

From limitation  
to capacity.

# 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.

# Agenda

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Introduction to SpareBank 1 SR-Bank ASA

Financials

Solvency and liquidity position

Appendix

# SR-Bank at a glance

- Second largest Norwegian bank
- Market cap: NOK 10.4 Billion
- Total assets: NOK 194.8 Billion
- Total lending: NOK 183.9 Billion
- Total deposits: NOK 87.0 Billion
- No. of branches: 49
- Employees: 1.194



- Norway's largest regional bank
- Market share: about 40% in Rogaland
- No. of retail customer: 275 000
- No. of corporate customer: 13 830
- Full service bank
- Mobile bank



- **1839:** The first bank that today forms part of SpareBank 1 SR-Bank is established.
- **1976:** 24 savings banks merge to form Sparebanken Rogaland.
- **1994:** SR-Bank (Sparebanken Rogaland) lists its primary capital certificates on the Oslo Stock Exchange.
- **1996:** SR-Bank is one of the founders of SpareBank 1, an alliance.
- **2012:** SpareBank 1 SR-Bank converted from a savings bank to a public limited company ("limited liability savings bank").



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# A unique situation with a continuing budget surplus...



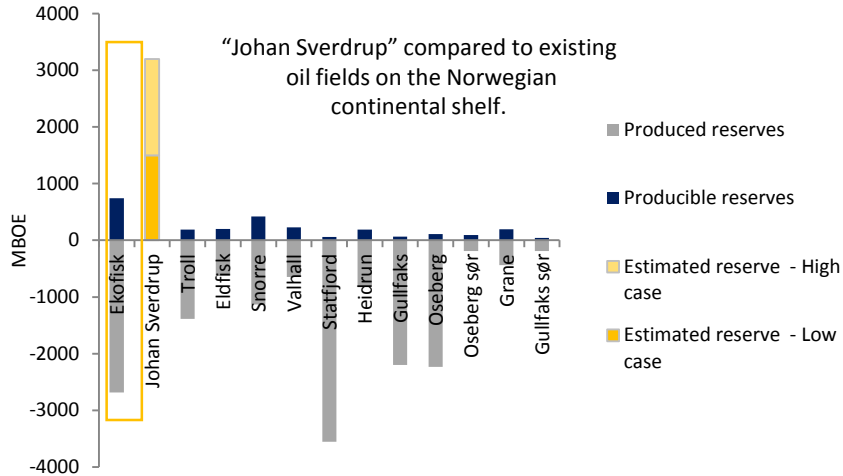
Economic Indicators (%)	2010	2011	2012	2013	2014	2015P	2016P
<b>GDP growth - mainland</b>	1.7	2.6	3.4	2.0	2.3	1.0	0.8
Household consumption growth	3.8	2.6	3.0	2.1	1.7	2.0	1.2
Investment growth – mainland*	-4.5	6.3	4.5	4.7	1.3	0.2	3.2
<b>Investment growth oil &amp; gas</b>	-9.5	11.3	14.6	18.0	-2.9	-14.7	-13.5
<b>Inflation rate, CPI</b>	2.5	1.2	0.8	2.1	2.0	2.7	3.0
<b>3 month NIBOR rate / avg. mortgage rate</b>	2.5/3.4	2.9/3.6	2.2/3.9	1.8/4.0	1.7/3.9	1.3/3.2	0.7/2.4
<b>Household savings ratio</b>	5.8	7.8	8.6	9	8.8	9.4	9.4
<b>Unemployment rate</b>	3.6	3.3	3.2	3.5	3.5	4.4	4.6
<b>HH sector disp. real inc. growth</b>	2.7	4.6	3.2	3.2	2.9	2.3	1.3
<b>Current Account Surplus / GDP</b>	11.9	13.5	14.3	10.6	9.7	9.0	4.7
<b>Gov Budget Surplus / GDP</b>	7	10	10	8	10	10	6
<b>Sovereign Wealth Fund / GDP</b>	121	120	131	157	204	238	228

Sources: Statistics Norway, NBIM, Norwegian Ministry of Finance as of March 2016, Investor presentation april 2016 from SpareBank 1 Boligkreditt AS

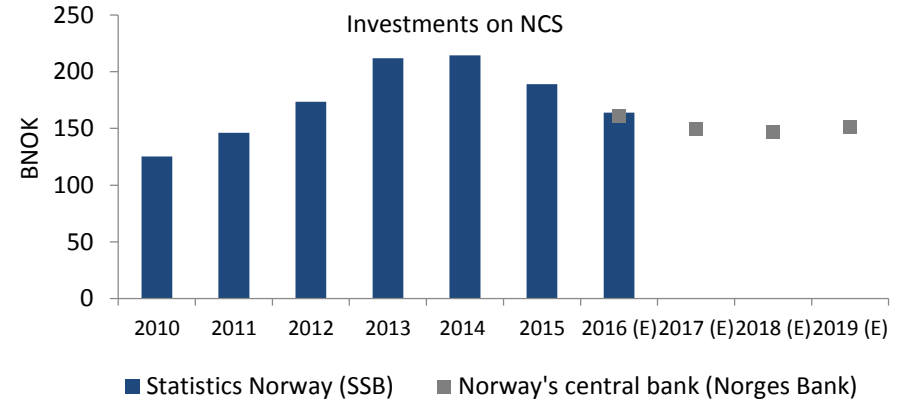
\* Business, residential housing and public sector investments

# One of Norway's most prosperous regions

The third largest discovery ever on the NCS was made 140 km from our headquarter in 2011

