's Problem Loans



Source: Company report and presentation

SpareBank 1 SR-Bank is one of the highest exposed Norwegian banks to these sectors, with oil-related borrowers (including oil services, oil and gas and offshore) in December 2016 comprising around 10.4% of its loan book (exposure at default of 8.1% including loans in covered bond companies). Loans to the offshore industry (OSVs, rigs and seismic vessels) account for around 6.2% of gross loans, while oil service companies comprise 3%, and exploration and production companies are at 1%. The bank calculates its approximately NOK1.9 billion exposure to 17 rigs as having the highest average weighted probability of default in its overall portfolio at 1.7%, NOK1 billion to 7 seismic vessels with average weighted probability of default is 1.4%, and NOK6.9 billion to 98 OSVs with average weighted probability of default is 2.0%, constituting the most risky assets on its balance sheet.

In addition, the bank is also exposed to the commercial real estate sector (15% of gross loans at year-end 2016), a significant part of which is located in the county of Rogaland, where reduced oil investments have led to vacancy rate increases. This exposure combined with its sizeable mortgage loan book, could leave the bank vulnerable to any unexpected material decrease in property prices, a similar featured shared with other Norwegian savings banks.

Our assigned Asset Risk score indicates the challenges the bank is currently facing, taking into account the bank's relatively limited geographical diversification, concentration to vulnerable sectors as mentioned above, but also exposed to a stock of restructured loans that have not been impaired and could potentially exposed the bank to additional provisions.

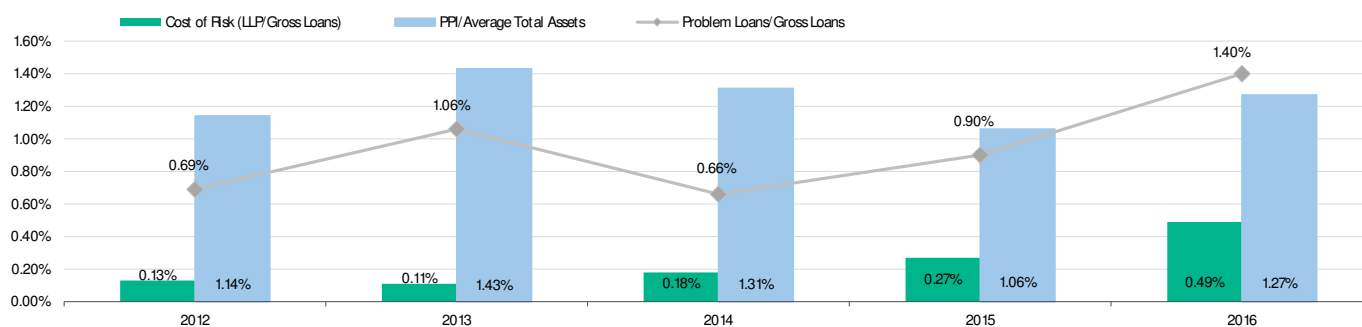
### Profitability Under Pressure Due to Elevated Credit Costs, Although Pre-Provision Income has Increased

Despite the elevated risks that SpareBank 1 SR-Bank will continue to face through its oil-related exposures, it increased its pre-provision income by around 14% during 2016 as a result of higher corporate lending margins and cost containment. SpareBank 1 SR-Bank's full-year 2016 net profit remained on the same level comparing to a year earlier, mainly because of higher impairment losses on loans and guarantees. The increase in impairments included NOK158 million of collective provisions out of total provisions of NOK778 million during the full year 2016, up from NOK420 million as of year-end 2015.

The bank's credit costs increased significantly to 0.43% of gross loans (including covered bond loans) in December 2016, from 0.23% in December 2015, consuming around 26% of operating pre-provision income in December 2016 from 16% the year before. It should be noted that the bank expects its loan losses to continue in 2017, mainly driven by impairments in its OSV portfolio, although at a lower level than in 2016. Furthermore, we expect the adoption of IFRS 9 with new more conservative principles for write-downs from January 2018, to potentially result in higher loss provisions. The methodology in the IFRS 9 standard entails somewhat larger volatility in write-downs, as they will be made at an earlier stage than under current practice. This could be particularly noticeable at the current oil-related cyclical downturn.

