

This is not a fishing boat.  
It's a gold mine.

SpareBank 1 SR-Bank ASA

3rd quarter 2014

# Disclaimer

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This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although SpareBank 1 SR-Bank believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

Important factors that may cause such a difference for SpareBank 1 SR-Bank include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.

This presentation does not imply that SpareBank 1 SR-Bank has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

# The leading financialgroup in the southwest of Norway

## 1 Rogaland

Population	452,000
Market share	37%
Year of establishment	1839
Market strategy	Market leader
Important business segments	Oil & Gas, Oil service, Supply
Unemployment rate	2.0%

## 2 Hordaland

Population	498,000
Market share	6%
Year of establishment	2006
Market strategy	Entry/growth
Important business segments	Shipping, Oil & Gas, Tourism
Unemployment rate	2.4%

## 3 Agder

Population	289,000
Market share	9%
Year of establishment	2002
Market strategy	Growth
Important business segments	Commodities, Oil Service, Industry
Unemployment rate	3.05%

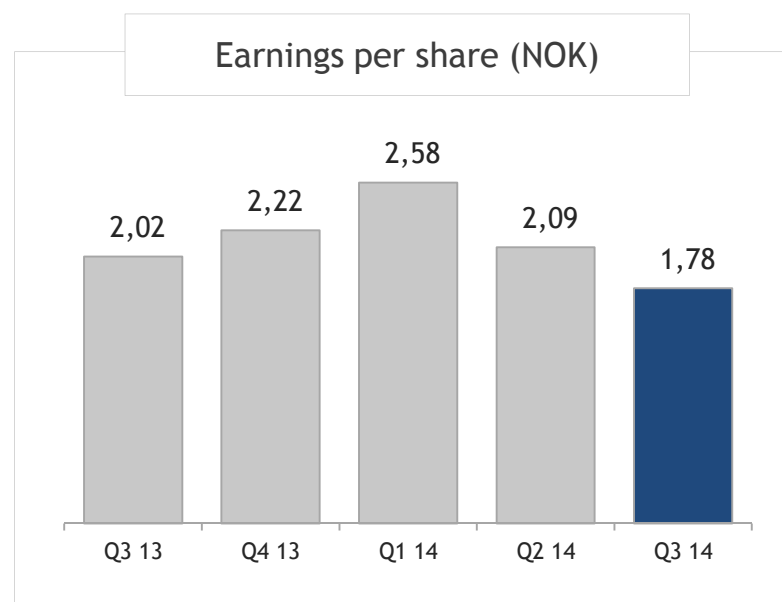
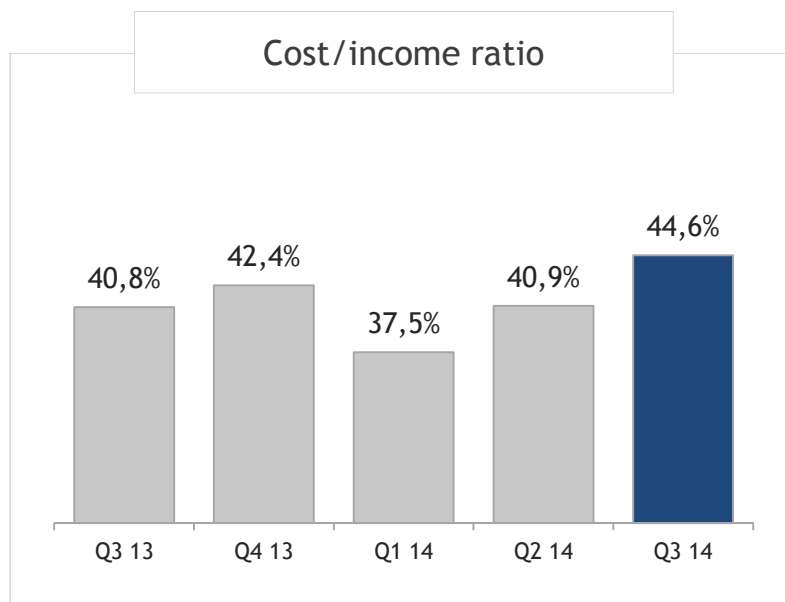
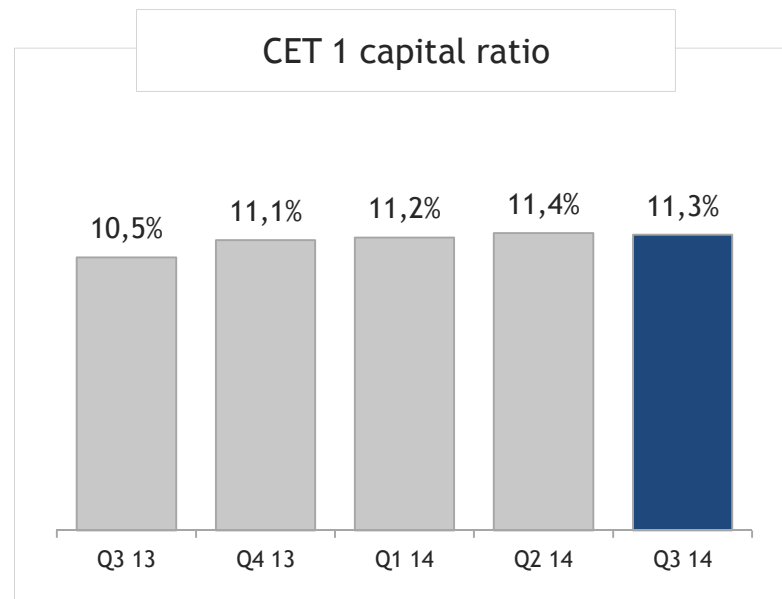
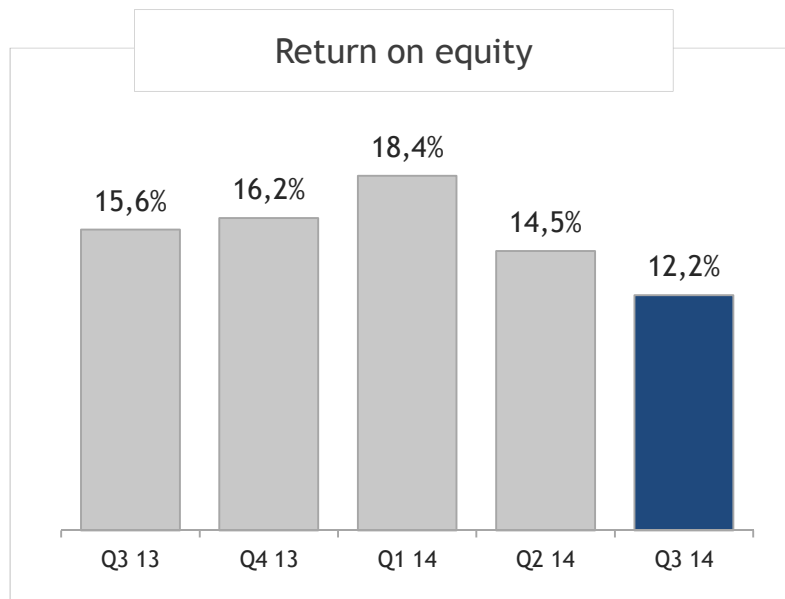


# A good result and a stable continuous growth

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- Pre-tax profit for 3Q is NOK 577 million compared to NOK 661 million last year
  - Return on equity after tax 12.2% (15.6%)
- Pre-tax profit year-to-date increased to NOK 2.048 million from NOK 1.673 million last year
  - Return on equity after tax 15.0% (13.2%)
- 12 months lending growth of 3.5%
- 12 months deposits growth of 14.9%
  - In addition growth of 16% in other capital under management in the last 12 months
- The net interest margin increased by 3 basis points to 1.43% in the last 12 months
- Solid underlying operations and high efficiency in the last 12 months
  - Net operating income, less income from financial investments increased by 6,8%
  - Cost/income ratio of 40.8%
- Still moderate impairment losses on loans
  - 0.17% of gross lending recognised on the balance sheet as at 30 September 2014
- Common equity tier 1 capital ratio<sup>1</sup> increased to 11.3% from 10.5% last year

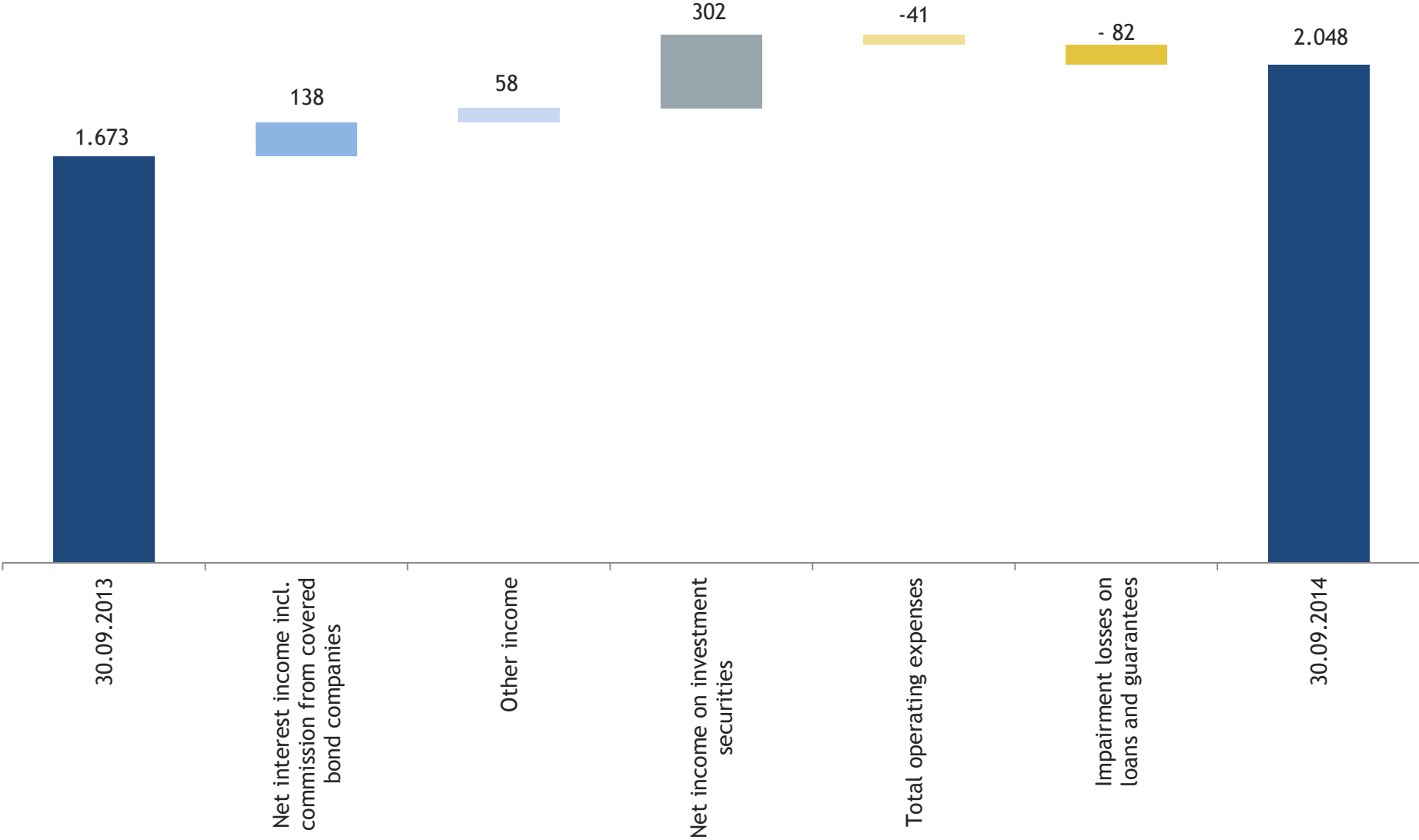
# Key figures - quarterly development



# Income statement

<i>Group Income Statement (MNOK)</i>	30.09 14	30.09 13	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
Net interest income	1.749	1.545	621	581	547	574	568
Net commission and other income	1.327	1.335	403	444	480	489	466
Net income on investment securities	662	360	142	201	319	195	137
Total income	3.738	3.240	1.166	1.226	1.346	1.258	1.171
Total operating expenses	1.526	1.485	520	501	505	534	478
Operating profit before losses	2.212	1.755	646	725	841	724	693
Impairment losses on loans and guarantees	164	82	69	41	54	50	32
Operating profit before tax	2.048	1.673	577	684	787	674	661
Tax expense	401	380	123	150	128	107	145
Net profit	1.647	1.293	454	534	659	567	516