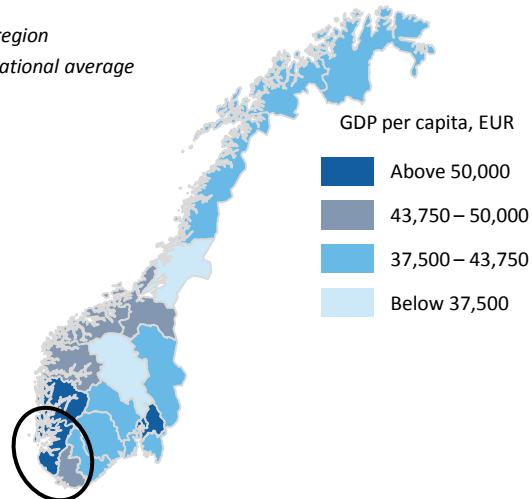


...and activity is expected to continue at high levels



The region accounts for circa 25% of Norwegian GDP

- Norway's largest export region
- Unemployment rate on national average



SR-Bank's market area

Planned infrastructure project total 100-150BNOK

- Better infrastructure in the cities Stavanger and Bergen
- Better connections between cities and sparsely populated areas
- Better connections between regions in Rogaland, Hordaland and Agder



# The leading financial group in the southwest of Norway

## 1 Rogaland



Population	470.000
Market share	37%
Year of establishment	1839
Market strategy	Market leader
Unemployment rate	4.7%*

## 2 Hordaland

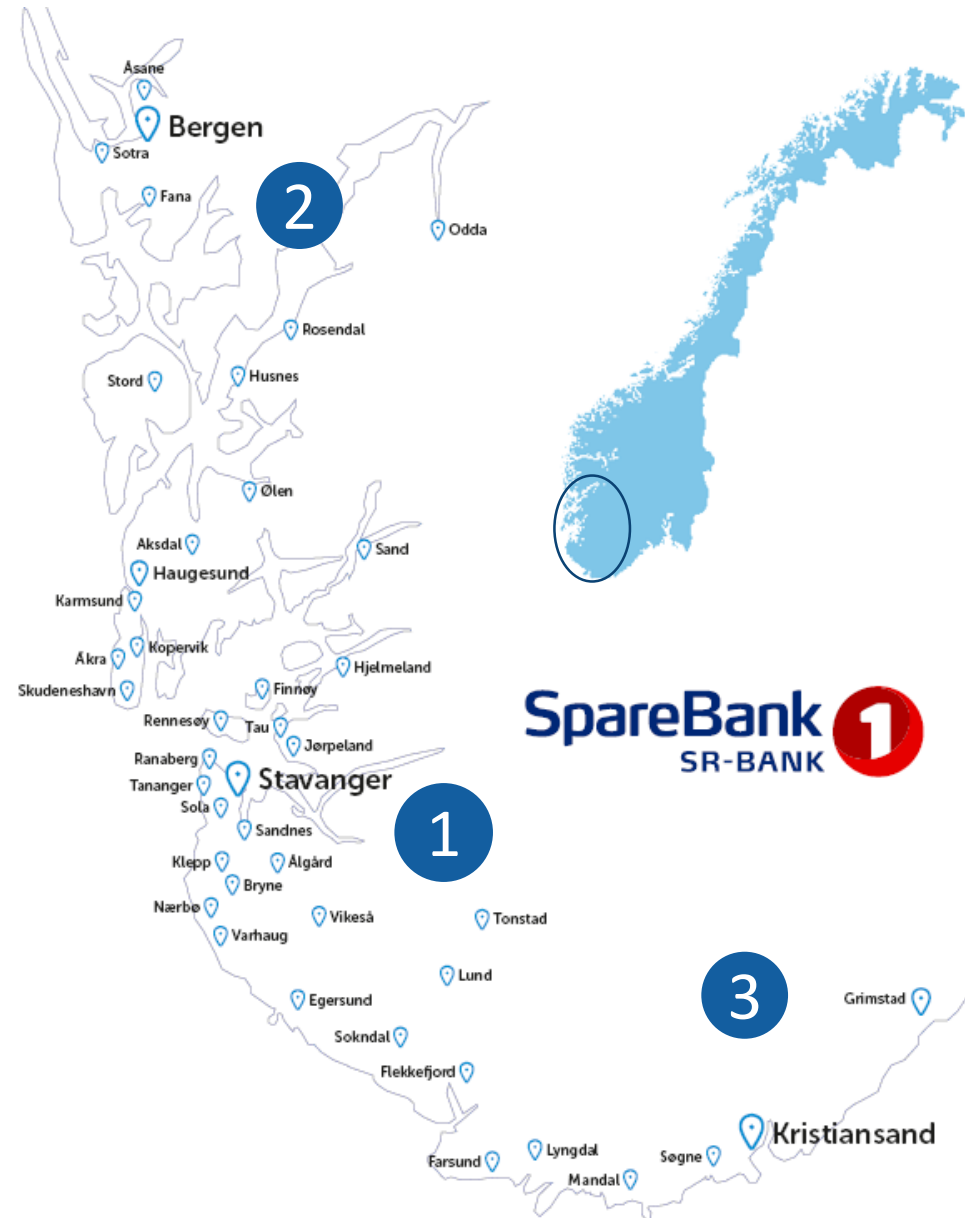


Population	516.000
Market share	6%
Year of establishment	2006
Market strategy	Entry/growth
Unemployment rate	3.5%*

