

# MOODY'S

## INVESTORS SERVICE

### COMPANY PROFILE

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## Sparebanken Øst

Drammen, Norway

### Company Overview

Sparebanken Øst is a savings bank with a well-established market position in southeastern Norway. In particular, it provides services in the counties of Oslo, Akershus and Buskerud to both the retail sector and the small and medium-size enterprise (SME) sector. As of 30 June 2015, the bank reported total consolidated assets of NOK33.4 billion (€3.8 billion).

Sparebanken Øst mainly provides retail customers and SMEs with traditional banking products and services. These include deposit accounts, loans and money-transfer services. Through agreements with external suppliers, the bank also distributes pension insurance, life and general insurance, and asset management services.

Sparebanken Øst was established in its current form in 1997, as a result of the merger of Eiker Sparebank (established in 1843 as Ekers Sparebank) and Drammens Banken (established in 1859 as Skoger Sparebank).

As a Norwegian savings bank, Sparebanken Øst has a unique ownership structure. Rather than having shareholders or traditional owners, it is an independent foundation with holders of equity certificates (ECs). The bank's ECs have been traded on the Oslo Stock Exchange since February 1989. As of 30 June 2015, the largest EC holder was MP Pensjon PK, which held a 9.83% stake. The 10 largest holders jointly owned 32.99% of the total ECs.

Note: Currency converted using exchange rate of NOK=€0.11408, as of 30 June 2015

Source: Company Reports (annual report Dec 2014, Q2 report June 2015), Company data, Moody's research

## Financial Highlights (as Reported)

Note: The financials presented below are those reported by the entity and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on Sparebanken Øst, please see <[Sparebanken Øst page on moodys.com](#)>.

### EXHIBIT 1

#### Latest Full-Year Results<sup>1</sup>

Sparebanken Øst

(in NOK Million)	31-Dec-14	31-Dec-13	31-Dec-12	% Change 14/13	% Change 13/12
NOK/€, Period end	0.11040	0.11863	0.13543	–	–
Total Assets	35,006	31,159	29,638	12.35	5.13
Total Shareholders' Equity	2,766	2,528	2,133	9.41	18.53
Shareholders' Equity excluding Minority Interest <sup>2</sup>	–	–	–	–	–
Total Regulatory Capital <sup>3</sup>	3,251	2,852	2,313	N/M	23.31
Tier 1 Ratio (%) <sup>3</sup>	15.89	16.47	14.85	N/M	162 bps
Net Income	429	283	262	51.64	7.78
Net Income Attributable to Equity Holders <sup>2</sup>	–	–	–	–	–

Notes: 1) Based on consolidated financials

2) "Shareholders' Equity excluding Minority Interest" and "Net Income Attributable to Equity Holders" are not applicable to the bank

3) "Total Capital" and "Tier 1 Ratio" for Dec 2014 are stated in accordance with the transitional phase-in Basel III framework, while those for Dec 2013 and Dec 2012 are in accordance with the Basel II framework

Source: Moody's research, [www.oanda.com](#)

### EXHIBIT 2

#### Latest First-Half Results<sup>1</sup>

Sparebanken Øst

(in NOK Million)	30-June-15	30-June-14	% Change 15/14
NOK/€, Period end	0.11408	0.11950	–
Total Assets	33,372	34,733	(3.92)
Total Shareholders' Equity	2,811	2,663	5.56
Shareholders' Equity excluding Minority Interest <sup>2</sup>	–	–	–
Total Regulatory Capital <sup>3</sup>	3,341	2,590	N/M
Tier 1 Ratio (%) <sup>3</sup>	17.67	13.31	N/M
Net Income	155.8	161.9	(3.77)
Net Income Attributable to Equity Holders <sup>2</sup>	–	–	–

Notes: 1) Based on consolidated financials

2) "Shareholders' Equity excluding Minority Interest" and "Net Income Attributable to Equity Holders" are not applicable to the bank

3) "Total Capital" and "Tier 1 Ratio" for June 2015 are stated in accordance with the transitional phase-in Basel III framework, while those for June 2014 are in accordance with the Basel II framework

Source: Company Report (Q2 report June 2015), Moody's research, [www.oanda.com](#)

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## Business Activities

Sparebanken Øst provides various traditional banking products and services, including those involving financing, savings, investment, payment handling, insurance, property management and financial advisory. The bank services mainly retail customers, SMEs, and trade associations.

Sparebanken Øst reports its activities under the following five business segments: Private Market; Business Market; Finance; AS Financiering; and Sparebanken Øst Eiendom. In the financial year ended 31 December 2014 (2014), the largest contributor to the bank's total income was the Private Market segment<sup>1</sup> (52.5%)<sup>2</sup>, followed by the Business Market segment (29.3%).