# Change in profit 30.09.2013 - 30.09.2014

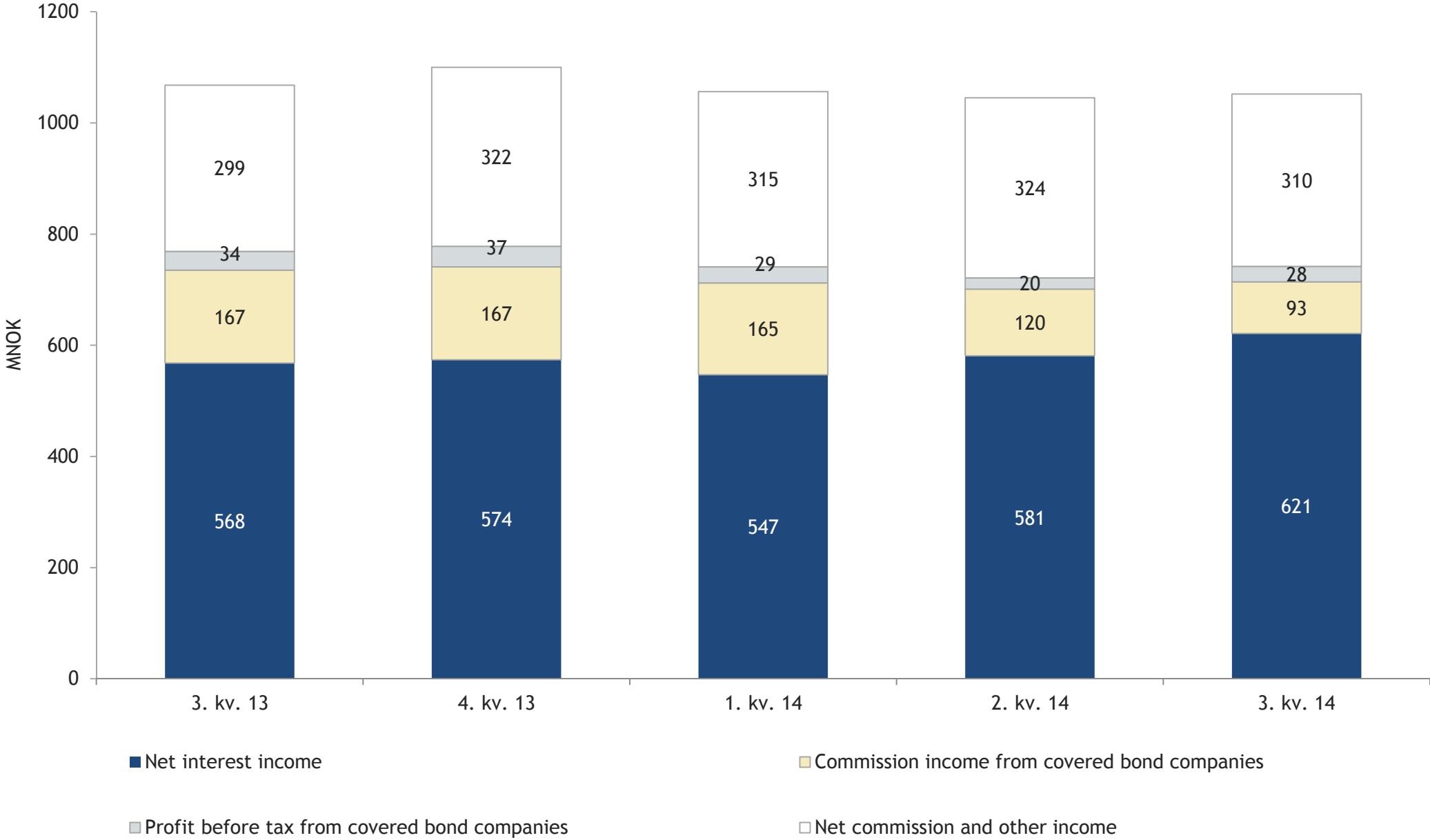


# Key figures

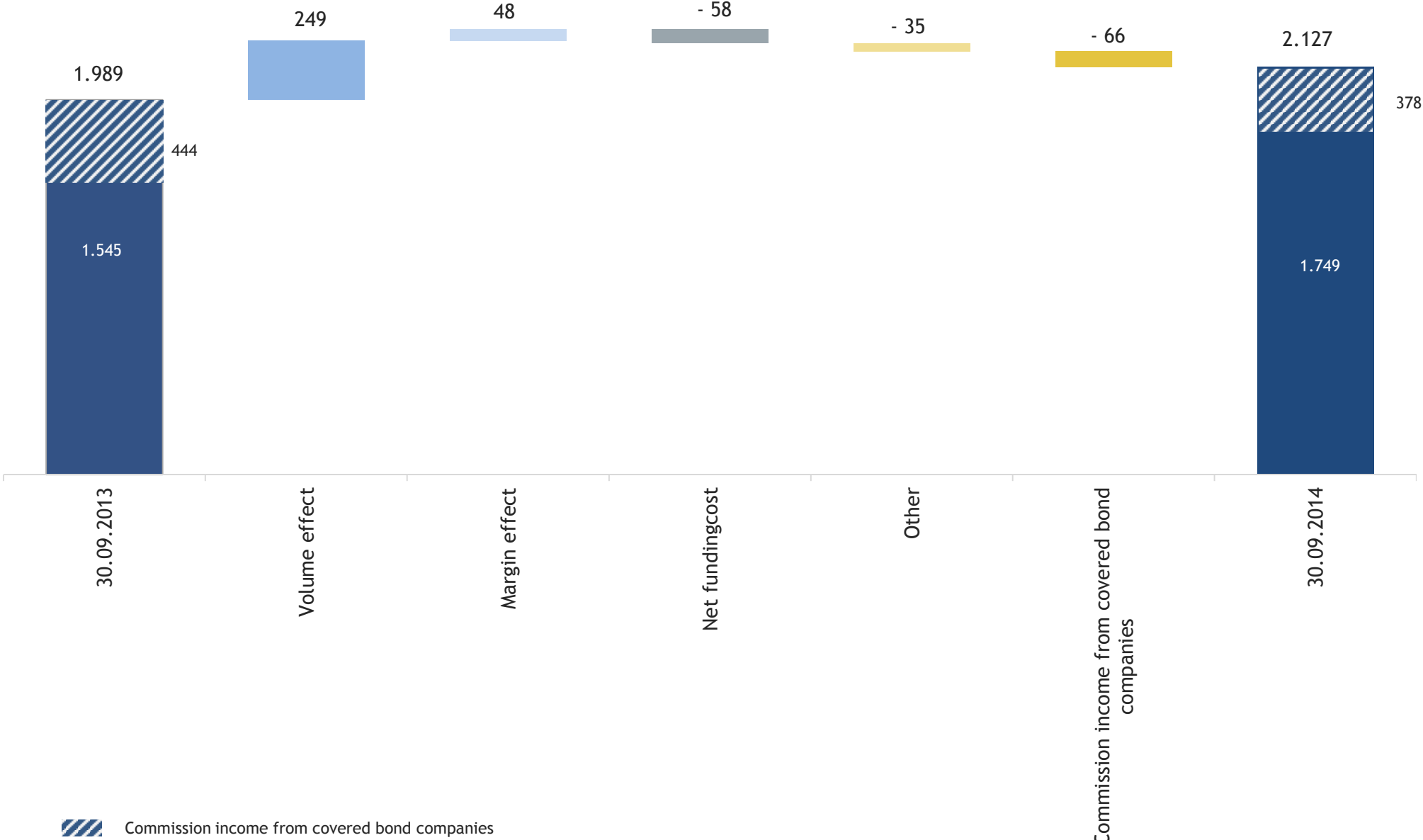
	30.09 14	30.09 13	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
Return on equity after tax (%)	15,0	13,2	12,2	14,5	18,4	16,2	15,6
Net interest margin (%)	1,43	1,40	1,48	1,41	1,40	1,46	1,49
Impairment losses on loans and guarantees in % of gross loans	0,17	0,10	0,20	0,13	0,18	0,17	0,11
<i>-incl. covered bond companies</i>	0,13	0,07	0,16	0,10	0,13	0,12	0,08
Non-performing and other problem commitments in % of gross loans	0,77	1,09	0,77	0,81	0,90	1,06	1,09
<i>-incl. covered bond companies</i>	0,62	0,77	0,62	0,65	0,66	0,76	0,77
Cost to income ratio	40,8	45,8	44,6	40,9	37,5	42,4	40,8
Annual growth in loans to customers, gross incl. covered bond companies	3,5	5,5	3,5	3,6	3,8	5,3	5,5
Annual growth in deposits from customers (%)	14,9	2,2	14,9	11,5	8,5	6,0	2,2
Total assets (BNOK)	168,3	153,6	168,3	167,3	157,8	157,0	153,6
Portfolio of loans in covered bond companies (BNOK)	32,9	47,8	32,9	33,3	44,9	46,4	47,8
Risk weighted assets (BNOK)	117,3	115,0	117,3	113,7	113,4	113,1	115,0
Earnings per share (NOK)	6,45	5,06	1,78	2,09	2,58	2,22	2,02
Book value per share (NOK)	59,21	52,87	59,21	57,63	57,45	55,00	52,87
Number of shares issued (million)	255,8	255,8	255,8	255,8	255,8	255,8	255,8



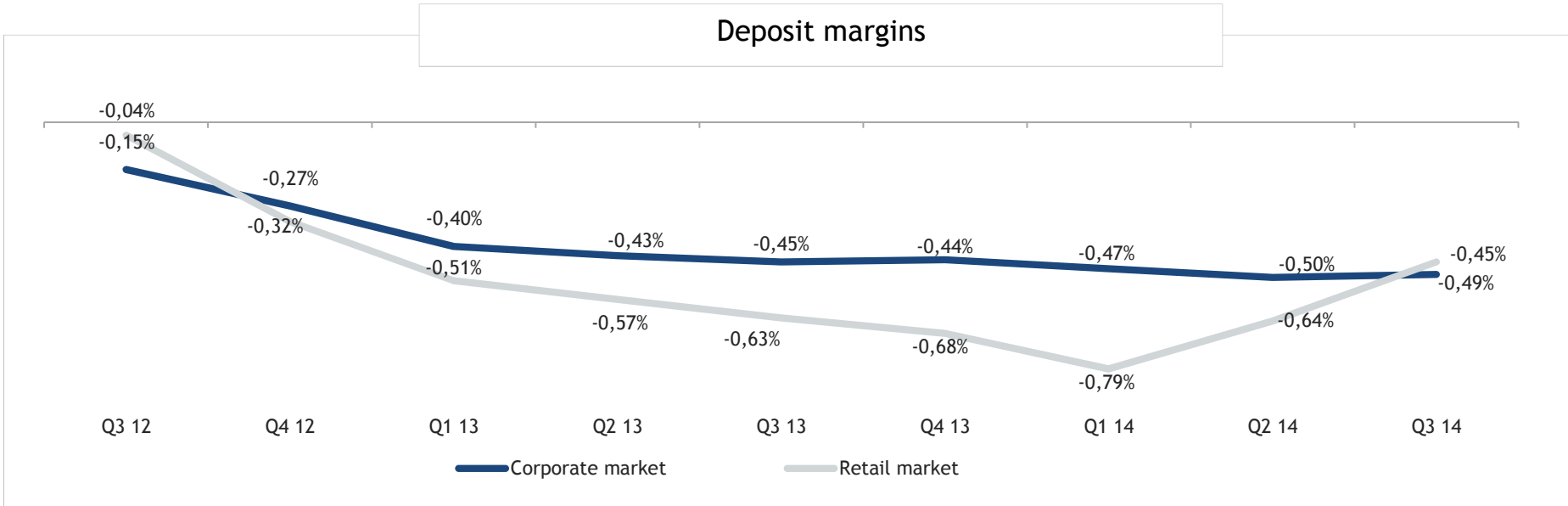
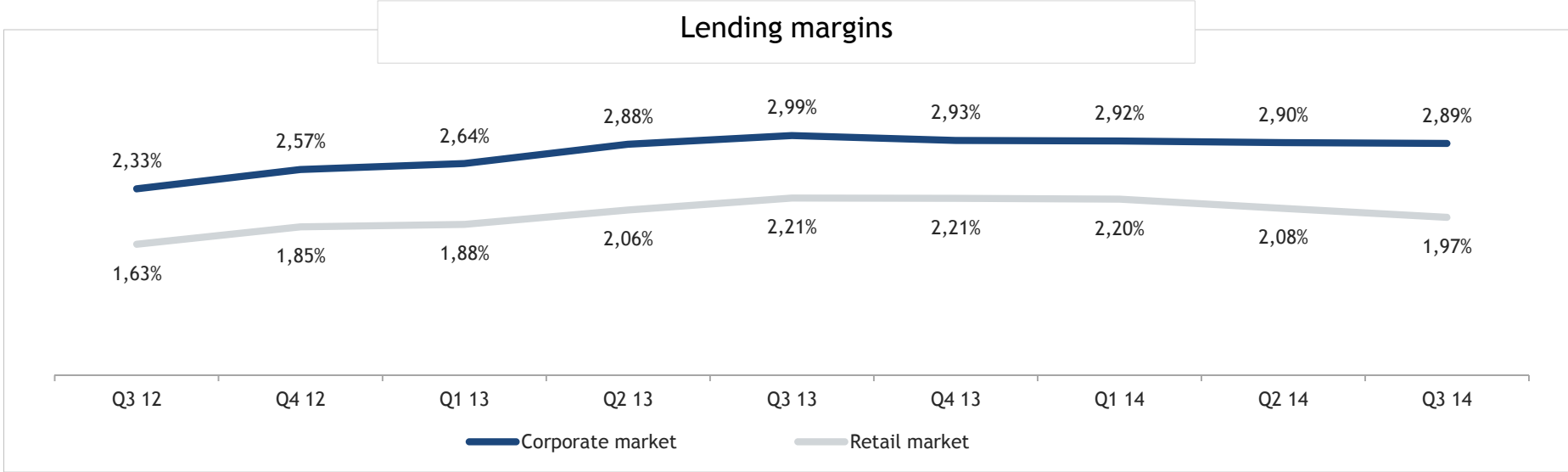
# Consolidated income profile