Exhibit 5

## SpareBank 2 SR-Bank Cost of Risk and PPI evolution



Source: Company report and presentation

Net interest income continues to be SpareBank 1 SR-Bank's main source of earnings, corresponding to almost 58% of the bank's YE 2016 operating income. Net commission income was slightly lower in YE 2016 at 29% comparing to 35% of the operating income the year earlier. Commission income related to loans transferred to covered bond companies was lower by 43% in 2016, as the bank increasingly uses its own covered bond company instead of the Sparebank 1 Boligkreditt. Overall net commission and other income contributed around 31% of total income as of December 2016, providing a level of diversification to the bank's total revenues. Overall, SR-Bank's cost efficiency remained good with one of the lowest cost-to-income ratio (45% in December 2016) among other large Norwegian Savings Banks.

Looking ahead, we expect the bank's pre-provision earnings to remain resilient in the next 12-18 months. Nonetheless, our Profitability score adjustment for SpareBank 1 SR-Bank reflects our expectation that the operating environment in Norway will continue to be challenging, exerting further negative pressure on the bank's bottom line and constraining its profitability potential.

### Reliance on Market Funding Renders it Vulnerable to Fluctuations in Investor Sentiment

While SpareBank 1 SR-Bank benefits from solid access to domestic and international capital markets, with a stronger footing than its local peers, providing a good funding diversification, its reliance on wholesale funding remains high. Market funds accounted for 38.1% of tangible banking assets (including assets transferred to covered bond companies) as of December 2016, which we believe renders the bank susceptible to potential shifts in investor sentiment.

SpareBank 1 SR-Bank benefits also from a good deposit base, which represented almost half of on-balance-sheet funding at end-December 2016, which has proven to be resilient and stable over many years. Nonetheless, the bank's deposits declined by 4.1% during 2016. Lower deposit growth in the corporate market (incl. capital market) was the result of larger deposits from institutional customers, held as part of the liquidity portfolio, having been replaced by other longer-term debt instruments to protect the group's liquidity. The bank's gross loans-to-deposits ratio was around 183.5% in December 2016.

As per our methodology, we globally reflect the relative stability of covered bonds compared to unsecured market funding through a standard adjustment in our scorecard. Covered bonds have become an increasingly important source of funding for the bank; such funding is completed off-balance-sheet through specialised companies it owns jointly with other members of the SpareBank 1 Alliance (SpareBank 1 Boligkreditt for residential mortgages and SpareBank 1 Næringskreditt for commercial mortgages).

At end-December 2016, the bank had transferred NOK24.2 billion to Sparebank 1 Boligkreditt and NOK0.5 billion to SpareBank 1 Næringskreditt, i.e. almost 16% of its total loan book. In addition, in the second quarter of 2015 the bank set up SR-Boligkreditt AS, a wholly owned covered bond company, to diversify and optimise its funding. While we view positively the diversification benefit of covered bond funding, extensive use of covered bond funding increases the amount of pledged assets unavailable for unsecured bondholders, including depositors in liquidation. We note that SR-Boligkreditt was able to raise \$600 million 5-year paper at favourable rate in its April 2017 debut, indicative of the bank's strong positioning in the global capital markets.

Our Funding Structure score reflects our view that although SpareBank 1 SR-Bank has benefitted from strong access to domestic and international capital markets, its high reliance on market funding - a common feature at Nordic banks - is a material source of risk. We believe that in times of market stress, market funding can become more expensive and/or restricted.

A mitigating factor to the bank's reliance on market funds is its improved liquidity buffer. The liquidity buffer (NOK27 billion or around 14% of tangible assets at year-end 2016) consists mainly of cash, short-term investments, and drawing rights in Norges Bank (bonds including covered bonds). In addition to the liquidity buffer, the bank has NOK24.2 billion in home mortgages ready to be transferred to a covered bond company. Concurrently, the bank reported a commendable liquidity coverage ratio (LCR) of 174% in 2016, compared to 128% in 2015.

## Notching Considerations

### Affiliate Support Notching

As a member of the SpareBank 1 Alliance, SpareBank 1 SR-Bank's Adjusted BCA is aligned with the baa1 average of the other alliance members rated by Moody's (SpareBank 1 SMN, SpareBank 1 Nord-Norge, Sparebanken Hedmark) through one notch of affiliate support.

### Loss Given Failure and Additional Notching

We expect that Norway will look to introduce the EU's Bank Resolution and Recovery Directive in 2017. For our resolution analysis, we assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in "junior" wholesale deposits, a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. These are in line with our standard assumptions.