The bank focuses on traditional banking products and services, such as deposit-taking, loans, credit cards and money transfer services, as well as the sale of pension insurance, life and general insurance and asset management services through agreements with the suppliers of applicable products.

In particular, Sparebanken Øst has participated in establishing life and non-life insurance activities under the Frende Forsikring brand. The bank now distributes Frende insurance products along with other independent savings banks. However, the bank is currently selling its stake in Frende Holding AS. As of 30 June 2015, the shares of Frende Holding AS owned by Sparebanken Øst were valued at NOK200.8 million.

Through its Private Market and Business Market segments, Sparebanken Øst provides its customers with lending and deposit-taking services. Its Finance segment includes the bank's liquidity portfolio, which consists primarily of cash, securities issued by the Norwegian government, government-guaranteed bonds, securities issued by Norwegian municipalities and covered bonds.

Through its subsidiary AS Financiering, Sparebanken Øst offers automobile financing, mainly of second hand cars. In addition, through its subsidiary Sparebanken Øst Eiendom AS, the bank offers property management services, including the purchase, sale, rental and development of real estate, and the purchase and sale of movables in various business segments. The bank manages projects and industrial and trading activities through its subsidiary Øst Prosjekt AS.

The bank's other subsidiary, Sparebanken Øst Boligkreditt AS, offers primarily residential and commercial property mortgage loans, secured loans and public loans, and finance lending business by issuing covered bonds.

*Source: Company Reports (annual report Dec 2014 and Dec 2009, Q2 report June 2014), Company data, Moody's research*

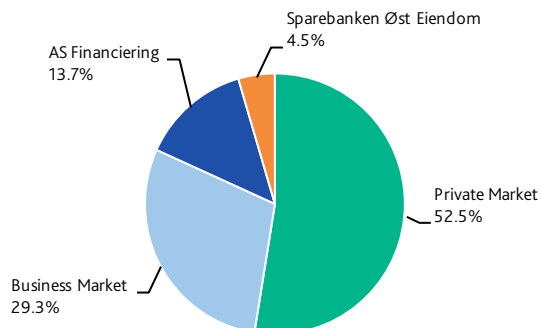
<sup>1</sup> In 2015, the Private Market segment was renamed the Retail Market segment.

<sup>2</sup> Throughout this section, such percentages exclude undistributed items; eliminations; and the Finance segment, due to its negative contribution.

## EXHIBIT 3

**Business Segment**

(% of Total Income, consolidated, for 2014)



Notes: 1) Excluding undistributed items and eliminations

2) Excluding Finance segment, due to its negative contribution

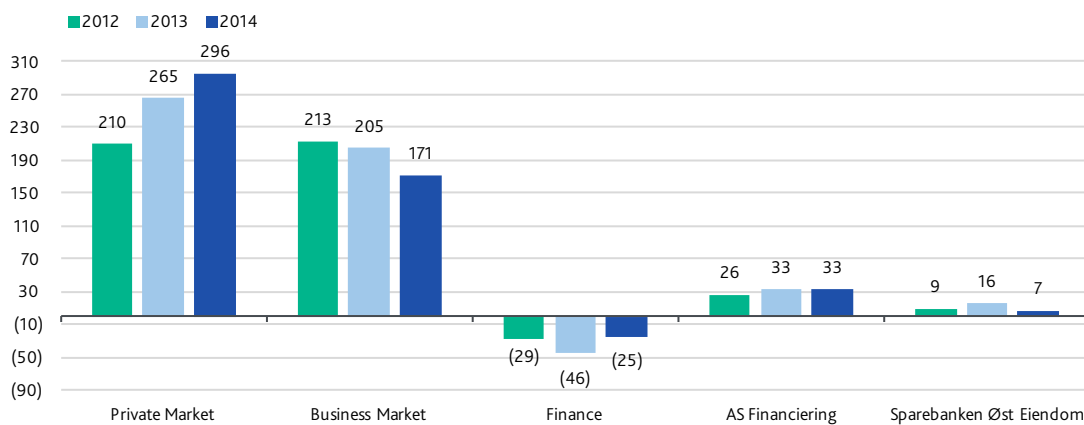
3) Private Market segment was renamed Retail Market segment in 2015

Source: Company Report (annual report Dec 2014, Pg: 51)

## EXHIBIT 4

**Net Profit/(Loss) by Business Segment**

(consolidated, in NOK Million)



Notes: 1) Excluding undistributed items and elimination

2) Private Market segment was renamed Retail Market segment in 2015.