# Change in net interest income and commission income from covered bond companies; 30.09.2013 - 30.09.2014

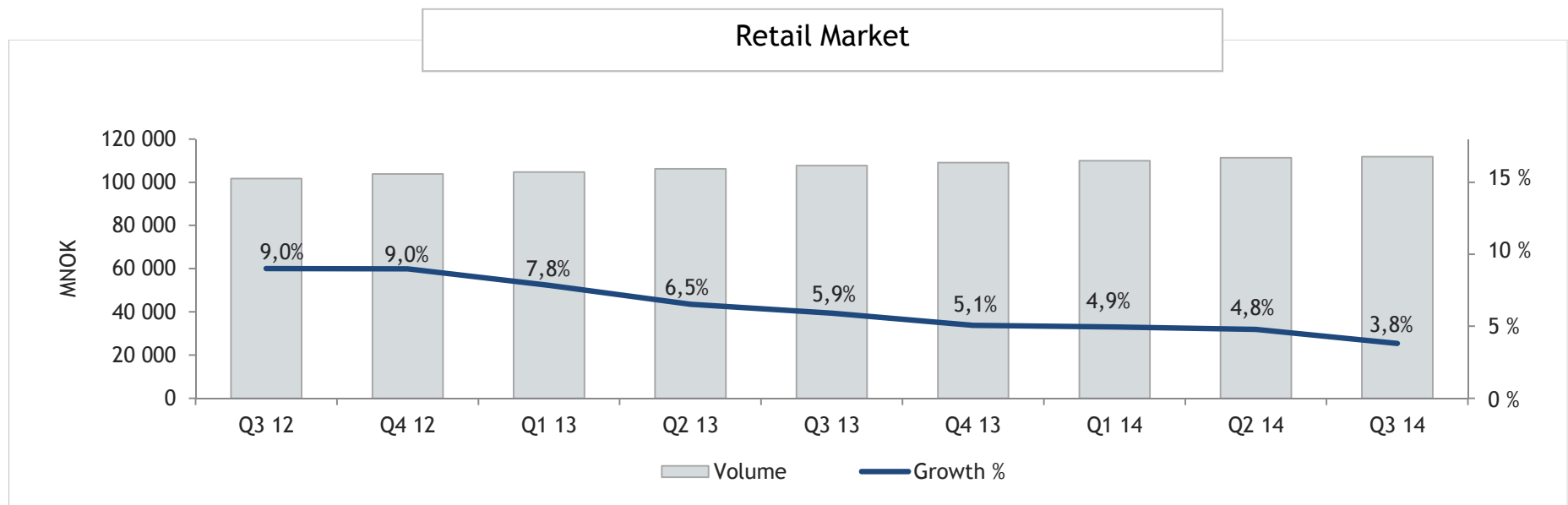
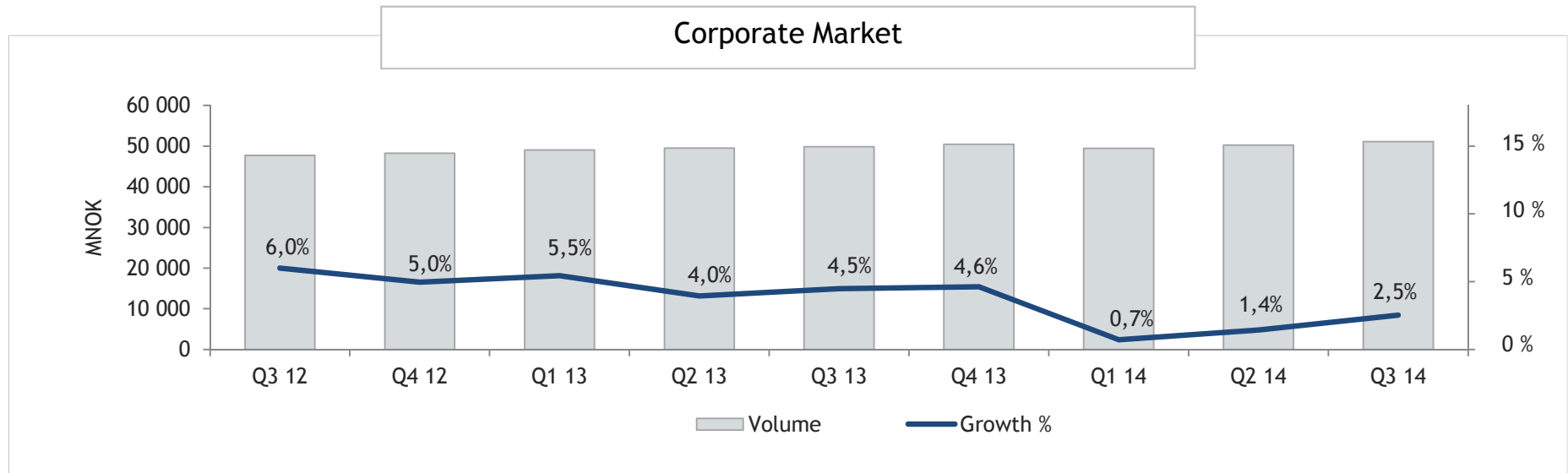


# Lending and deposit margins



*Definition: Average customer interest rate against 3-month moving average for 3-month NIBOR. Lending margins include loan portfolio in covered bond companies*

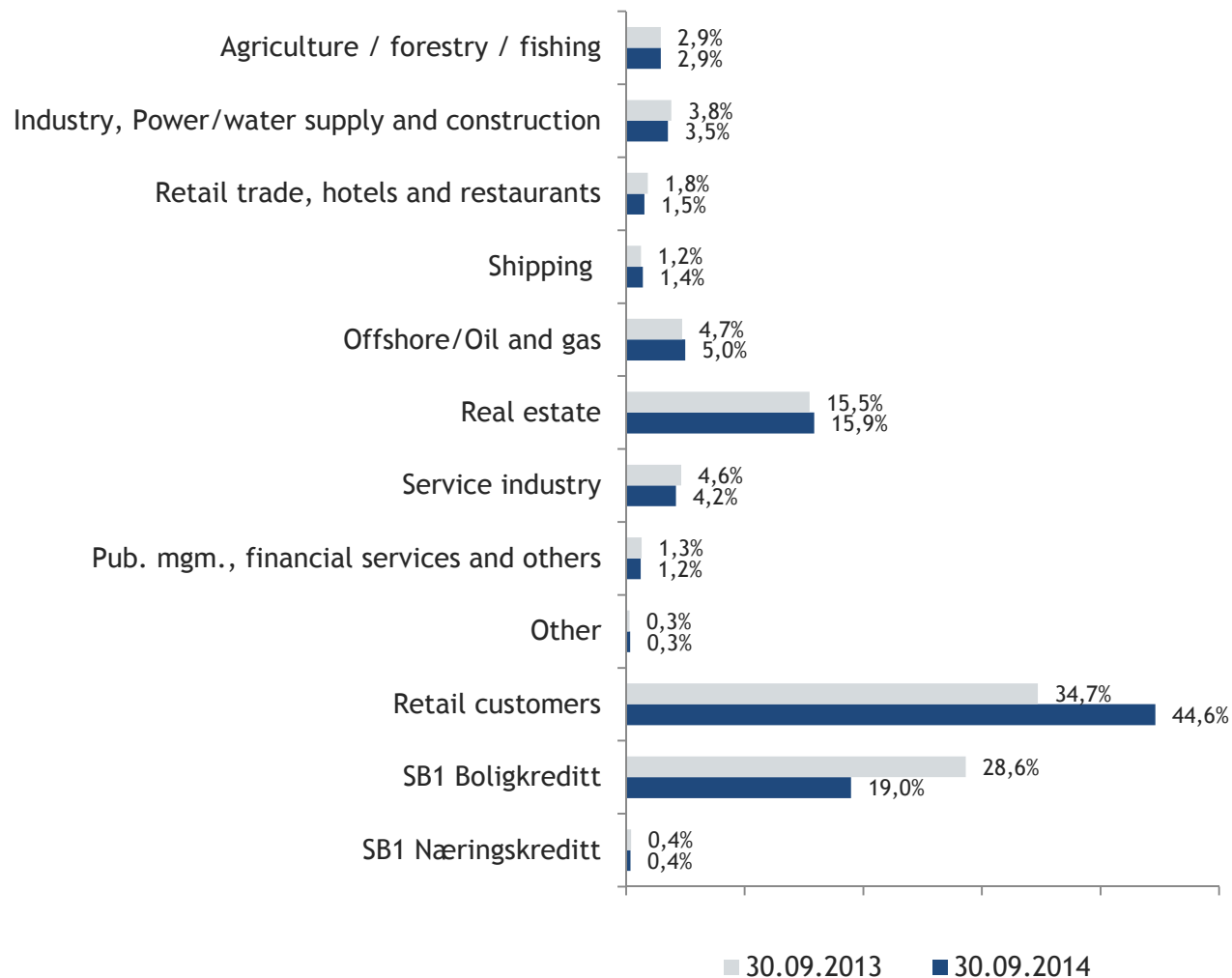
# Lending volume and 12 months growth



\* Incl. loan portfolio in covered bond companies

# Loan portfolio as at 30.09.2014

- *Gross loans as at 30 September 2014 amount to NOK 170.3 billion compared with NOK 164.5 billion at the same time last year.*
- *12-month growth in loans of 3.5%.*
- *Loans to retail customers (incl. covered bond company) account for 63.6% of total loans.*
- *Loans to the commercial property sector account for 15.9% of total loans, an increase of 0,4%-points compared at the same time last year.*



*Loans before individual write-downs, nominal amounts.*

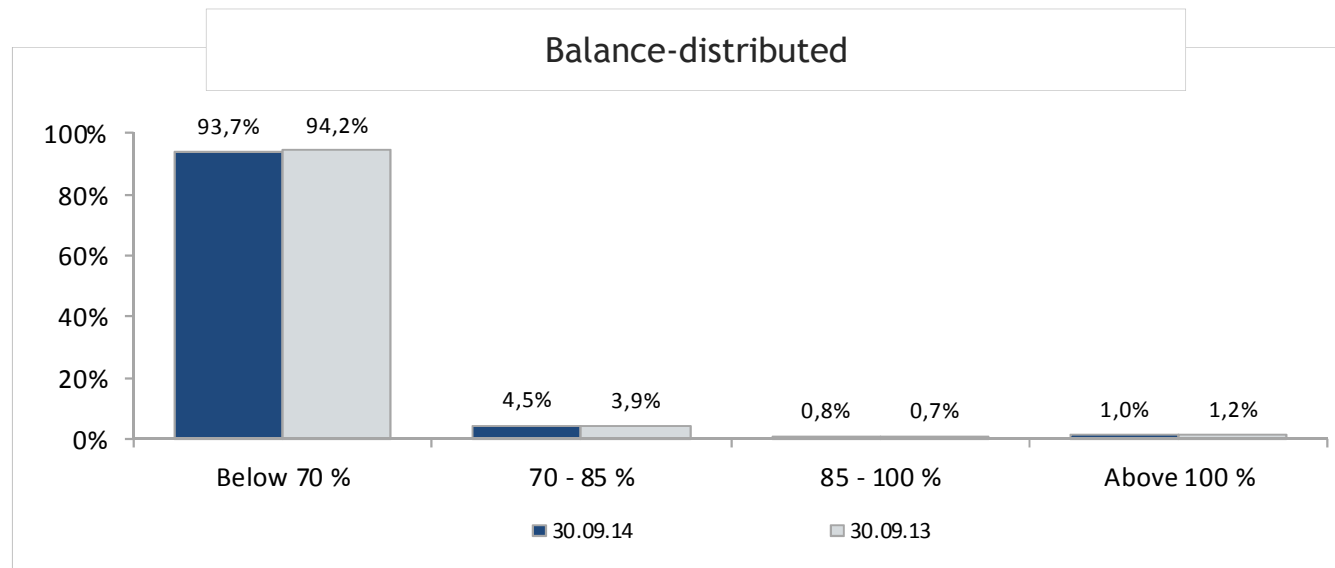
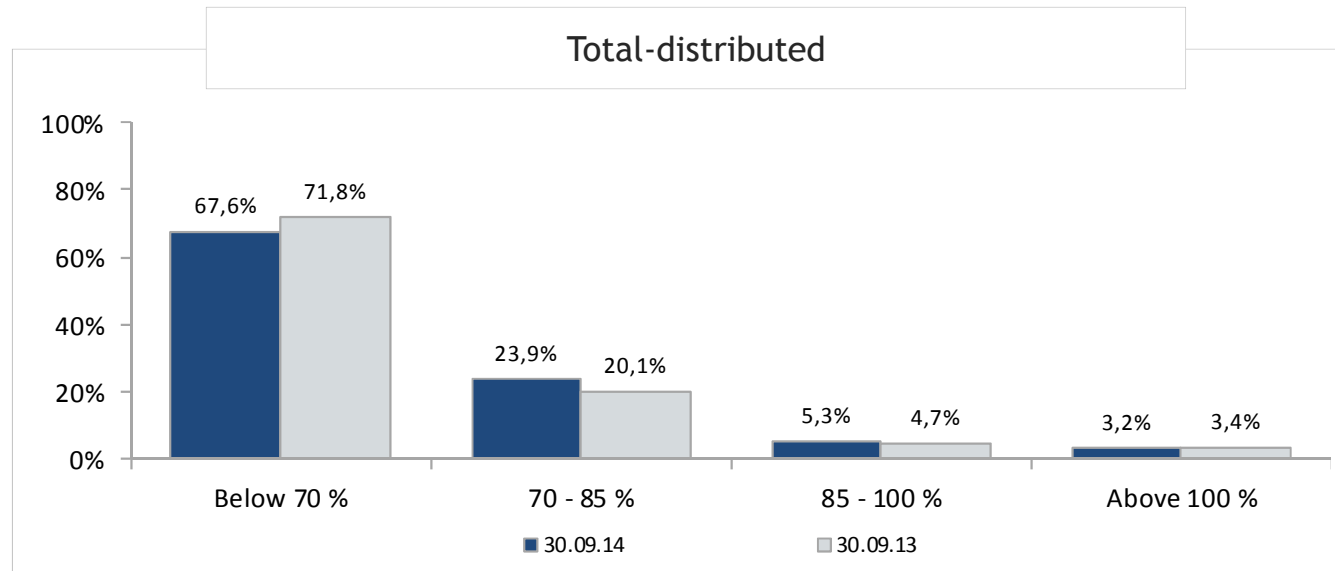
*Sector allocation in accordance with the standard categories from Statistics Norway.*

# Loan to value ratio on home mortgage loans

- The proportion of loans with a loan-to-value ratio of less than 85% is very high and stable at 91.5%.
- 98.2% of gross exposure is within 85% of the assessed value of collateral. This means that only 1.8% of gross exposure exceeds 85% of the assessed value of collateral.

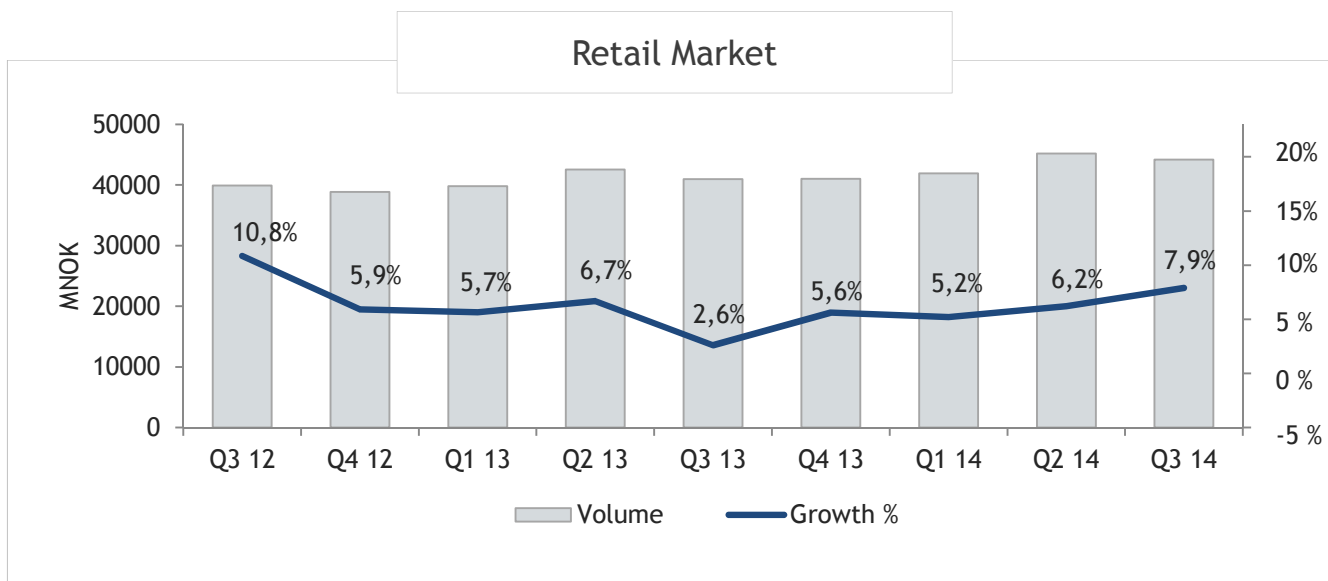
The calculation of the LTV is based on the collateral's market value. In a balance-distributed loan to value ratio, for loans that exceed 70% of the collateral's market value, the excess amount is distributed among the other intervals. In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.