For SpareBank 1 SR-Bank's long-term deposit rating and senior unsecured debt rating, our LGF analysis considers the combination of the bank's junior deposits, its outstanding debt volume and the amount of debt subordinated to this. This has resulted in a Preliminary Rating Assessment (PRA) of two notches above the BCA, reflecting very low loss-given-failure. For junior securities issued by SpareBank 1 SR-Bank, our LGF analysis confirms a high level loss-given-failure, given the small volume of debt and limited protection from more subordinated instruments and residual equity.

### Government Support

SpareBank 1 SR-Bank has a sound franchise in the county of Rogaland, south-west Norway, with 49 branches. We estimate that the bank has regional market shares of around 51% for lending and over 43% for deposits (based on total lending in the county according to Statistics Norway). The bank has also expanded into the neighbouring counties, but has a limited national market share at around 5.8%. Therefore, we expect a moderate probability of government support for debt and deposits, resulting in one additional notch of rating uplift. However, the expected implementation of an official resolution regime in Norway in the coming months, might cause us to reconsider/lower our government support assumptions for all rated savings banks in Norway, including SpareBank 1 SR-Bank.

For the bank's junior securities, we continue to consider that potential government support is low and these ratings do not include any related uplift. Junior securities also include additional downward notching from the BCA reflecting coupon suspension risk ahead of a potential failure.

The rating agency intends to reassess its government support assumptions for all Norwegian savings banks, including SpareBank 1 SR-Bank, once there is more clarity regarding the timing of the implementation of an official resolution regime through the enactment of a relevant local legislation. This is likely to be aligned with the EU's bank recovery and resolution directive (BRRD), as indicated by the domestic authorities in the past.

### Counterparty Risk Assessment

We assign a Aa3(cr) long term and P-1(cr) short term CR Assessment to SpareBank 1 SR-Bank.

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than the likelihood of default and the expected financial loss suffered in the event of default; and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

## Rating Methodology and Scorecard Factors

Exhibit 6

### SpareBank 1 SR-Bank ASA

#### Macro Factors

**Weighted Macro Profile**                      **Very Strong -**                      **100%**

| Factor  | Historic Ratio | Macro Adjusted Score | Credit Trend | Assigned Score | Key driver #1                | Key driver #2        |
|---|----------------|----------------------|--------------|----------------|------------------------------|----------------------|
| Solvency  |                |                      |              |                |                              |                      |
| Asset Risk                                      |                |                      |              |                |                              |                      |
| Problem Loans / Gross Loans                     | 1.4%           | aa2                  | ← →          | baa1           | Geographical concentration   | Sector concentration |
| Capital   |                |                      |              |                |                              |                      |
| TCE / RWA                                       | 15.6%          | aa2                  | ← →          | aa3            | Risk-weighted capitalisation |                      |
| Profitability                                   |                |                      |              |                |                              |                      |
| Net Income / Tangible Assets                    | 0.8%           | baa1                 | ← →          | baa2           | Earnings quality             | Expected trend       |
| Combined Solvency Score                         |                | aa3                  |              | a3             |                              |                      |
| Liquidity                                       |                |                      |              |                |                              |                      |
| Funding Structure                               |                |                      |              |                |                              |                      |
| Market Funds / Tangible Banking Assets          | 36.6%          | ba2                  | ← →          | ba2            | Market funding quality       |                      |
| Liquid Resources                                |                |                      |              |                |                              |                      |
| Liquid Banking Assets / Tangible Banking Assets | 14.0%          | baa3                 | ← →          | baa3           | Quality of liquid assets     |                      |
| Combined Liquidity Score                        |                | ba1                  |              | ba1            |                              |                      |
| Financial Profile                               |                |                      |              |                |                              |                      |
| Business Diversification                        |                |                      |              | 0              |                              |                      |
| Opacity and Complexity                          |                |                      |              | 0              |                              |                      |
| Corporate Behavior                              |                |                      |              | 0              |                              |                      |
| Total Qualitative Adjustments                   |                |                      |              | 0              |                              |                      |
| Sovereign or Affiliate constraint:              |                |                      |              | Aaa            |                              |                      |
| Scorecard Calculated BCA range                  |                |                      |              | a3-baa2        |                              |                      |
| Assigned BCA                                    |                |                      |              | baa2           |                              |                      |
| Affiliate Support notching                      |                |                      |              | --             |                              |                      |
| Adjusted BCA                                    |                |                      |              | baa1           |                              |                      |