Source: Company Reports (annual report Dec 2014, Pg: 51 &amp; 52; and Dec 2013, Pg: 51)

## Geographical Presence

Sparebanken Øst is well established in southeastern Norway, particularly in its main operating area of lower Buskerud County. As of 31 December 2014, it distributed its products and services through 22 branches, as well as through alternative distribution channels, including its internet banking services (DinBANK.no, YoungBank.no, Topprente.no and Boligkreditt.no).

The distribution of the bank's loans according to geographical region was as follows:

EXHIBIT 5

### Sparebanken Øst

REGION	Loan (%)	
	30-June-15	30 June-14
Akershus	19.0	18.5
Oslo	18.8	18.4
Drammen	15.3	15.5
Nedre Eiker	8.5	8.6
Vestfold	8.3	8.2
Rest of Buskerud	7.9	8.0
Øvre Eiker	6.8	7.0
Østfold	4.5	4.2
Rest of Norway	10.8	11.5
Overseas	0.1	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Source: Company Reports (annual report Dec 2014, Q2 report June 2015)

## Ownership Structure

As a Norwegian savings bank, Sparebanken Øst has a unique ownership structure; it is an independent foundation with EC holders rather than shareholders or traditional owners. The main difference between ECs and shares is that ECs give ownership rights to specific parts of a bank's capital. In addition, the governing bodies of a savings bank have a broader representation than a commercial bank. However, amendments to legislation in July 2009 have increased the similarities between ECs and shares.

As of 30 June 2015, Sparebanken Øst had 20.73 million ECs. The largest EC holder was MP Pensjon, with a 9.83% stake. As of that date, the 10 largest holders jointly owned 32.99% of the total ECs. Since 1989, the bank's ECs have been listed on the Oslo Stock Exchange, which is regulated by Finanstilsynet (the Norwegian Banking, Insurance and Securities Commission, Stock code: SPOG).

Source: Company Reports (annual report Dec 2014, Q2 report June 2015), Company data, [www.finanstilsynet.no](http://www.finanstilsynet.no), Moody's research

## Ownership Structure

As of 30 June 2015, Sparebanken Øst's 10 largest EC holders were as follows:

EXHIBIT 6

### Sparebanken Øst

EC Holders	Number of ECs	% Held
MP Pensjon PK	2,037,218	9.83
Directmarketing Invest AS	999,500	4.82
Pareto AS	677,070	3.27
Storetind AS	600,000	2.89
Citibank NA New York (NOM)	500,705	2.42
Hansen, Asbjørn Rudolf	466,443	2.25
Securities Fund Eika Utbytte	417,066	2.01
Jag Holding AS	400,000	1.93
Foretakskonsulenter AS	385,100	1.86
AS Andersen Eiendomsselskap	354,500	1.71

Source: Company Report (Q2 report June 2015)

## Subsidiaries

As of 31 December 2014, the bank held interests in the following subsidiaries:

EXHIBIT 7

### Sparebanken Øst

Subsidiary	Acquisition Date	Business Office	Business Activity	% Held	% of Voting Rights
Sparebanken Øst Eiendom AS	29-Dec-1988	Drammen	Development, management and lease of real estate	100	100
AS Finansiering	01-Oct-1991	Oslo	Car financing	100	100
Øst Prosjekt AS	22-Dec-1997	Drammen	Managing parent's projects	100	100
Grev Wedels Have AS <sup>2</sup>	01-Jul-2008	Drammen	Property operations	100	100
Sparebanken Øst Boligkreditt AS	14-Apr-2009	Drammen	Covered bonds	100	100
Hawø Eiendom AS <sup>2</sup>	01-July-2011	Drammen	Property operations	100	100
EngeneKvartalet AS <sup>2</sup>	26-Jun-2012	Drammen	Property operations	100	100
Arbeidergaten 28 AS <sup>2</sup>	29-Aug-2012	Drammen	Property operations	100	100
Krokstad Terrasse AS <sup>2</sup>	29-Aug-2012	Drammen	Property operations	100	100
Stasjonsgaten 14 AS <sup>2</sup>	29-Aug-2012	Drammen	Property operations	100	100
Tollbugt 49-51 AS <sup>2</sup>	29-Aug-2012	Drammen	Property operations	100	100
Ingeniør Rybergsgate 101 AS <sup>2</sup>	15-July-2014	Drammen	Property operations	100	100
Øst Næringsbygg AS <sup>3</sup>	28-Oct-2014	Drammen	–	100	100

Notes: 1) None of the subsidiaries are listed on the stock exchange

2) 100% owned subsidiary of Sparebanken Øst Eiendom AS

3) 100% owned subsidiary of Øst Prosjekt AS

Source: Company Report (annual report Dec 2014)