## 3 Agder



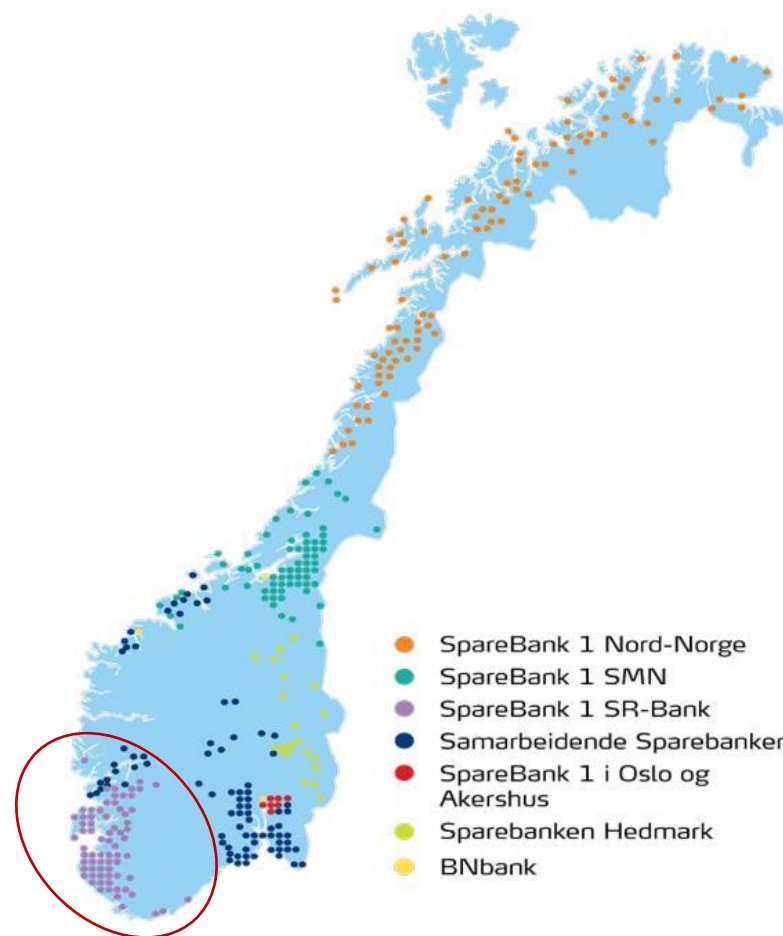
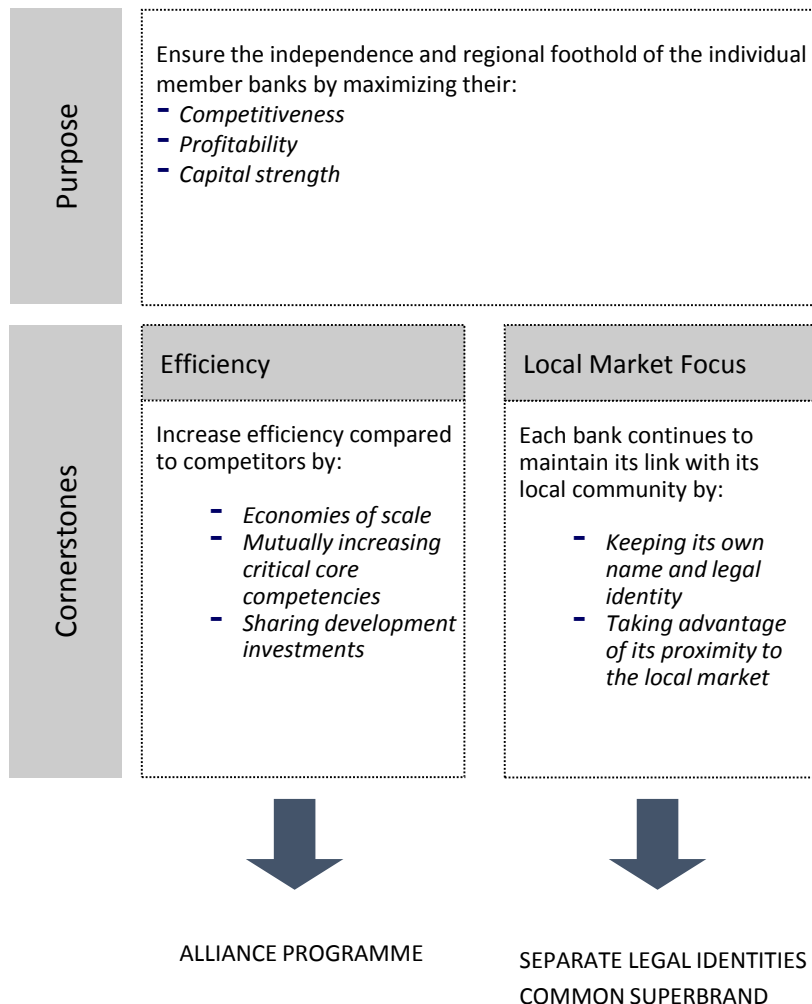
Population	298.000
Market share	9%
Year of establishment	2002
Market strategy	Growth
Unemployment rate	4.1%*



# The SpareBank 1 Alliance – 2<sup>nd</sup> largest mortgage lender in Norway

Founded in 1996 based on efficiency and local market focus

Geographic overview



- SpareBank 1 Nord-Norge
- SpareBank 1 SMN
- SpareBank 1 SR-Bank
- Samarbeidende Sparebanker
- SpareBank 1 i Oslo og Akershus
- Sparebanken Hedmark
- BNbank



