# Key Developments in the First Quarter

<table>
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<tr>
<th></th>
<th>Description</th>
<th>Figures</th>
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<tbody>
<tr>
<td><strong>Increased Operating Profit</strong></td>
<td>Pre-tax operating profit</td>
<td>NOK 526 MILL. (273)</td>
</tr>
<tr>
<td><strong>Good Return on Equity</strong></td>
<td>Return on equity</td>
<td>19.8% / 10.4%</td>
</tr>
<tr>
<td><strong>Cost Trend in Line with Target</strong></td>
<td>Cost ratio</td>
<td>38.8% / 54.4%</td>
</tr>
<tr>
<td><strong>Capital Accumulation According to Plan</strong></td>
<td>Core tier 1 capital</td>
<td>11.3%*</td>
</tr>
<tr>
<td><strong>Improved Results from Associated Companies</strong></td>
<td>Contribution</td>
<td>18 Mill. (9)</td>
</tr>
</tbody>
</table>

*Figures in brackets: first quarter 2013

*Includes 50% of the profit for the period*
## KEY FIGURES

<table>
<thead>
<tr>
<th></th>
<th>1Q 2014</th>
<th>1Q 2013</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax profit</td>
<td>526 MNOK</td>
<td>273 MNOK</td>
<td>1,221 MNOK</td>
</tr>
<tr>
<td>Profit per equity certificate</td>
<td>2,66 kr</td>
<td>1,33 kr</td>
<td>6,13 kr</td>
</tr>
<tr>
<td>Net interest (annualised)</td>
<td>1,67 %</td>
<td>1,47 %</td>
<td>1,67 %</td>
</tr>
<tr>
<td>Cost ratio</td>
<td>38,8 %</td>
<td>54,5 %</td>
<td>48,8 %</td>
</tr>
<tr>
<td>Return on equity (annualised)</td>
<td>19,8 %</td>
<td>10,4 %</td>
<td>11,7 %</td>
</tr>
<tr>
<td>Core Tier 1</td>
<td>11,3 %</td>
<td>10,4 %</td>
<td>11,2 %</td>
</tr>
<tr>
<td>Core Tier 1 (IRB)</td>
<td>13,4 %</td>
<td>13,7 %</td>
<td>14,2 %</td>
</tr>
</tbody>
</table>
PRE-TAX PROFIT
- UP NOK 253 MILLION

Driven by increased net interest, low costs and an adjustment of the shareholding in Nets of NOK 166 mill.
GOOD RETURN ON EQUITY
- 19.8%, 11.9% EXCL. NETS

Return on equity above target of 11%
PROFIT/BOOK VALUE OF EQUITY CERTIFICATES

Profit per equity certificate

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Profit per Equity Certificate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 13</td>
<td>1.33</td>
</tr>
<tr>
<td>Q2 13</td>
<td>1.62</td>
</tr>
<tr>
<td>Q3 13</td>
<td>1.85</td>
</tr>
<tr>
<td>Q4 13</td>
<td>1.33</td>
</tr>
<tr>
<td>Q1 14</td>
<td>2.66</td>
</tr>
</tbody>
</table>

Book equity per equity certificate

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Book Equity per Equity Certificate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 13</td>
<td>50.6</td>
</tr>
<tr>
<td>Q2 13</td>
<td>52</td>
</tr>
<tr>
<td>Q3 13</td>
<td>53.9</td>
</tr>
<tr>
<td>Q4 13</td>
<td>54.7</td>
</tr>
<tr>
<td>Q1 14</td>
<td>54.4</td>
</tr>
</tbody>
</table>

Book equity first quarter adjusted for dividend of NOK 3 per certificate
STABLE NET INTEREST IN THE FIRST QUARTER

Nominal net interest up NOK 107 mill., fee to the Norwegian Banks’ Guarantee Fund of NOK 12 mill, corresponding to -3.5 bp
LENDING MARGINS LARGELY UNCHANGED

Retail

Corporate
DEPOSIT MARGINS UNCHANGED IN THE CORPORATE MARKET
- SOMEWAT WEAKER IN THE RETAIL MARKET IN LINE WITH REDUCED NIBOR
CONTRIBUTION TO PROFITS OF NOK 18 MILL. FROM ASSOCIATED COMPANIES – INCREASE OF NOK 9 MILL.