The figures include the loan portfolio in the covered bond company.



# Deposits volume and 12 month growth

- Last 12 months deposits increased by NOK 10.5 billion to 81.2 billion.
  - Corresponds to an increase in the period of 14.9%.
- Deposits from the corporate market includes institutional deposits from money market funds, etc.



\* Includes also the Capital Market Division.

# Net commission and other income

	30.09 14	30.09 13	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
<i>MNOK</i>							
Payment facilities	179	174	66	56	57	59	66
Savings/placements	130	112	45	40	45	39	40
Insurance products	131	123	45	44	42	41	41
Commission income real estate broking	333	325	105	128	100	108	101
Guarantee commission	77	81	24	26	27	23	29
Arrangement- and customer fees	75	46	20	24	31	45	15
Other	24	30	5	6	13	7	7
<b>Net commission and other income excl. covered bond companies</b>	<b>949</b>	<b>891</b>	<b>310</b>	<b>324</b>	<b>315</b>	<b>322</b>	<b>299</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	378	444	93	120	165	167	167
<b>Net commission and other income incl. covered bond companies</b>	<b>1.327</b>	<b>1.335</b>	<b>403</b>	<b>444</b>	<b>480</b>	<b>489</b>	<b>466</b>



# Net income on investment securities

	30.09	30.09					
MNOK	14	13	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
Dividends	35	35	10	7	18	-2	3
Investment income, associates	368	260	150	137	81	95	130
Securities gains/losses	177	-94	-52	24	205	13	-38
- of which capital change in shares and certificates*	208	4	-22	10	220	42	11
- of which capital change in certificates and bonds	-31	-98	-30	14	-15	-29	-49
Currency/interest gains/loans	82	159	34	33	15	89	42
- of which currency customer- and own-account trading	101	89	40	37	24	46	24
- of which IFRS-effects	-19	70	-6	-4	-9	43	18
<b>Net income on investment securities</b>	<b>662</b>	<b>360</b>	<b>142</b>	<b>201</b>	<b>319</b>	<b>195</b>	<b>137</b>

# Subsidiaries

<i>MNOK</i>	30.09.14	30.09.13
<b>EiendomsMegler 1 SR-Eiendom AS</b>		
Number of sales	5.793	5.618
Operating profit before tax	46,6	37,8
<b>SpareBank 1 SR-Finans AS</b>		
Total assets (BNOK)	6,7	6,3
Operating profit before tax	110,2	120,7
<b>SR-Forvaltning AS</b>		
Total assets under management (BNOK)	9,0	7,2
Operating profit before tax	20,4	16,7
<b>SR-Investering AS</b>		
Operating profit before tax	11,5	9,9
<b>Other</b>		
Operating profit before tax	-5,3	-2,7
<b>Total subsidiaries</b>		
Profit before tax	183,4	182,4

# Ownership interests

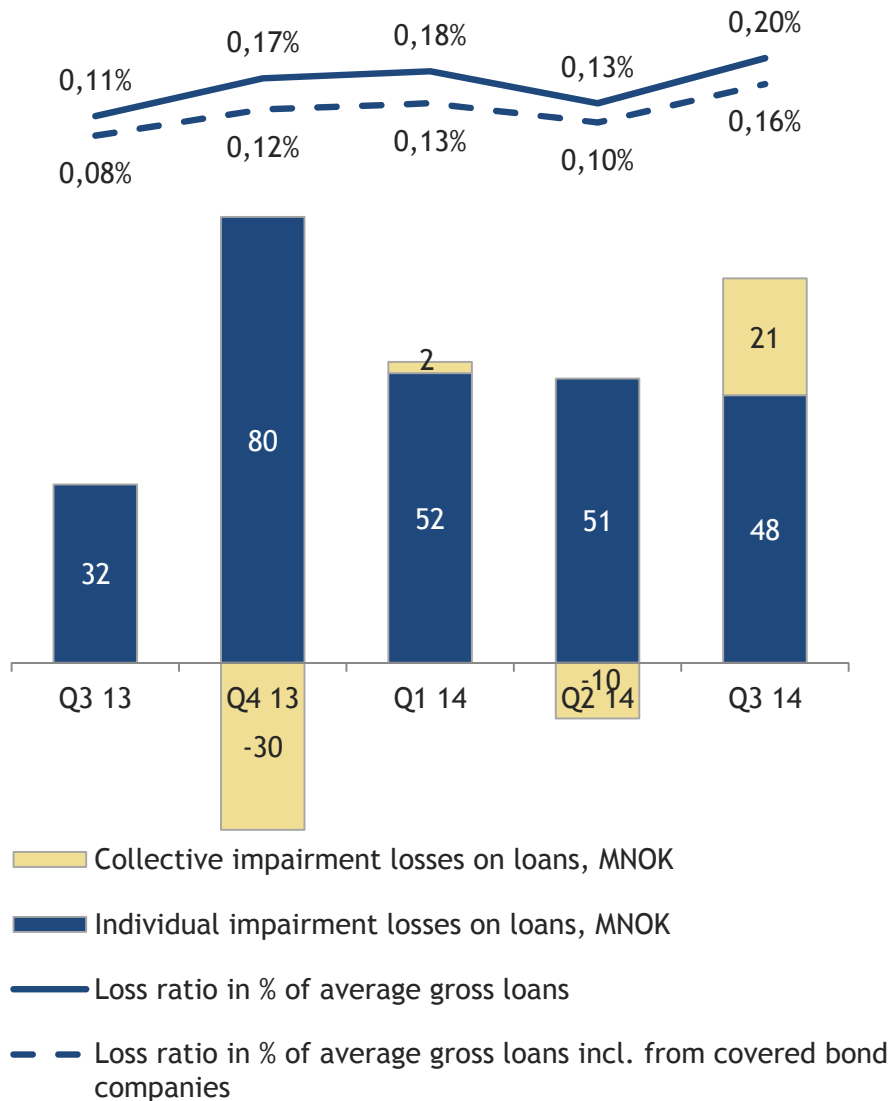
MNOK	30.09.14	30.09.13
<b>SpareBank 1 Gruppen AS (19,5 % interest ownership)</b>		
Profit after tax	261,9	159,7
Adjusted profit previous years	-4,2	-1,6
<b>SpareBank 1 Boligkreditt AS (20,4 % interest ownership)</b>		
Profit after tax	29,9	40,6
Adjusted profit previous years	1,9	1,8
<b>SpareBank 1 Næringskreditt AS (26,8 % interest ownership)</b>		
Profit after tax	23,6	4,9
Adjusted profit previous years	0,7	0,0
<b>BN Bank ASA (23,5 % interest ownership)</b>		
Profit after tax	55,6	48,0
Amortised	0,0	6,1
<b>Other</b>		
Profit after tax	-1,3	0,8
<b>Total ownership interests</b>		
Profit after tax	368,1	260,3

# Operating expenses

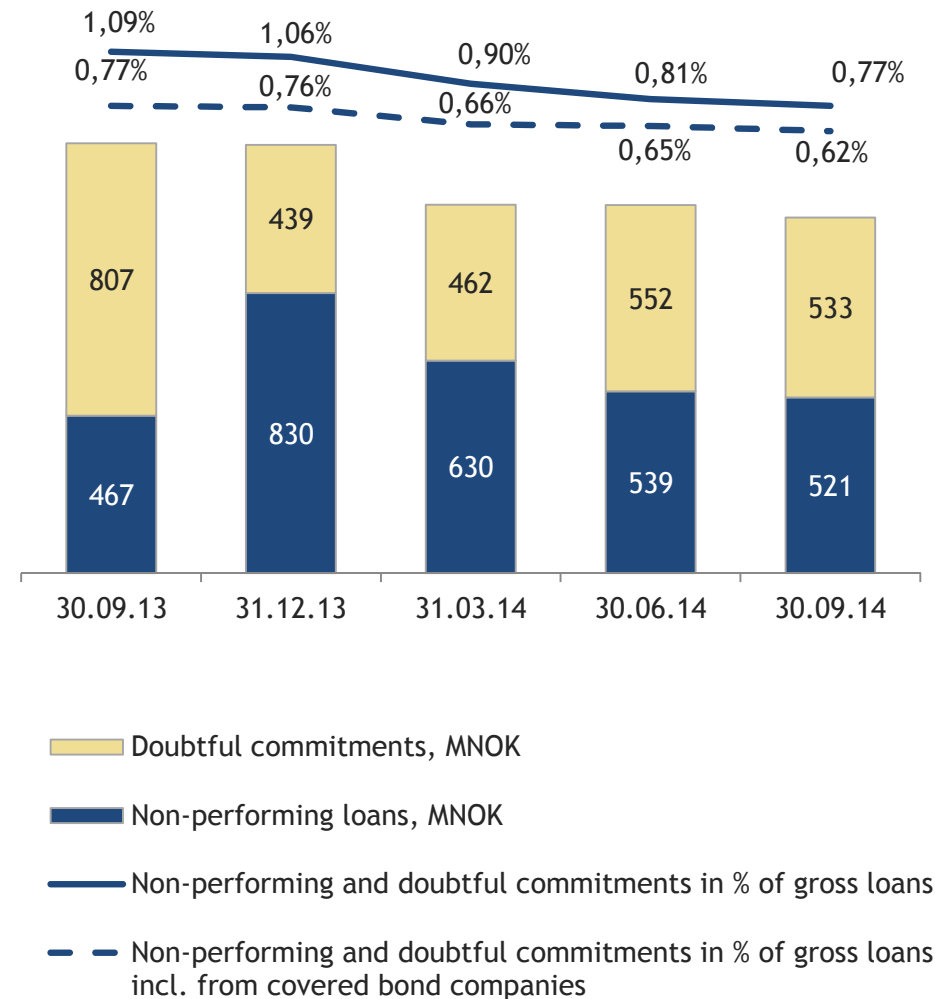
	30.09	30.09					
<i>MNOK</i>	14	13	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
Personnel expenses	884	862	304	293	287	297	283
Restructuring costs	3	11	3	0	0	26	1
Non-recurring effect, pension-related items	7	0	0	0	7	0	0
Total personnel expenses	894	873	307	293	294	323	284
IT expenses	202	185	69	67	66	65	63
Marketing	67	65	21	29	17	21	17
Other administrative expenses	71	73	24	24	23	23	24
Total administrative expenses	340	323	114	120	106	109	104
Depreciation	66	53	32	17	17	21	17
Operating expenses from real estate	27	35	7	7	13	5	10
Other operating expenses	199	201	60	64	75	76	63
Total other operating expenses	292	289	99	88	105	102	90
Total operating expenses	1.526	1.485	520	501	505	534	478

# Impairment losses on loans/Non-performing and doubtful commitments

## Impairment losses on loans



## Non-performing and doubtful commitments

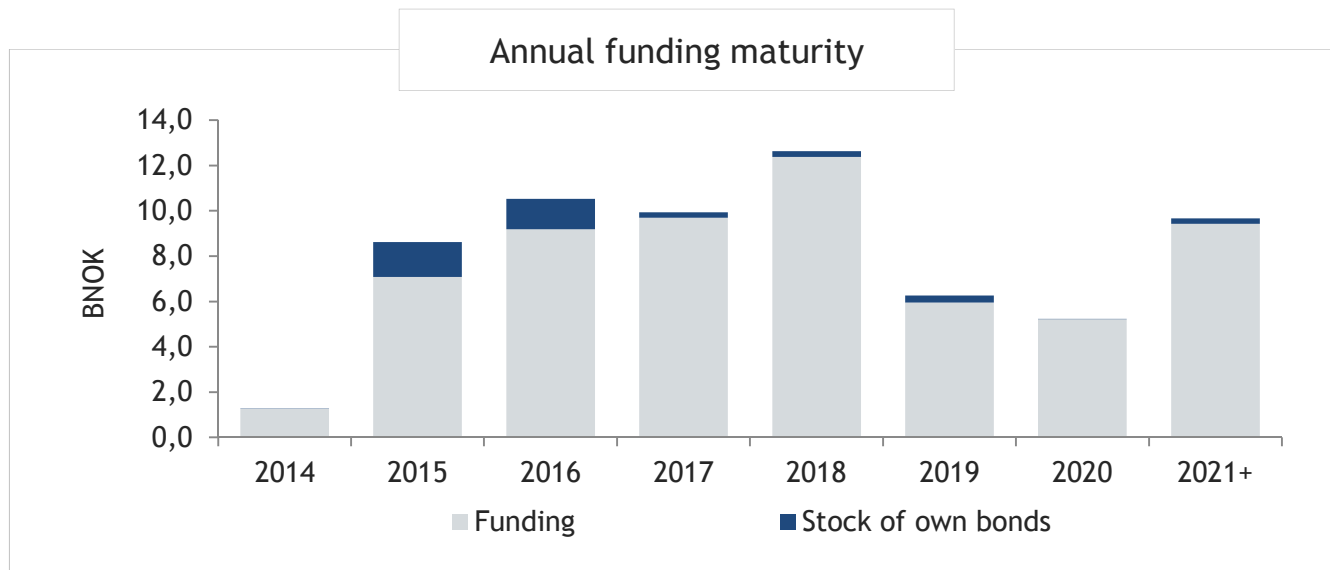
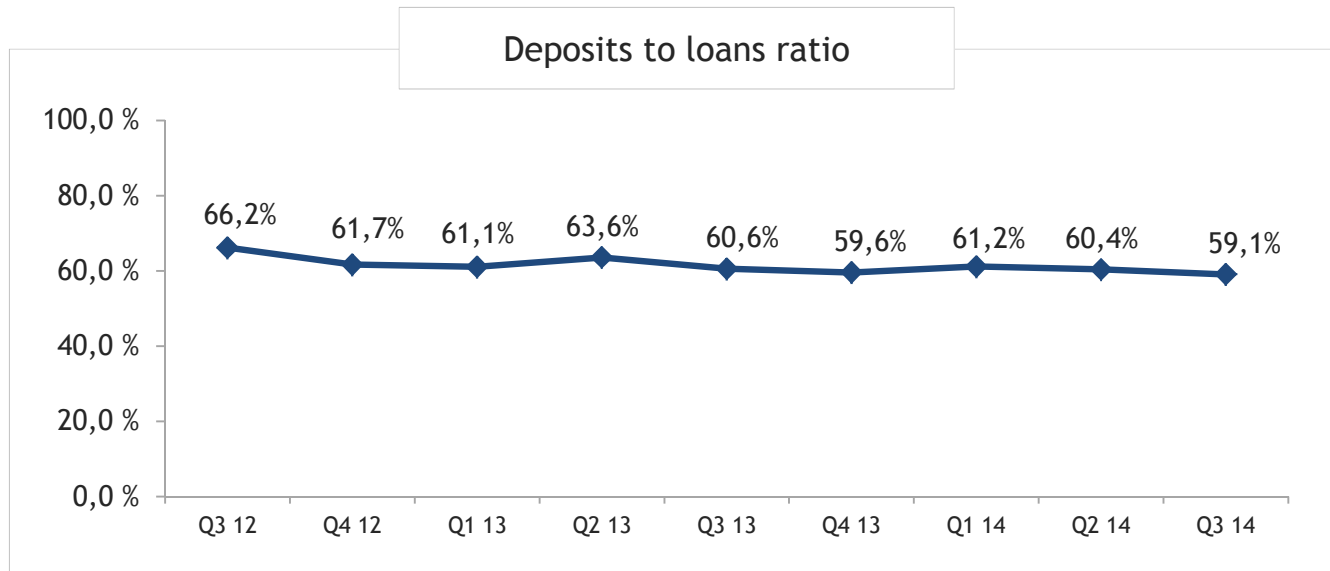