# SRBANK's activities



## Divisions of SpareBank 1 SR-Bank ASA

### Capital Markets

Number of man-years : 34

### Retail Market

Number of man-years : 468

### Corporate Market

Number of man-years : 163

### Administration & Support

Number of man-years : 207

## Fully owned companies

Number of man-years : 197	Number of man-years : 14	Number of man-years : 31	Number of man-years : 79	Number of man-years : 1
Key areas: <ul style="list-style-type: none"> <li>Leading real estate broker</li> </ul>	Key areas: <ul style="list-style-type: none"> <li>Asset management</li> </ul>	Key areas: <ul style="list-style-type: none"> <li>Leasing</li> </ul>	Key areas: <ul style="list-style-type: none"> <li>Accounting</li> <li>Advisory</li> </ul>	Key areas: <ul style="list-style-type: none"> <li>Covered Bond Funding</li> </ul>

## Partly owned companies

SpareBank 1 Gruppen AS (19.5%)	BN Bank ASA (23.5%)	SpareBank 1 Boligkreditt AS (16,7%)	SpareBank 1 Næringskreditt AS (26,8%)	SpareBank 1 Kredittkort (18,1%)
Holding company for the SpareBank 1 - Alliance	Commercial bank located in Oslo and Trondheim	Covered bond company (mortgages)	Covered bond company (commercial real estate)	Credit card company located in Trondheim

# SRBANK

- *Converted from equity certificates to shares in 2012.*
- *International ownership is 16.7% per 1. quarter 2016.*
- *Total market value at 1. quarter 2016 is NOK 10.4 billion.*

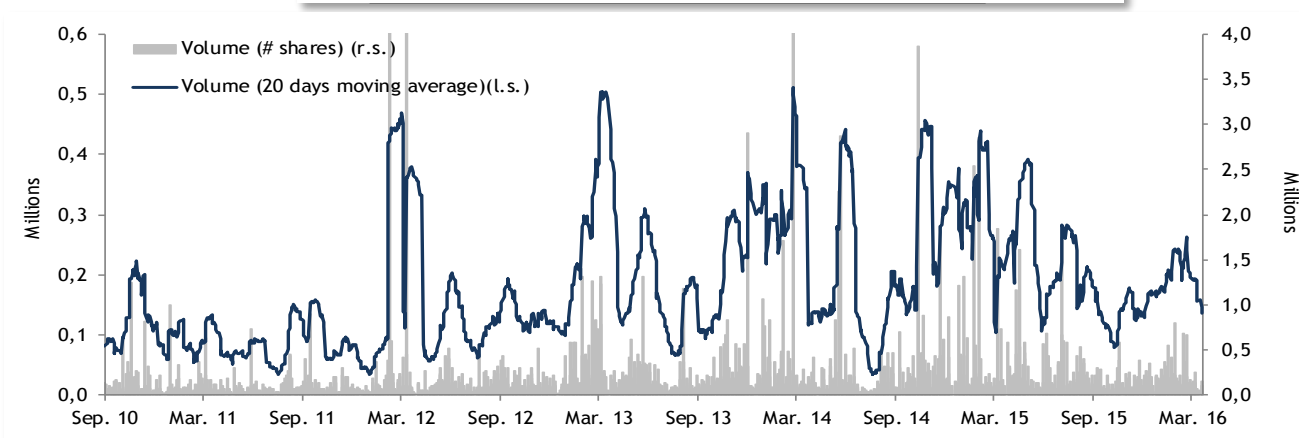
Development in Price/Book



Relative share price development



Trading volume development



# 20 largest shareholders as at March 2016

- *Ownership interests:*
  - *From Rogaland, Agder-counties and Hordaland: 50.2%*
  - *International: 16.7%*
  - *10 largest: 55.6%*
  - *20 largest: 62.8%*
- *Number of shareholders: 10 129 (10 214)*
- *Employees owning: 1,8%*

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
Gjensidige Forsikring ASA		26.808.416	10,5%
State Street Bank and Trust Co, U.S.A.	Nominee	8.310.831	3,2%
Vpf Nordea Norge Verdi		7.971.560	3,1%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Wimoh Invest AS		5.761.169	2,3%
Odin Norge		5.381.793	2,1%
Pareto Aksje Norge		3.657.156	1,4%
Danske Invest Norske Instit. II		3.058.058	1,2%
State Street Bank and Trust Co, U.S.A.	Nominee	2.578.782	1,0%
Clipper AS		2.565.000	1,0%
The Bank of New York Mellon, U.S.A.	Nominee	2.415.162	0,9%
State Street Bank and Trust Co, U.S.A.	Nominee	2.086.067	0,8%
Danske Invest Norske Aksjer Inst.		1.668.794	0,7%
Westco		1.658.537	0,6%
Pareto AS		1.640.867	0,6%
State Street Bank and Trust Co, U.S.A.	Nominee	1.638.501	0,6%
Vpf Nordea Avkastning		1.630.410	0,6%
Vpf Nordea Kapital		1.528.050	0,6%
Forsvarets Personellservice		1.513.556	0,6%
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Top 5		121.736.695	47,6%
Top 10		142.173.653	55,6%
Top 20		160.518.597	62,8%