| Balance Sheet                 | in-scope<br>(NOK million) | % in-scope | at-failure<br>(NOK million) | % at-failure |
|-------------------------------|---------------------------|------------|-----------------------------|--------------|
| Other liabilities             | 47,048                    | 24.3%      | 55,812                      | 28.9%        |
| Deposits                      | 85,914                    | 44.4%      | 77,151                      | 39.9%        |
| Preferred deposits            | 63,576                    | 32.9%      | 60,398                      | 31.2%        |
| Junior Deposits               | 22,338                    | 11.6%      | 16,753                      | 8.7%         |
| Senior unsecured bank debt    | 51,911                    | 26.9%      | 51,911                      | 26.9%        |
| Dated subordinated bank debt  | 2,646                     | 1.4%       | 2,646                       | 1.4%         |
| Equity                        | 5,800                     | 3.0%       | 5,800                       | 3.0%         |
| Total Tangible Banking Assets | 193,319                   | 100%       | 193,319                     | 100%         |



| Debt class                    | De jure waterfall                 |                | De facto waterfall                |                | Notching |          | LGF notching guidance versus BCA | Assigned LGF notching | Additional notching | Preliminary Rating Assessment |
|-------------------------------|-----------------------------------|----------------|-----------------------------------|----------------|----------|----------|----------------------------------|-----------------------|---------------------|-------------------------------|
|                               | Instrument volume + Subordination | Sub-ordination | Instrument volume + Subordination | Sub-ordination | De jure  | De facto |                                  |                       |                     |                               |
| Counterparty Risk Assessment  | 39.9%                             | 39.9%          | 39.9%                             | 39.9%          | 3        | 3        | 3                                | 3                     | 0                   | a1 (cr)                       |
| Deposits                      | 39.9%                             | 4.4%           | 39.9%                             | 31.2%          | 2        | 3        | 2                                | 2                     | 0                   | a2                            |
| Senior unsecured bank debt    | 39.9%                             | 4.4%           | 31.2%                             | 4.4%           | 2        | 2        | 2                                | 2                     | 0                   | a2                            |
| Dated subordinated bank debt  | 4.4%                              | 3.0%           | 4.4%                              | 3.0%           | -1       | -1       | -1                               | -1                    | 0                   | baa2 (hyb)                    |
| Junior subordinated bank debt | 3.0%                              | 3.0%           | 3.0%                              | 3.0%           | -1       | -1       | -1                               | -1                    | -1                  | baa3                          |

| Instrument class              | Loss Given Failure notching | Additional Notching | Preliminary Rating Assessment | Government Support notching | Local Currency Rating | Foreign Currency Rating |
|-------------------------------|-----------------------------|---------------------|-------------------------------|-----------------------------|-----------------------|-------------------------|
| Counterparty Risk Assessment  | 3                           | 0                   | a1 (cr)                       | 1                           | Aa3 (cr)              | --                      |
| Deposits                      | 2                           | 0                   | a2                            | 1                           | A1                    | A1                      |
| Senior unsecured bank debt    | 2                           | 0                   | a2                            | 1                           | --                    | A1                      |
| Dated subordinated bank debt  | -1                          | 0                   | baa2 (hyb)                    | 0                           | --                    | Baa2 (hyb)              |
| Junior subordinated bank debt | -1                          | -1                  | baa3                          | 0                           | --                    | Baa3                    |

Source: Moody's Financial Metrics

## Ratings

Exhibit 7

| Category                            | Moody's Rating  |
|-------------------------------------|-----------------|
| <b>SPAREBANK 1 SR-BANK ASA</b>      |                 |
| Outlook                             | Negative        |
| Bank Deposits                       | A1/P-1          |
| Baseline Credit Assessment          | baa2            |
| Adjusted Baseline Credit Assessment | baa1            |
| Counterparty Risk Assessment        | Aa3(cr)/P-1(cr) |
| Issuer Rating                       | A1              |
| Senior Unsecured                    | A1              |
| Subordinate                         | Baa2            |
| Jr Subordinate MTN                  | (P)Baa3         |

Source: Moody's Investors Service

## Foreign Currency Deposit Rating

SpareBank 1 SR-Bank's foreign-currency deposit rating of A1 is unconstrained, given that Norway has a country ceiling of Aaa.

## Foreign Currency Debt Rating

SpareBank 1 SR-Bank's foreign-currency debt rating of A1 is unconstrained given that Norway has a country ceiling of Aaa.

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