# Impairment losses on loans and guarantees

	30.09	30.09					
<i>Losses on loans in income statement (MNOK)</i>	14	13	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13
Corporate customers	140	58	39	48	53	87	9
Retail customers	11	24	9	3	-1	-7	23
Change in collective impairment losses on loans	13	0	21	-10	2	-30	0
Net impairment losses on loans	164	82	69	41	54	50	32
	30.09	30.09	30.09	30.06	31.03	31.12	30.09
<i>Impairment losses on loans (MNOK)</i>	14	13	14	14	14	13	13
Corporate customers	285	293	285	307	329	382	293
Retail customers	58	104	58	54	53	64	104
Collective impairment losses on loans	315	332	315	294	304	302	332
Total impairment losses on loans	658	729	658	655	686	748	729

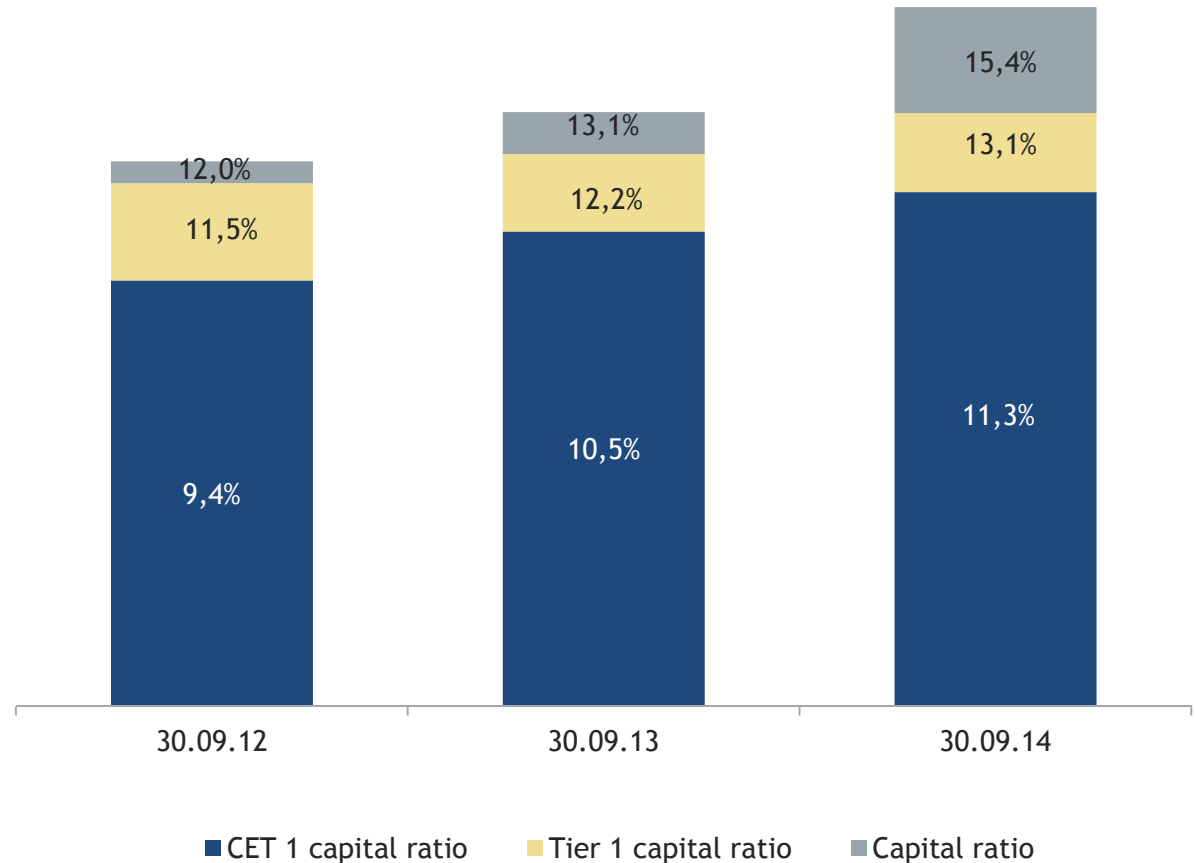
# Deposits to loans ratio and market funding

- *Development in deposits to loans ratio reflects our funding strategy with a greater share of senior funding and the reduced use of covered bond funding.*
  - Seven outstanding euro-benchmarks (EUR 500 million) with due dates in each of the years 2015-2021.
- *Funding indicator 1\* is 106,5% for the parent bank and 106,4% on consolidated basis.*
- *Good liquidity and good access to market funding*
  - Net refinancing need over the next 12 months is NOK 8.1 billion
  - Liquidity buffer for normal operation in 27 months with closed markets. In addition to the liquidity buffer, NOK 26.1 billion of home mortgages are prepared for sale to the covered bond company.
  - Will apply for license to establish a 100% owned covered bond company as a supplement to SpareBank 1 Boligkreditt.
  - The purpose is to optimize funding mix and eliminate possible limitations due to regulatory limits on large exposures.



# Stronger capital ratio

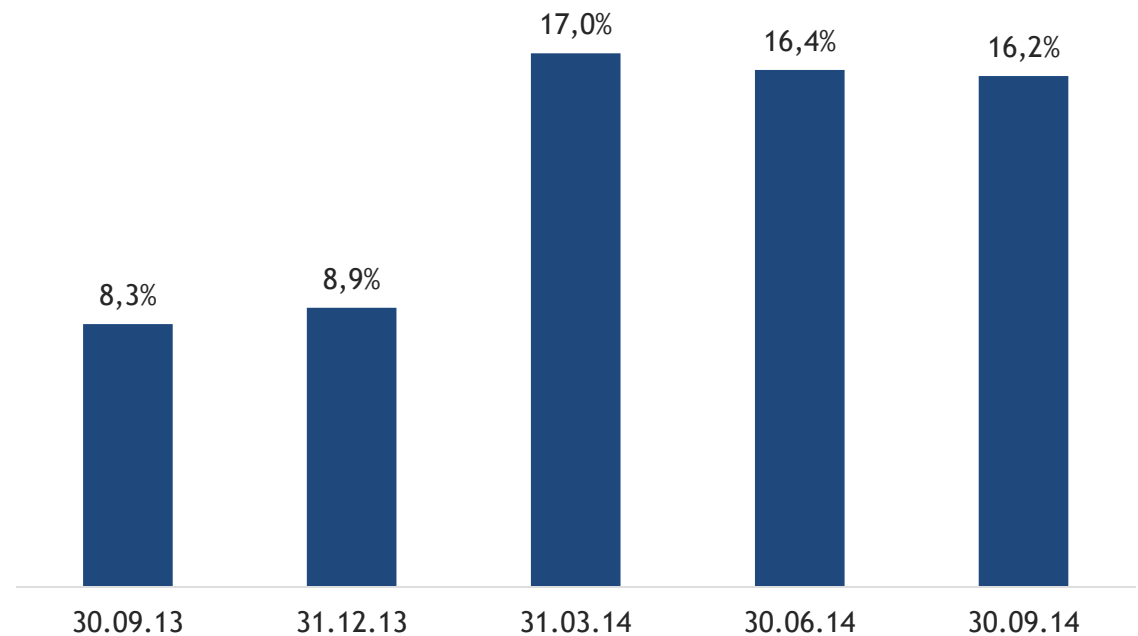
- SpareBank 1 SR-Bank is compliant with all capital requirements per 30.09.2014.
- The use of different risk weights in the Nordic countries makes comparisons of actual financial strength difficult.
  - The Basel I floor is also practised differently.





# RWA home mortgages (incl. SpareBank 1 Boligkreditt)

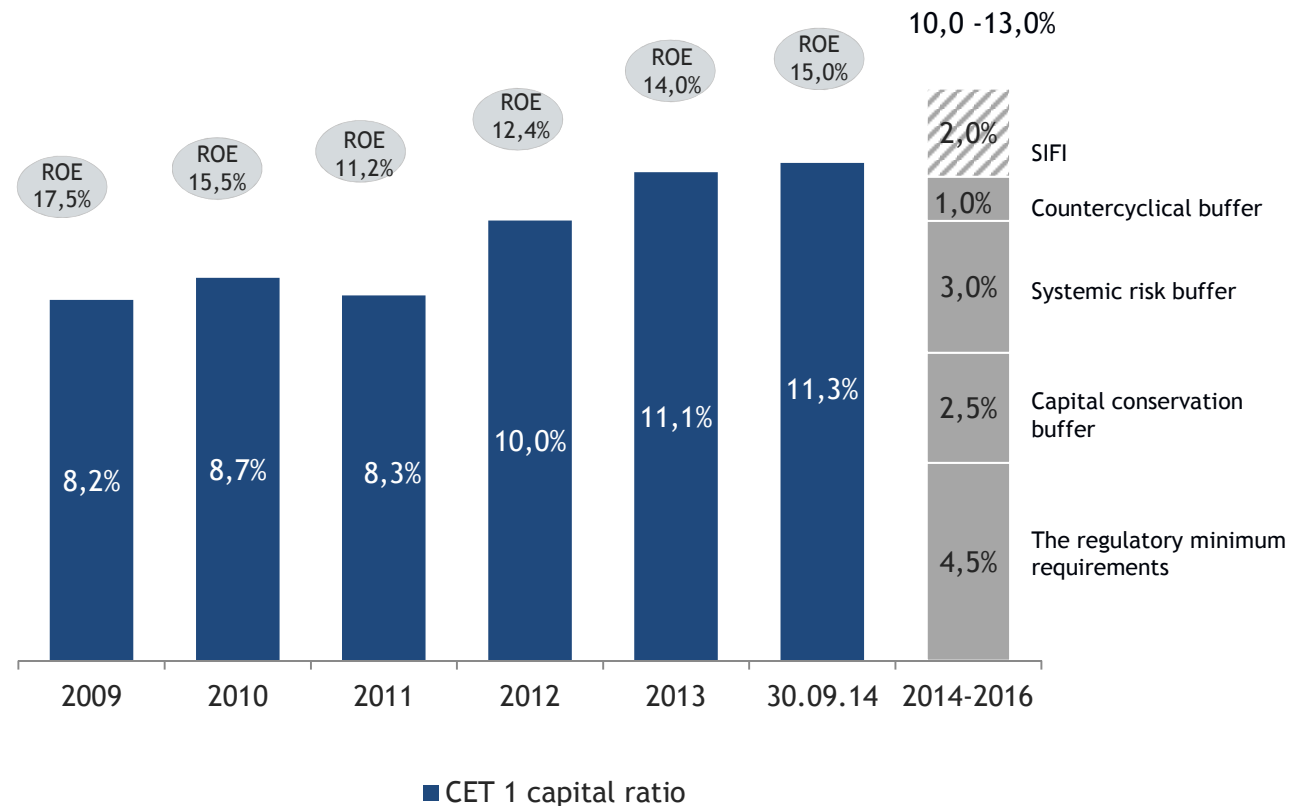
- *The shift that occurs from Q1 2014 is due to increased regulatory LGD from 10% to 20%.*
- *FSA informed 1st July 2014 a further tightening of risk weights for mortgages. This in combination with the so-called LGD floor from 1st January 2014 will mean that the average risk weight for existing mortgages will increase to the range 22 - 24%.*



*Home mortgages as defined in the Norwegian IRB framework; residential property must make up at least 30 % of a loan's security*