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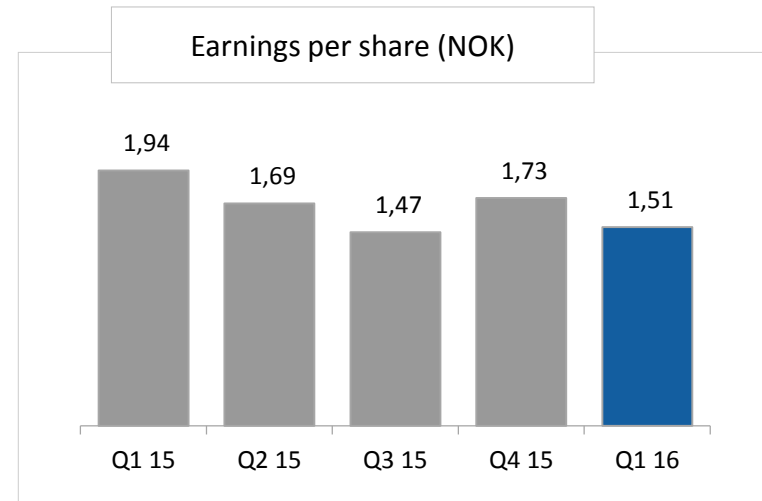
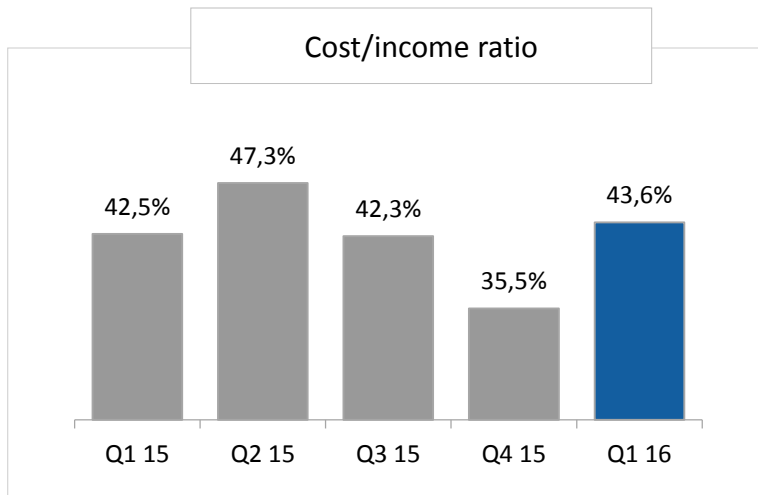
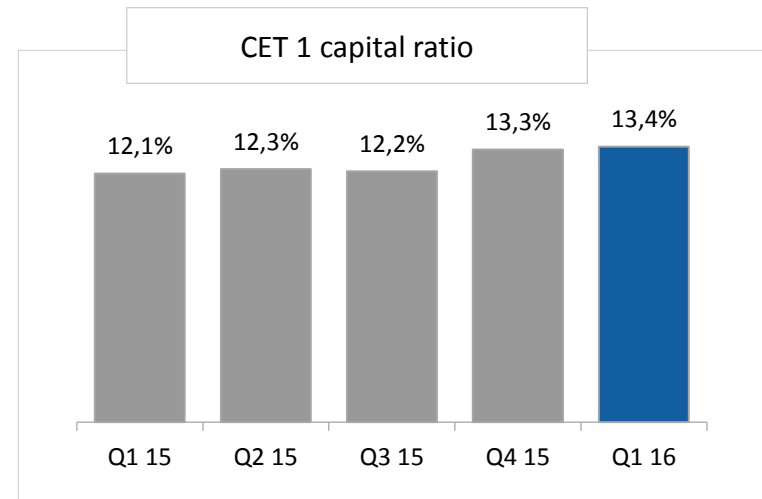
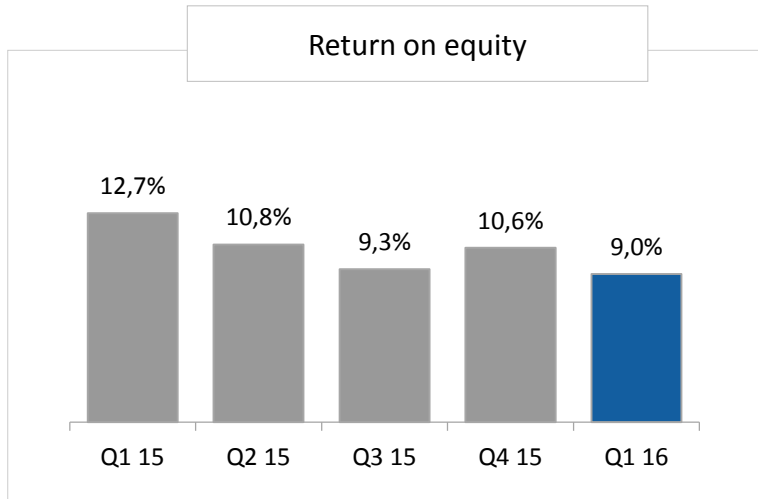
Appendix

# Good result with lower costs and stable operating income

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- Pre-tax profit for the quarter is NOK 487 million compared to NOK 628 million last year
  - Return on equity after tax 9.0%
- Net income on financial investments are NOK 79 million compared to NOK 211 million last year
  - Decreased by NOK 132 million compared to last year, which of NOK 54 million is due to value change basis swap spread
- 12 months lending growth of 2.9%
  - Risk-weighted assets (RWA) is increased by 0.8% the last 12 months
- 12 months deposits growth of 1.2%
- Growth in costs of -7.2% over the last 12 months
  - Low cost growth is influenced by the changed pension scheme and lower bonus provisions
  - Normalised costs growth is -5.0%
- Moderate impairment losses on loans
  - 0.33% of gross lending including covered bonds as at 31 March 2016
  - Collective impairment loss for the quarter is NOK 60 million and NOK 180 million last 12 months
- Common equity tier 1 capital ratio increased to 13.4% from 12.1% last year