<table>
<thead>
<tr>
<th>NOKm</th>
<th>Q1 2014</th>
<th>Q1 2013</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frende Forsikring</td>
<td>12</td>
<td>7</td>
<td>41</td>
</tr>
<tr>
<td>Norne Securities</td>
<td>1</td>
<td>0</td>
<td>-2</td>
</tr>
<tr>
<td>Brage Finans</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Verd Boligkreditt</td>
<td>3</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td><strong>Net profit from associated companies</strong></td>
<td><strong>18</strong></td>
<td><strong>10</strong></td>
<td><strong>50</strong></td>
</tr>
</tbody>
</table>
TARGETED COST MEASURES PAYING OFF

In the process of recruiting 15 new IT consultants, external fees will be reduced - positive effect on net operating expenses.
COST TREND IN LINE WITH TARGET
- REDUCED COSTS IN PARENT BANK COMPARED WITH 2012

On track to reaching the target of a 2% average annual cost growth in the parent bank up until 2015
DEFAULTS AND OTHER POTENTIAL BAD DEBT*

- DEVELOPMENT IN DEFAULTS AND OTHER POTENTIAL BAD DEBT (NOK MILL.) IN RM, CM AND AS PROPORTION OF TOTAL VOLUME OF LENDINGS

*) Includes all defaults, not only default of payment. Includes commitments with individual write-downs. Calculated as % of total volume of lendings
PERCENTAGE UNCHANGED FROM Q4

Write downs in NOK mkr
Write downs as %
Group Write downs
Individual write downs
Write down as % of gross lendings
CHANGE IN PROFIT PERFORMANCE FIRST QUARTER 2013–2014

- Q4 2012: 273
- Net interest: 107
- Associated companies: 9
- Non recurring expenses: 177
- Operating expenses: 5
- Change in pension scheme: 10
- Net banking services and other income: 25
- Financial instruments: 526
LIQUIDITY AND FINANCING
– PROPORTION OF RM LOANS TRANSFERRED TO SPAREBANKEN VEST BOLIGKREDITT: 53%

Development – assets

Development – liabilities

- State
- Local and county authorities
- Banks
- Others
- Covered bonds
- Equities
- "Used as collateral in NB"
- Interbank
- Debt to financial institutions and short term instruments
- Covered bonds and swap arrangement with Norges Bank
- Hybrid capital (Tier 1) and subordinated debt (Tier 2)
- Senior debt
SOMEWHAT LOWER GROWTH IN LENDINGS IN THE RETAIL MARKET
- CM GROWTH IN LINE WITH TARGET SO FAR IN 2014

Retail market
Deposits: NOK 37 bill. – Lendings NOK 86 bill.

Corporate market
BREAKDOWN OF LENDINGS CORPORATE MARKET

By volume*
In NOK bill.

Greater focus on increasing volume in the SME segment

* Measured by commitment
COMPOSITION OF DEPOSITS
LARGE PROPORTION FROM STABLE DEPOSITS

Breakdown of deposits
In NOK bill.

- 34.736 in 0 - 850.000
- 7.841 in 850.000 - 2.000.000
- 19.361 in Over 2.000.000

Breakdown of deposits
By sector

- Retail: 48%
- SME: 23%
- Large Corporate: 15%
- Financial: 14%

Stable deposits, covered by deposits guarantee scheme, treated favourably in LCR and NSFR
FINANCIAL STRENGTH
- CAPITAL LEVEL ABOVE COMBINED MINIMUM AND BUFFER REQUIREMENTS

* The figures for the quarter include 50% of the accumulated profit after tax, with the exception of the fourth quarter.
INCREASED CAPITAL REQUIREMENTS MET THROUGH OPERATIONS  – FORECAST FOR CAPITAL ACCUMULATION UP UNTIL 2016

Core Tier 1 capital, taking into account the Basel I floor, increases in step with the regulatory minimum and buffer requirements

Assumptions

- Margin assumptions adjusted for changes in interest rates adopted in Q1 2014
- Taking into account gain on sale of Nets
- Growth on a par with 2013
  - Retail market 6%
  - Corporate market 2.5%
- Costs in line with cost targets
- ‘Normalised’ losses (25 bp)
- Dividend policy maintained (50% / 5%)
### BASEL I FLOOR OR FLOOR ON RISK WEIGHTS?

- POTENTIALLY POSITIVE EFFECT FOR SPAREBANKEN VEST

<table>
<thead>
<tr>
<th>Risk weights IRB and Core Tier 1 2016</th>
<th>Retail</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>20 %</td>
</tr>
<tr>
<td>60 %</td>
<td>17,6 %</td>
</tr>
<tr>
<td>65 %</td>
<td>17,1 %</td>
</tr>
<tr>
<td>70 %</td>
<td>16,6 %</td>
</tr>
<tr>
<td>75 %</td>
<td>16,1 %</td>
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- Norwegian interpretation of the Basel I floor is related to the calculation base, and provides SPV an estimated capital ratio of 13% in 2016.

- The government seems to want to impose "floor" for average risk weight of the segments before the Basel I floor is discontinued.

- For SPV such floors in PM and CM should be 35% and 75% respectively for Core Tier 1 to equal the current interpretation of the Basel I floor (shown in gray).
OUTLOOK FOR SPAREBANKEN VEST

- Digital development and regulatory changes are key operating conditions
- Assessment of strategic measures to ensure the bank’s targets in progress
  - Customer promise and ROE> 11%
- Interest margins under pressure
- On schedule to reach target of 2% cost growth in the parent bank
- Associated companies’ contribution to profits is expected to increase in 2014
- An uncertain macroeconomic situation could lead to a somewhat higher risk level in the region in the longer term
WE ARE HERE.