## Company Management

Company Management	Current Title	Age
Pål Strand	Sparebanken Øst: Chief Executive Officer	49
Kjell Engen	Sparebanken Øst: Deputy Chief Executive Officer (Finance and Internal Operations)	45
Per Øyvind Mørk	Sparebanken Øst: Manager – Marketing and Communication	49
Jan-Roger Vrabel	Sparebanken Øst: Manager – Private Market	43
Lars-Runar Groven	Sparebanken Øst: Manager – Credit	48
Kristian Thowsen	Sparebanken Øst: Manager – Corporate Market	40
Anne Siri R. Jensen	Sparebanken Øst: HR Manager	53

As of 31 Dec 2014

Board of Directors	Affiliation	Age*
Jorund Rønning Indrelid	Sparebanken Øst: Chairman	55
Knut Smedsrud	Sparebanken Øst: Deputy Chairman	54
Morten André Yttreide	Sparebanken Øst: Board Member	47
Øivind Andersson	Sparebanken Øst: Board Member	N/A
Sverre Nedberg	Sparebanken Øst: Board Member	58
Elly Therese Thoresen	Sparebanken Øst: Board Member	57
Hanne Margrete Lenes Solem	Sparebanken Øst: Board Member	48
Inger Helen Pettersen	Sparebanken Øst: Board Member, Employee Representative	61

As of 14 July 2015

\* As of 31 Dec 2014

Source: Company Reports (Q2 report June 2015, annual report Dec 2014)

## Company History

Sparebanken Øst was established in its current form in 1997, as a result of the merger of Eiker Sparebank and Drammens Banken.

- » Sparebanken Øst originated in January 1843 as Ekers Sparebank, which commenced its activities by serving local inhabitants, mainly farmers. In 1914, a separate bank, Nedre Eikers Sparebank, was established in Nedre Eiker. This bank merged with Ekers Sparebank in 1970. The merged entity was named Eiker Sparebank.
- » Skoger Sparebank (Drammens Banken) was founded in January 1859. In January 1997, Eiker Sparebank and Drammens Banken merged.

Following a November 1988 amendment to the Savings Bank Act which allowed savings banks to issue ECs (then Primary Capital Certificates), Eiker Sparebank became the first such bank in Norway to offer ECs by public subscription. The bank's ECs were listed on the Oslo Stock Exchange in February 1989.

In October 1991, Eiker Sparebank purchased AS Financiering, Norway's second-oldest finance company, which provides finance mainly in high-margin retail market segments. In January 1993, Eiker Sparebank acquired the operations of Fokus Bank in Buskerud County, increasing its activities in Nedre Buskerud in

particular. In October 1994, Eiker Sparebank purchased the remaining 70% of the shares in the real estate broking company Buskerud Eiendom AS.

In 1999, the bank was renamed Sparebanken Øst.

Until 2000, Sparebanken Øst was part of Samarbeidende Sparebanker (a cooperation of small savings banks), which is a member of SpareBank 1 Alliance. Since October 2000, Sparebanken Øst has been an independent savings bank.

In 2007, Sparebanken Øst entered into cooperation with Sparebanken Vest, Fana Sparebank and Helgeland Sparebank to establish two insurance companies (life and non-life). Headquartered in Bergen, the companies operate under the Frende Forsikring brand. Since then, the ownership of Frende Forsikring has been extended to include 14 Norwegian savings banks, all of which distribute Frende insurance products.

In April 2009, the bank issued 16,851,864 ECs, bringing its total number of ECs to 20,731,183. During the same period, Sparebanken Øst established a wholly owned subsidiary, Sparebanken Øst Boligkreditt AS, which primarily engages in activities related to residential and commercial property mortgage loans, secured loans, and covered bonds for the finance lending business.

*Source: Company Reports (annual report Dec 2009, financial report Mar 2009), Company data, Moody's research*

## Peer Group

- » Aktia Bank p.l.c.
- » Fana Sparebank
- » Jyske Bank A/S
- » Ringkjøbing Landbobank A/S
- » SpareBank 1 SMN
- » SpareBank 1 Nord-Norge
- » SpareBank 1 SR-Bank
- » Sparebanken Hedmark
- » Sparebanken Møre
- » Sparebanken Sogn og Fjordane
- » Sparebanken Sør
- » Sparebanken Vest
- » Storebrand Bank
- » Sydbank A/S



## Related Websites and Information Sources

For additional information, please see:

- » the company's website: [www.oest.no](http://www.oest.no)
- » the regulator's website: [www.finanstilsynet.no](http://www.finanstilsynet.no)
- » the central bank's website: [www.norges-bank.no](http://www.norges-bank.no)

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## Moody's Related Research

### Credit Opinion:

- » [Sparebanken Øst](#)

### Banking System Outlook:

- » [Norway, July 2015 \(1002627\)](#)

### Banking System Profile

- » [Norway, March 2014 \(166001\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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