# Key figures – quarterly development



# Key figures

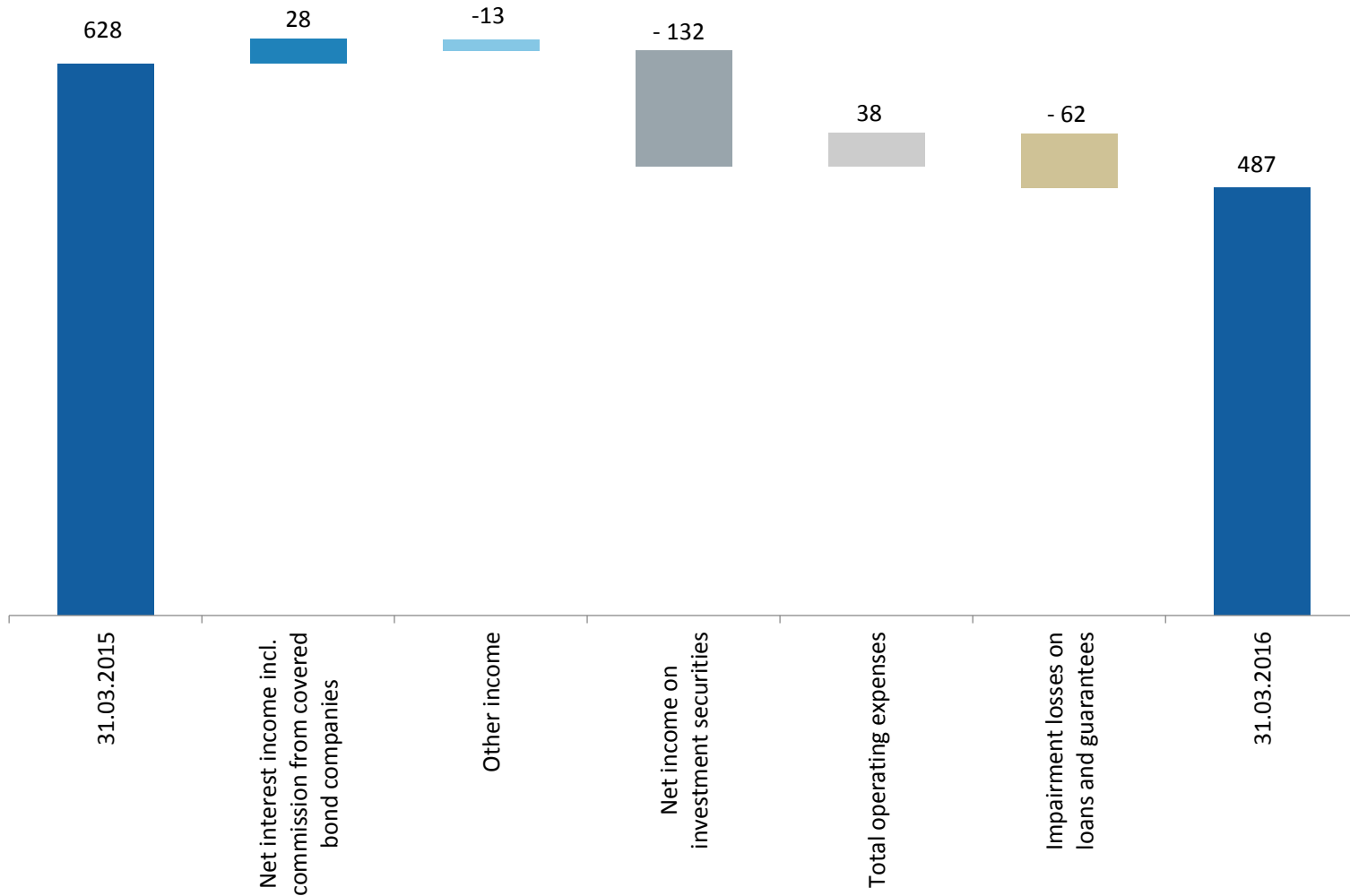
	Q1 16	Q4 15	Q3 15	Q2 15	Q1 15
Return on equity after tax (%)	9,0	10,6	9,3	10,8	12,7
Net interest margin (%)	1,44	1,40	1,39	1,44	1,45
Impairment losses on loans and guarantees in % of gross loans	0,39	0,50	0,25	0,12	0,25
<i>-incl. covered bond companies</i>	0,33	0,42	0,21	0,10	0,20
Non-performing and other problem commitments in % of gross loans	1,10	0,90	0,68	0,78	0,81
<i>-incl. covered bond companies</i>	0,92	0,76	0,56	0,64	0,66
Cost to income ratio	43,6	35,5	42,3	47,3	42,5
Annual growth in loans to customers, gross incl. covered bond companies (%)	2,9	5,4	7,4	7,6	7,3
Annual growth in deposits from customers (%)	1,2	9,8	9,5	11,1	15,5
Total assets (BNOK)	194,8	192,0	191,5	181,9	176,9
Portfolio of loans in covered bond companies (BNOK)	28,8	28,7	31,0	31,2	34,1
Risk weighted assets (BNOK)	118,5	119,1	122,4	120,4	117,6
Liquidity Coverage Ratio (LCR) (%)	130	128	164	111	113
Earnings per share (NOK)	1,51	1,73	1,47	1,69	1,94
Book value per share (NOK)	67,68	66,14	64,02	62,56	62,40
Number of shares issued (million)	255,8	255,8	255,8	255,8	255,8