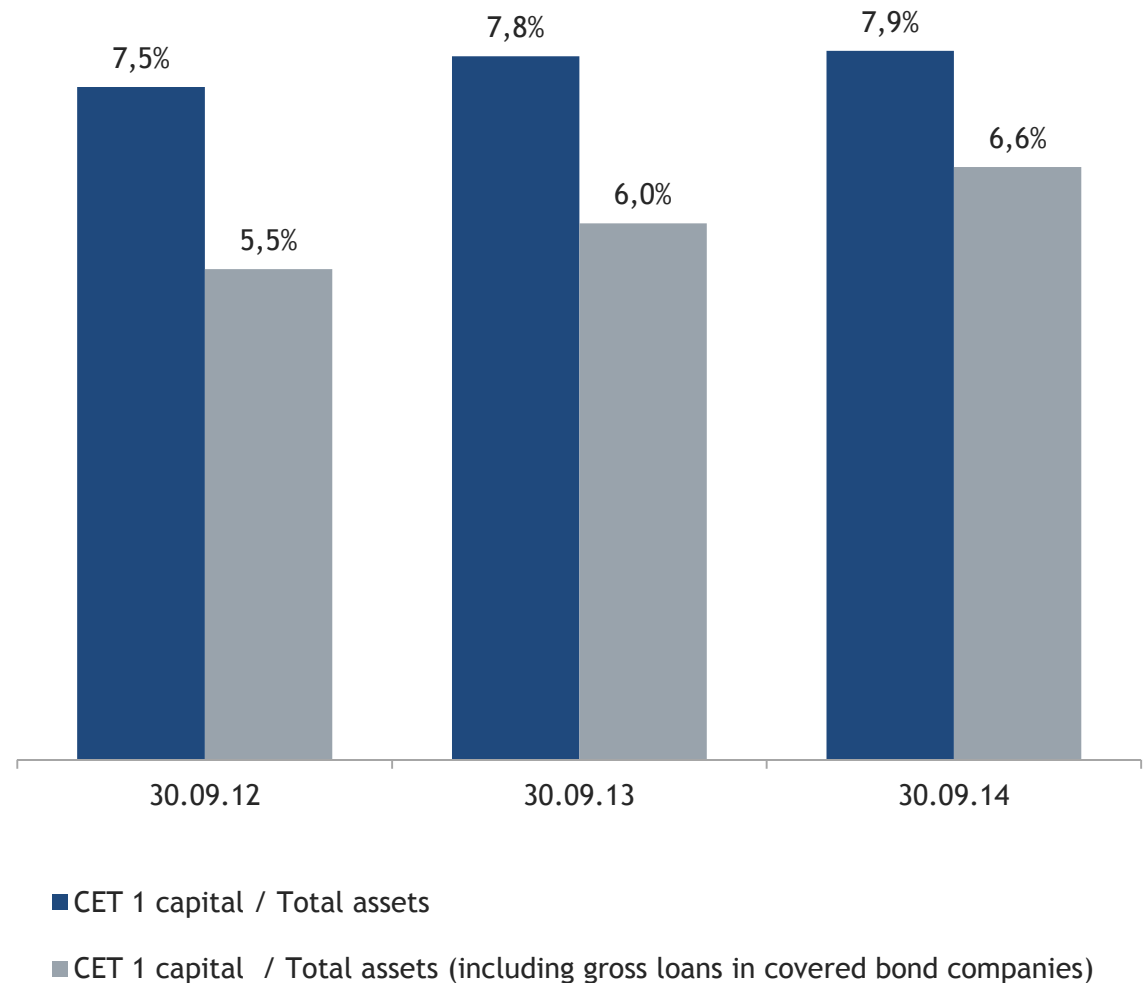
# Common equity tier 1 being strengthened in line with stricter regulatory requirements

- *New capital requirements entail a need to continue increasing common equity tier 1 capital going forward.*
- *SpareBank 1 SR-Bank is not defined as systemically important financial institution (SIFI) according to the Regulations of 12 May 2014 but is close at SIFI-requirement for market share.*
- *Common equity tier 1 capital will be strengthened further through good profitability and retained earnings, combined with limited growth in risk weighted assets.*
- *The target CET 1 level will, over time, be 0.5-1.0% above the regulatory requirement.*



# Strengthened core equity tier 1 capital ratio calculated on basis of total assets

- *Core equity tier 1 capital ratio calculated on basis of total assets as at 30 September 2014 was 7.9%.*
- *Measured according to this expression of financial strength, SpareBank SR-Bank is very well capitalised and substantially exceeds the levels being discussed internationally.*



# Outlook

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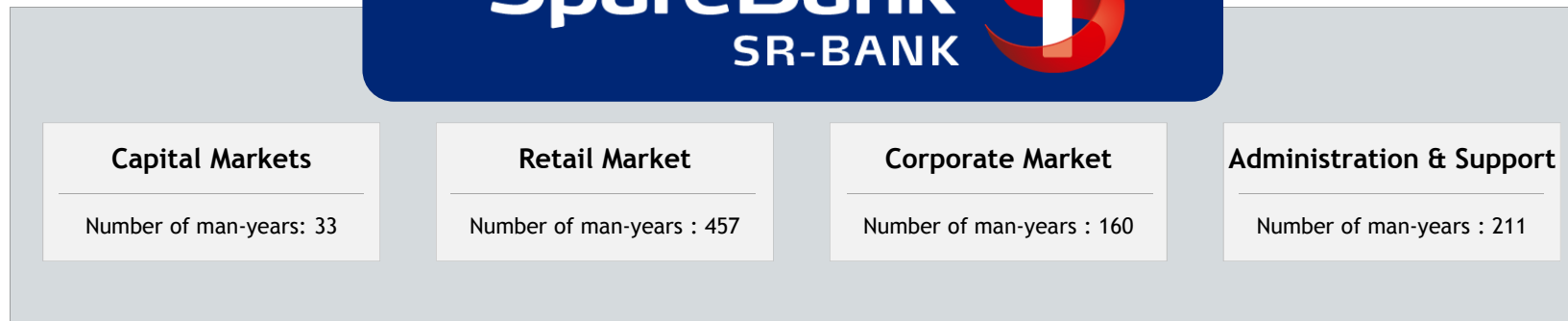
- From record high levels, oil investments are expected to fall in 2015.
- A continued high level of investment involves strong activity in the petroleum sector, but uncertainty has increased somewhat due to lower oil prices.
- Major infrastructure projects and high activity in house building are helping to ensure good conditions for the region's business and population growth, with lasting low unemployment.
- Slightly greater uncertainty about economic developments may help to dampen demand for loans, while low interest rates and wage inflation work in the opposite direction. We expect stable house prices going forward and still strong competition for new home mortgage customers.
- Non-performance and loan impairment losses are expected to remain relatively low in the coming quarters.
- Solid earnings from a robust business model indicates we are well positioned to build up the necessary capital going forward, while ensuring continued competitiveness.

# APPENDIX

# SRBANK's activities

## SpareBank 1 SR-BANK

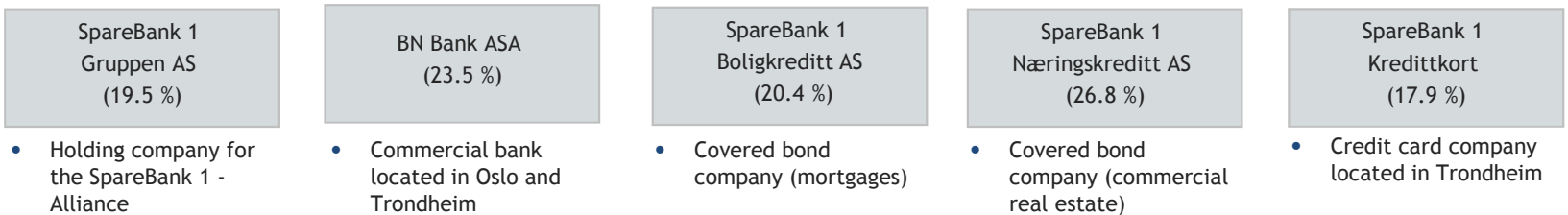
### Divisions of SpareBank 1 SR-Bank ASA



### Fully owned companies



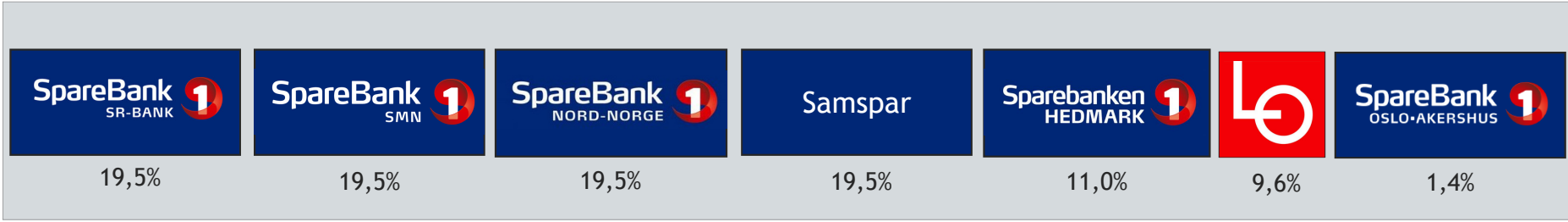
### Partly owned companies



# SpareBank 1 Alliance

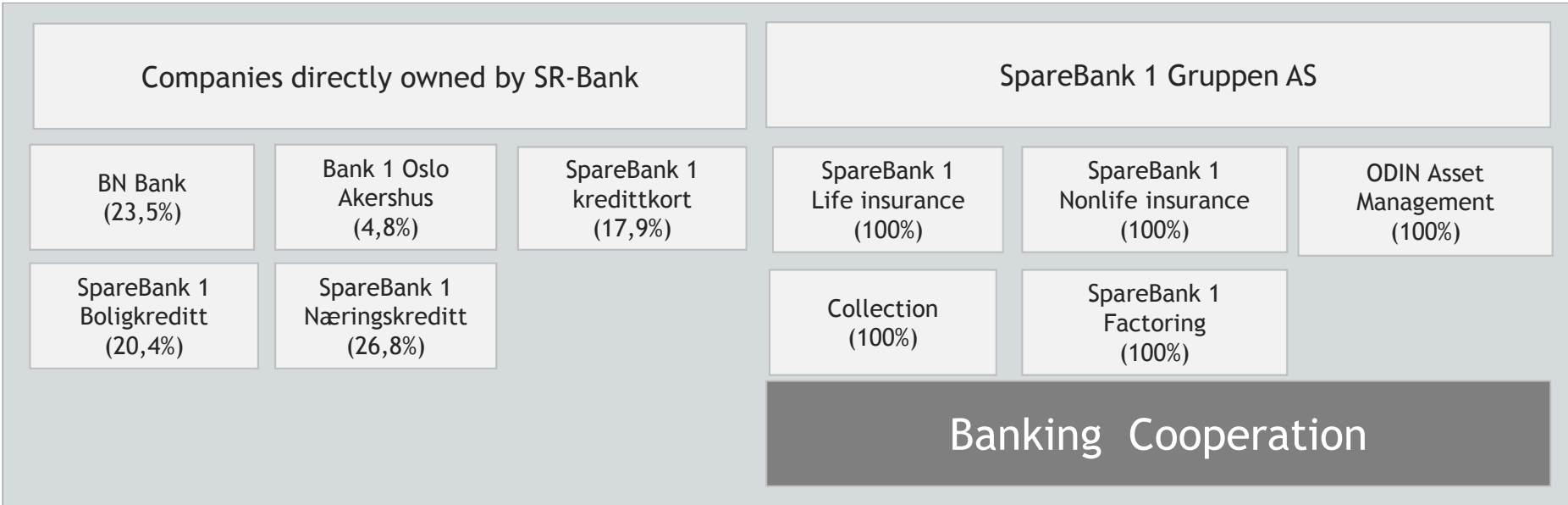
## Owners of the alliance

- All credit decisions are made at the local banks
- Economies of scale related to expenses, IT solutions, marketing and branding



Products, commissions, dividends

Sales, loan portfolios, capital



# Our vision: Recommended by customers

## Primary objective

- SpareBank 1 SR-Bank ASA is committed to value creation in the bank`s core market area
- Sustainable contribution to the value creation process in the region through;
  - Sustainable and profitable business model
  - Owner friendly and stable dividend policy

## Strategic goals

- Most attractive and preferred partner for financial services in South-Western Norway, based on;
  - Good customer experience
  - Strong team spirit and professionalism
  - Local anchoring and local decisions
  - Solvency, profitability and trust by the market

## Financial targets

- ROE above 13% at a normalised level of interest rates
- Top 50% ROE and cost/income in a Nordic benchmark
- CET1 capital ratio at 0.5-1.0% above the regulatory requirement

## Strategic focus

- Targeted customer growth and increased product mix
- Innovative and continuing focus on efficiency
- Expertise adapted to future customer needs
- Diversified funding platform

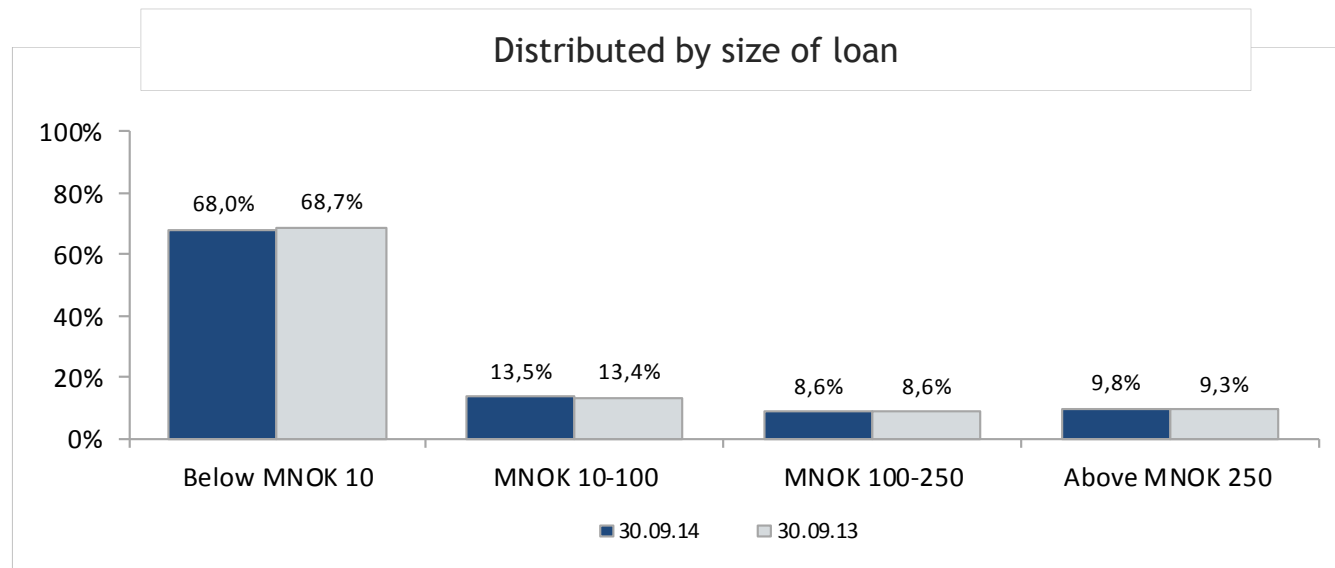
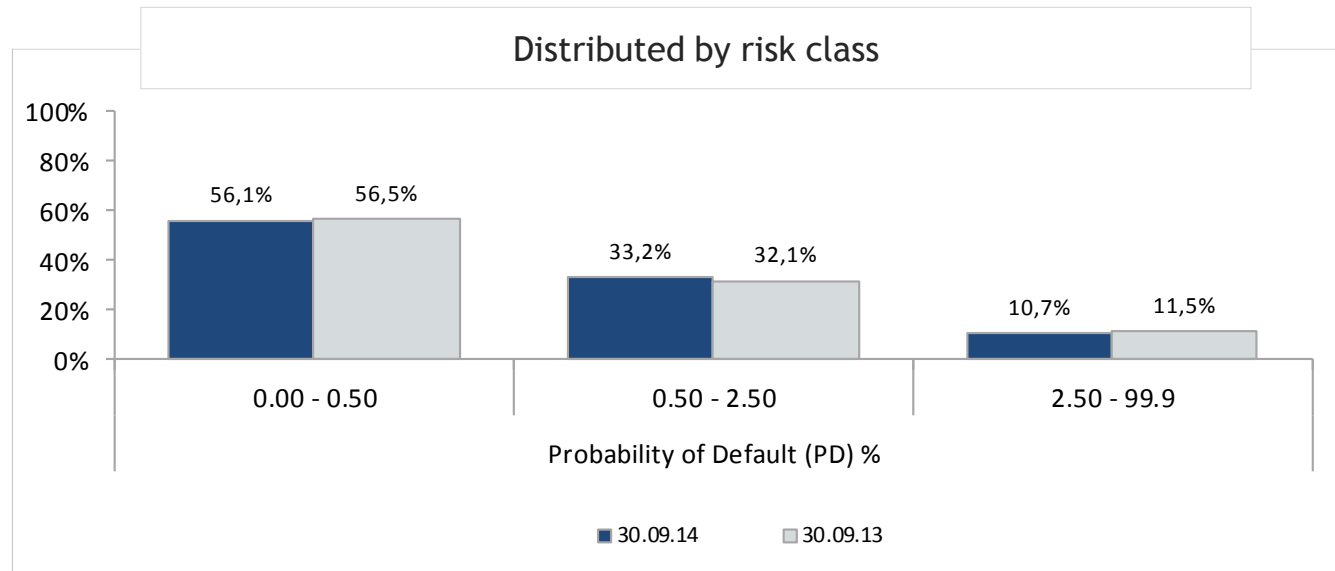