# Income statement

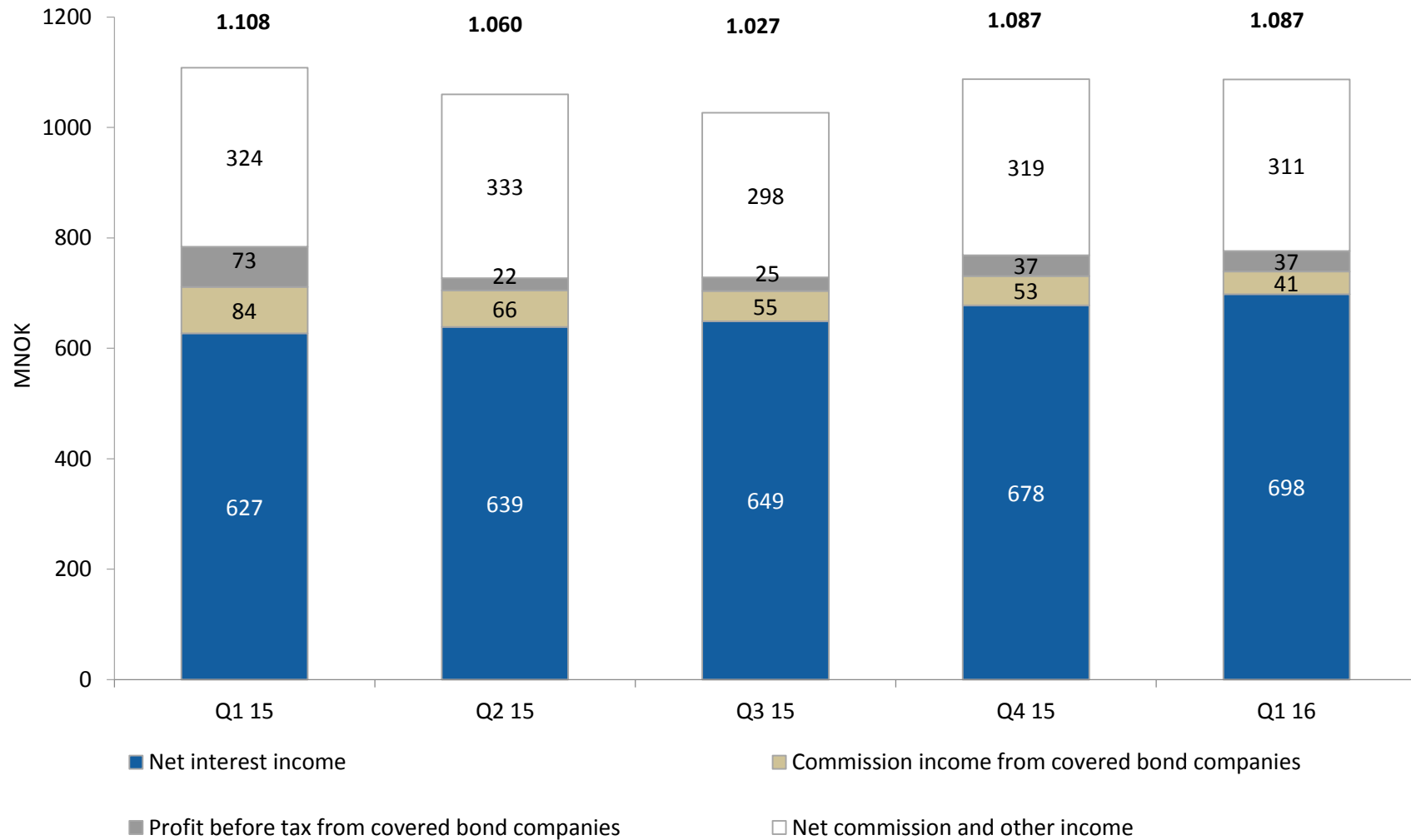
<i>Group Income Statement (MNOK)</i>	Q1 16	Q4 15	Q3 15	Q2 15	Q1 15
Net interest income	698	678	649	639	627
Net commission and other income	352	372	353	399	408
Net income on investment securities	79	-13	12	94	211
Total income	1.129	1.037	1.014	1.132	1.246
Total operating expenses	492	368	429	536	530
Operating profit before losses	637	669	585	596	716
Impairment losses on loans and guarantees	150	192	96	44	88
Operating profit before tax	487	477	489	552	628
Tax expense	101	35	112	121	132
Net profit	386	442	377	431	496