# Balance sheet

<i>Balance sheet (MNOK)</i>	30.09.2014	30.09.2013
Cash and balances with central banks	336	588
Balances with credit institutions	2.216	1.732
<b>Net loans to customers</b>	<b>136.685</b>	<b>115.992</b>
Certificates, bonds and other fixed-income securities	16.802	22.408
Financial derivatives	4.023	4.887
Shares, ownership stakes and other securities	623	880
Business available for sale	65	85
Investment in associates	4.601	4.804
Other	2.959	2.263
<b>Total assets</b>	<b>168.310</b>	<b>153.639</b>
Balances with credit institutions	5.493	4.719
Public deposits related to covered bond swap scheme	0	6.429
Deposits from customers	81.228	70.714
Listed debt securities	56.009	50.124
Financial derivatives	3.146	2.235
Other liabilities	3.195	2.310
Additional Tier 1 and Tier 2 capital instruments	4.109	3.597
<b>Total liabilities</b>	<b>153.180</b>	<b>140.128</b>
<b>Total equity</b>	<b>15.130</b>	<b>13.511</b>
<b>Total liabilities and equity</b>	<b>168.310</b>	<b>153.639</b>

# Risk profile of the loan portfolio

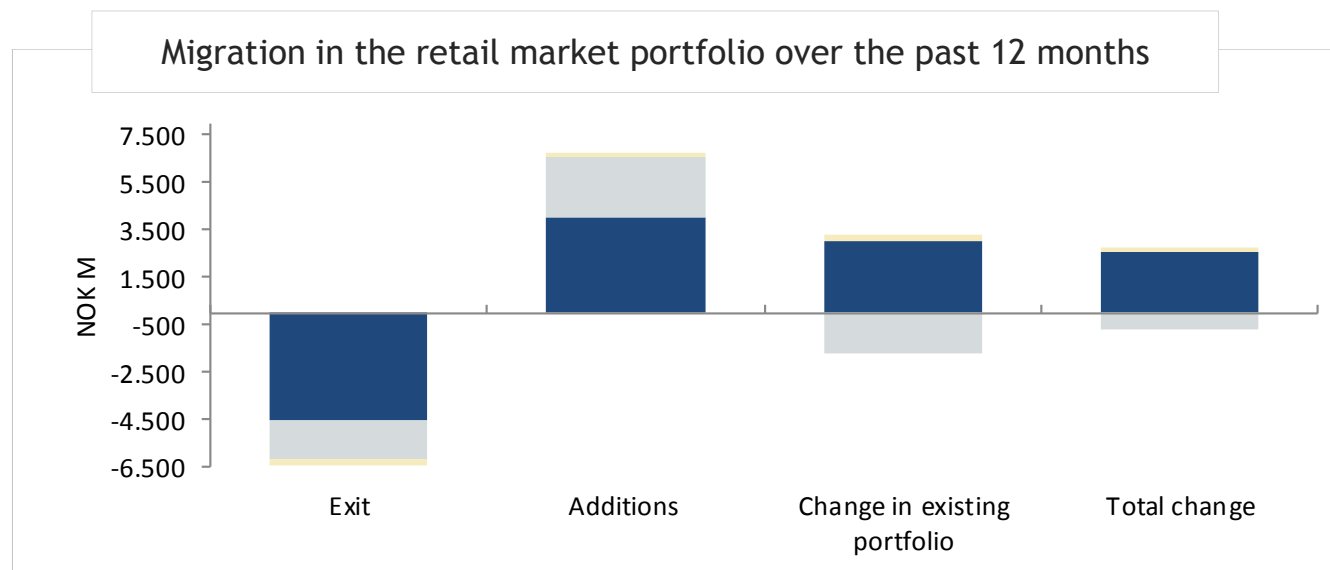
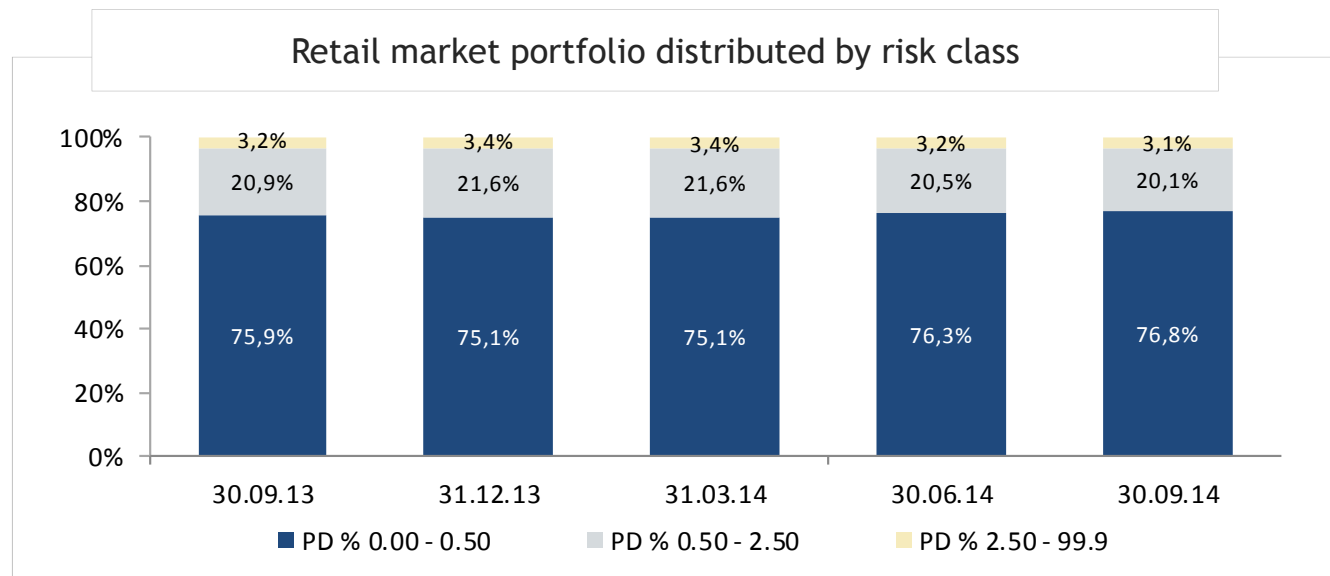
- 56.1% of the loan portfolio has a probability of default (PD)\* below 0.5%.
- The proportion of loans with a PD above 2.5% has been reduced to 10.7% of the total portfolio.
- 68% is loans constituting gross exposures less than NOK 10 million.
- 18.4% is to customers who have an exposure in excess of NOK 100 million. The credit quality in this portion of the portfolio is better than in the rest of the corporate market portfolio.



\* Probability of default through a business cycle

# Lending to the retail market - risk profile

- The quality of the retail market portfolio is considered very good and with low potential losses.
- The proportion of loans with a PD below 0.5% has increased to 76.8% of the total retail portfolio.
- The low risk profile of the portfolio is achieved through prudent customer selection and requirements for moderate LTV.
- Most of the portfolio is secured against a mortgage on real estate, and lending is overall moderate compared to asset value.

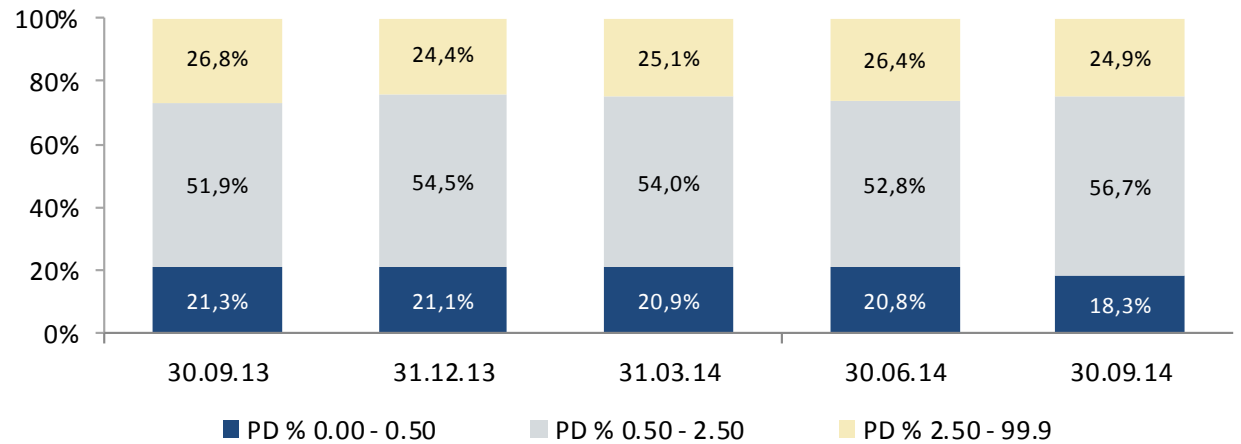


Figures include the portfolio sold to the covered bond company.

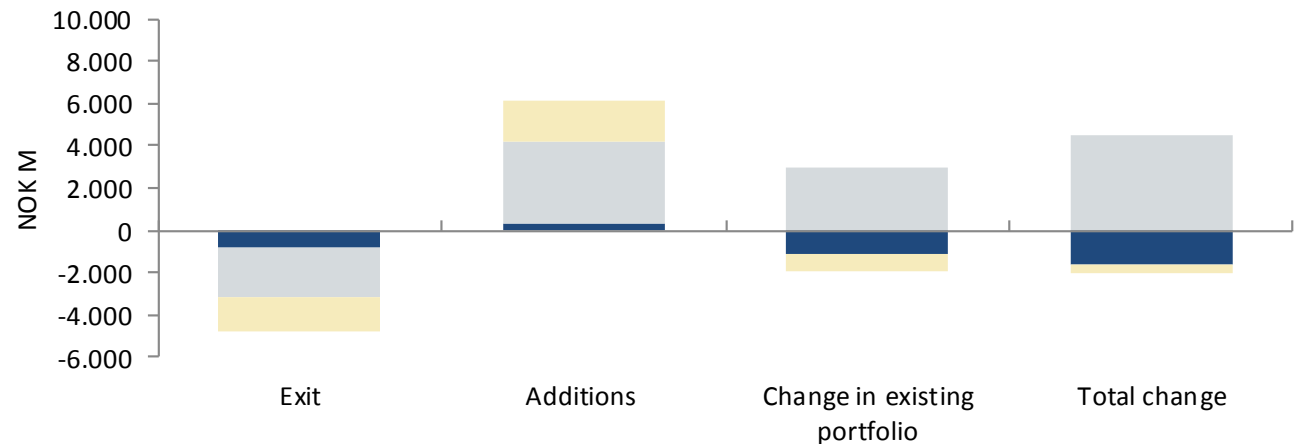
# Lending to the corporate market - risk profile

- The quality of the corporate market portfolio is good.
- The average PD has improved. This trend is particularly driven by a strengthened risk profile of existing customers.
- Loans with a PD above 2.5% represent 24.9% of the corporate loan portfolio.

Development in corporate market's portfolio distributed by risk class

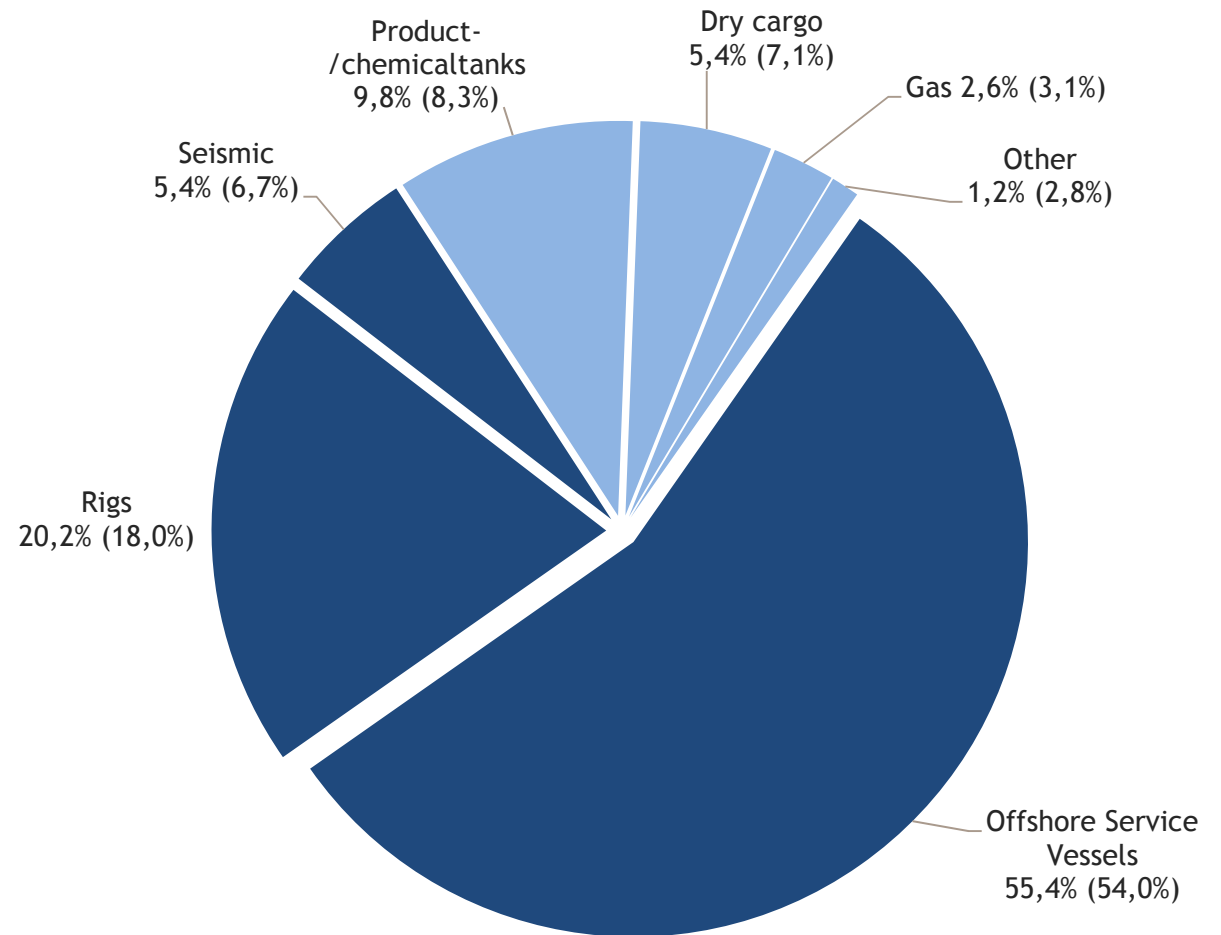


Migration in corporate market's portfolio last 12 months



# Low exposure to the shipping segment

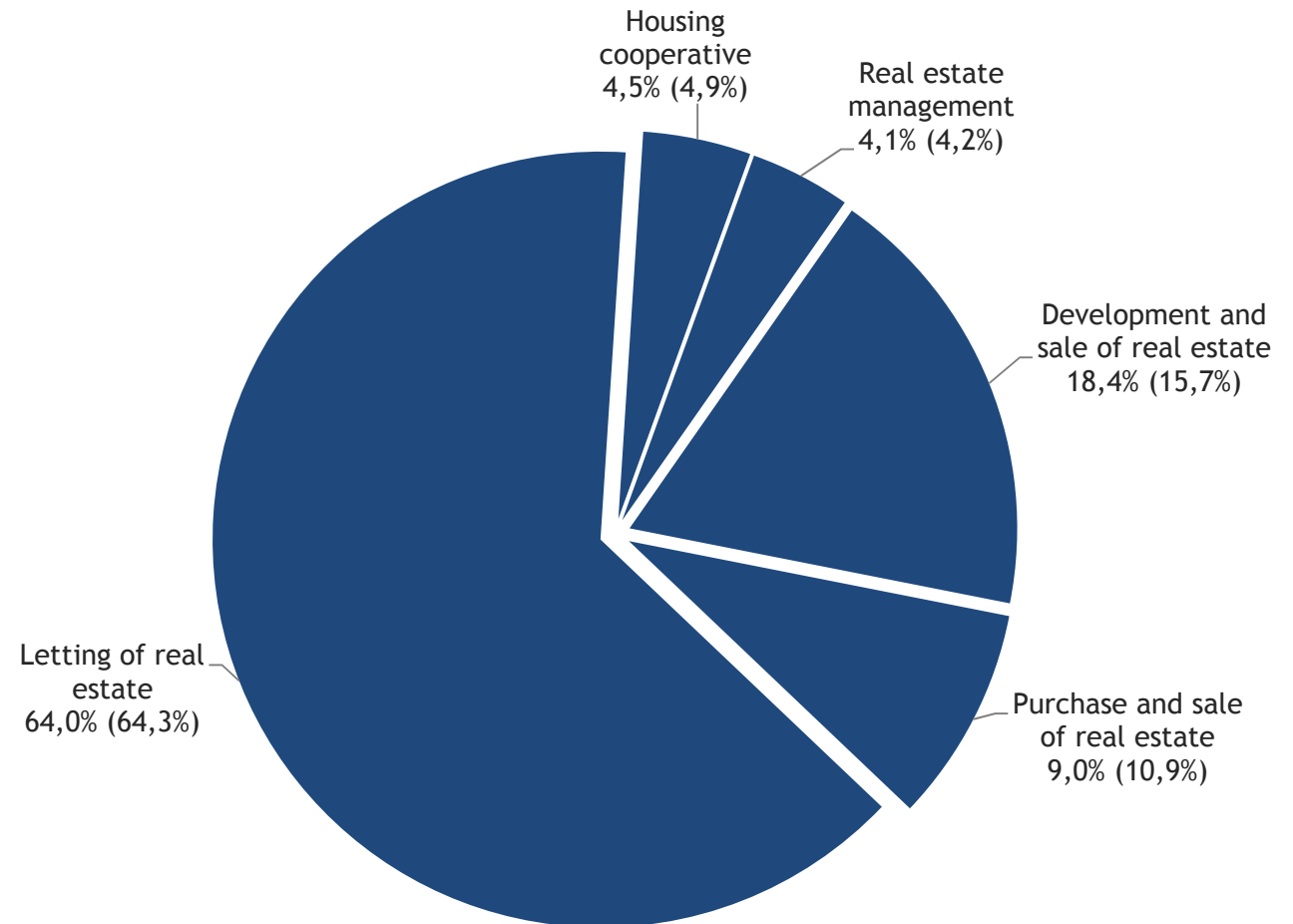
- Lending to conventional shipping is low and represents 1.4% of total loans
- Lending to the offshore sector represents 5.9% of total loans
- Lending, undrawn credit limits and guarantees to these sectors total NOK 12.3 billion.
  - 18.9% of the exposure is to conventional shipping
  - 81.1% of the exposure is to the offshore sector



Sector allocation in accordance with the standard categories from Statistics Norway. Figures as at 30.09.2013 in brackets.

# Lending to commercial property

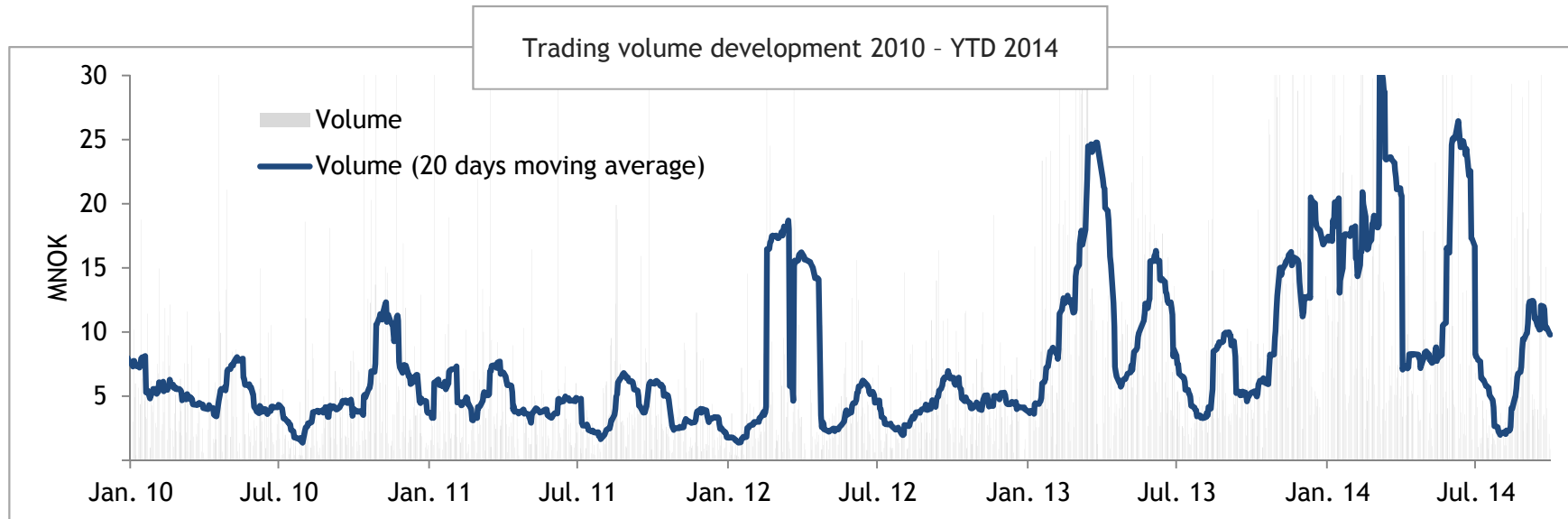
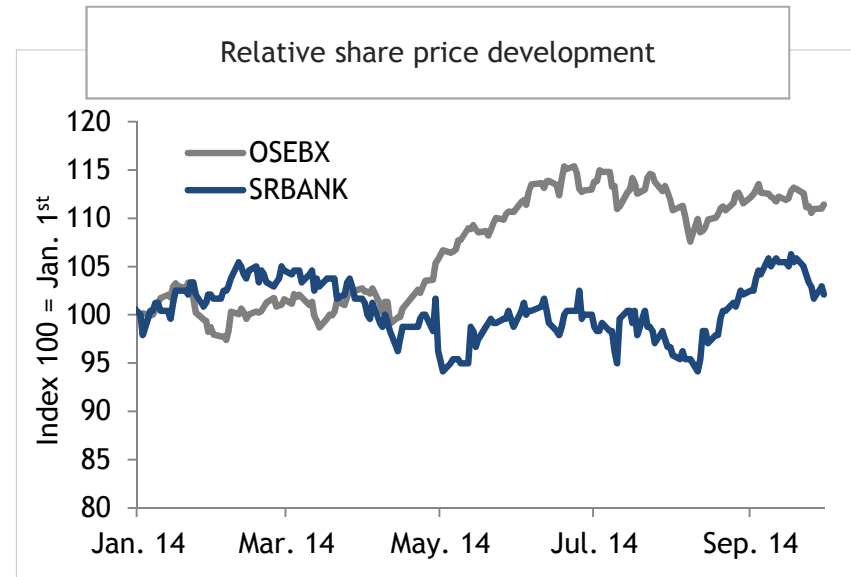
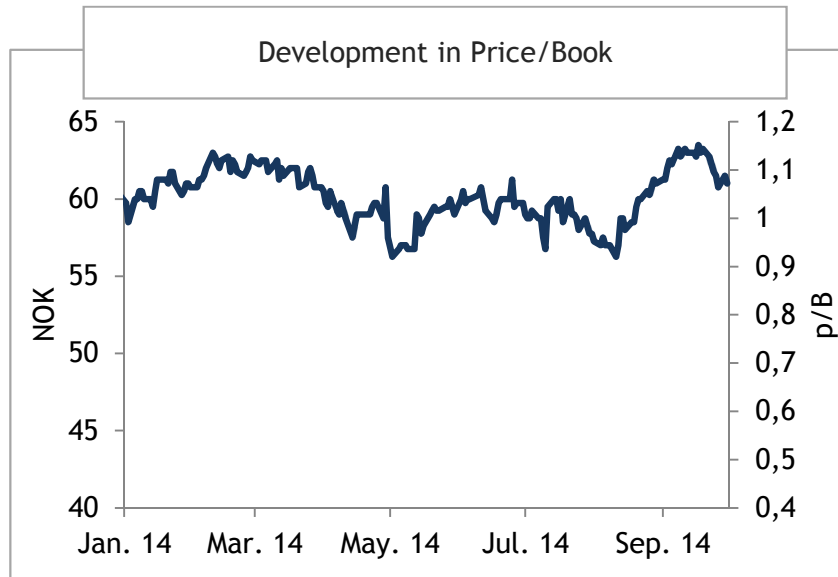
- *Lending to commercial property constitutes 15.9% of total loans, which is an increase of 0.4% compared with the same time last year.*
- *The portfolio is characterised by lending to commercial properties for leasing with long-term contracts and financially solid tenants. The vacancy rate is limited. Interest rates for a significant portion of this portfolio have been hedged.*



*Sector allocation in accordance with the standard categories from Statistics Norway. Figures as at 30.09.2013 in brackets.*

# Increased international interest in SRBANK

- *International ownership increased from 14.1% at the end of 2013 to 23.1% at the end of 3rd quarter 2014.*
- *Total market value at the end of 3rd quarter 2014 is NOK 15,6 million.*



## 20 largest shareholders as at September 2014

- *International ownership increased from 14.1% at the end of 2013 to 23.1% at the end of 3rd quarter 2014*

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
Gjensidige Forsikring ASA		26.483.470	10,4%
Folketrygdfondet		9.895.706	3,9%
State Street Bank and Trust, U.S.A.	Nominee	8.816.417	3,4%
Morgan Stanley & Co, U.S.A.	Nominee	8.506.481	3,3%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Wimoh Invest AS		4.761.169	1,9%
Skagen Global		3.820.039	1,5%
Skandinaviska Enskilda Banken, Sverige	Nominee	3.794.099	1,5%
State Street Bank and Trust, U.S.A.	Nominee	2.829.076	1,1%
The Bank of New York Mellon, U.S.A.	Nominee	2.629.419	1,0%
Morgan Stanley & Co, U.S.A.		2.173.721	0,8%
J.P. Morgan Chase Bank, Sverige	Nominee	2.144.697	0,8%
Clipper AS		2.100.000	0,8%
J.P. Morgan Chase Bank, U.K.	Nominee	2.083.137	0,8%
State Street Bank and Trust, U.S.A.	Nominee	1.623.458	0,6%
J.P. Morgan Chase Bank, U.K.	Nominee	1.396.198	0,5%
FLPS, U.S.A.		1.339.700	0,5%
Westco AS		1.321.817	0,5%
Skagen Global II		1.223.751	0,5%
Top 5		126.121.379	49,3%
Top 10		147.552.345	57,7%
Top 20		165.588.243	64,7%



# SRBANK as at 30 September 2014

- **Ownership interests:**
  - From Rogaland, Agder-counties and Hordaland: 48.6%
  - International: 23.1%
  - 10 largest: 57.7%
  - 20 largest: 64.7%
- **Number of shareholders: 10 621 (11 387)**
- **Employees owning 1.8%**
- **Trading volume in Q3 2014: 3.0% (3.1%)**

	30.09.14	2013	2012	2011	2010
Share price	61,00	60,25	37,20	40,70	57,00
Stock value (MNOK)	15.601	15.409	9.514	5.182	7.257
Book value per share, NOK (group)	59,21	55,00	49,48	48,75	47,45
Earnings per share	6,45	7,28	5,32	5,42	6,84
Dividend per share	n.a.	1,60	1,50	1,50	2,75
P/E	7,09	8,28	6,99	7,51	8,33
P/BV (group)	1,03	1,10	0,75	0,83	1,20

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