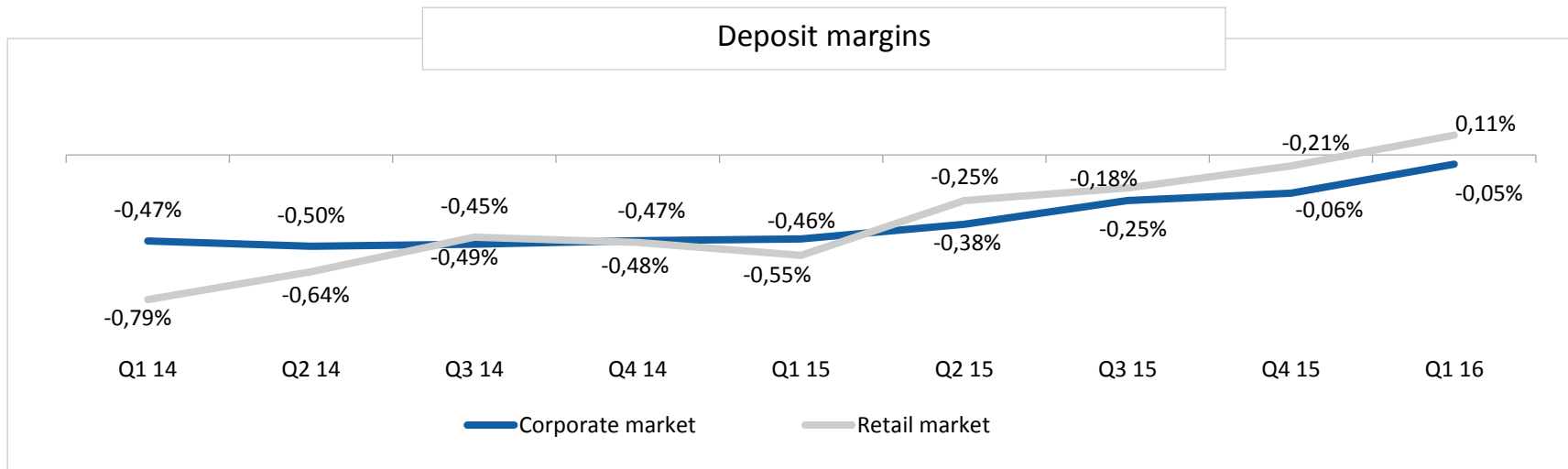
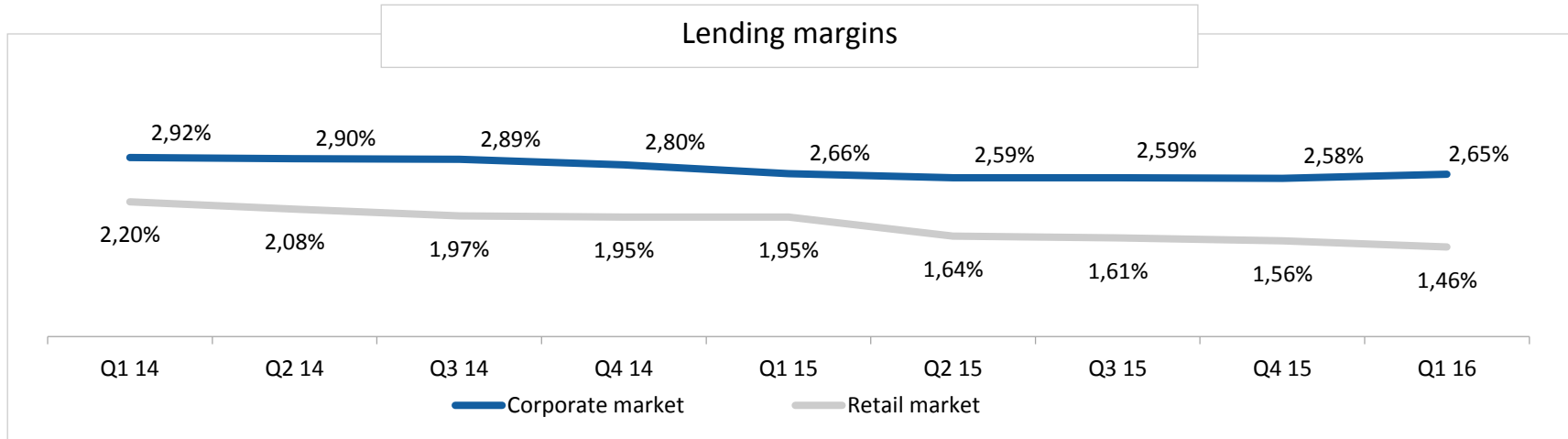
# Change in profit 31.03.2015 – 31.03.2016



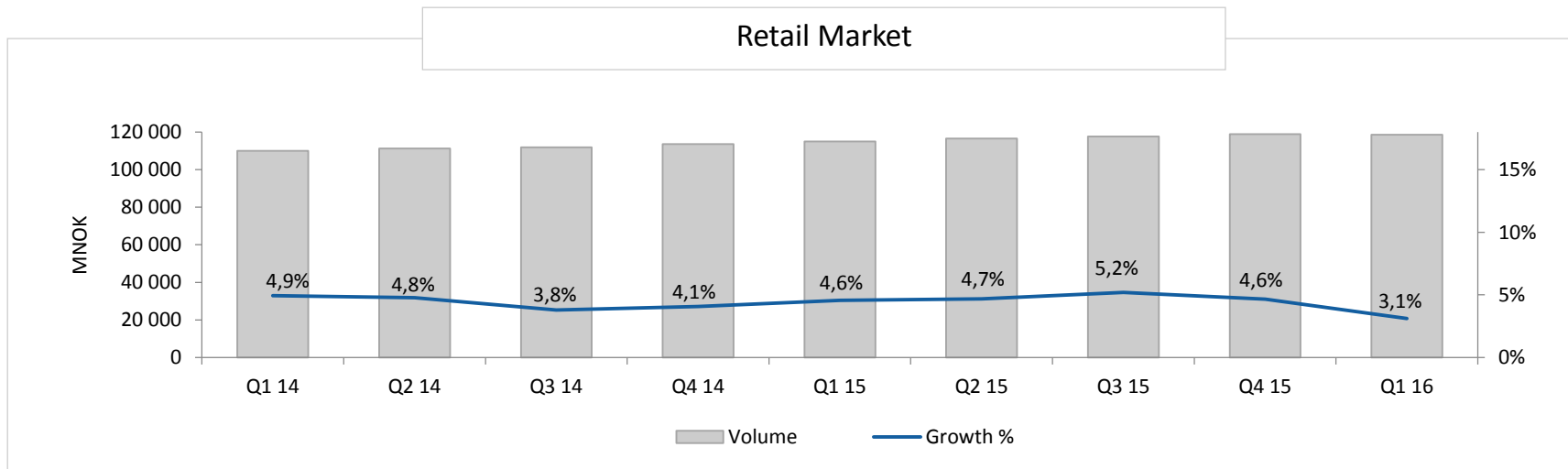
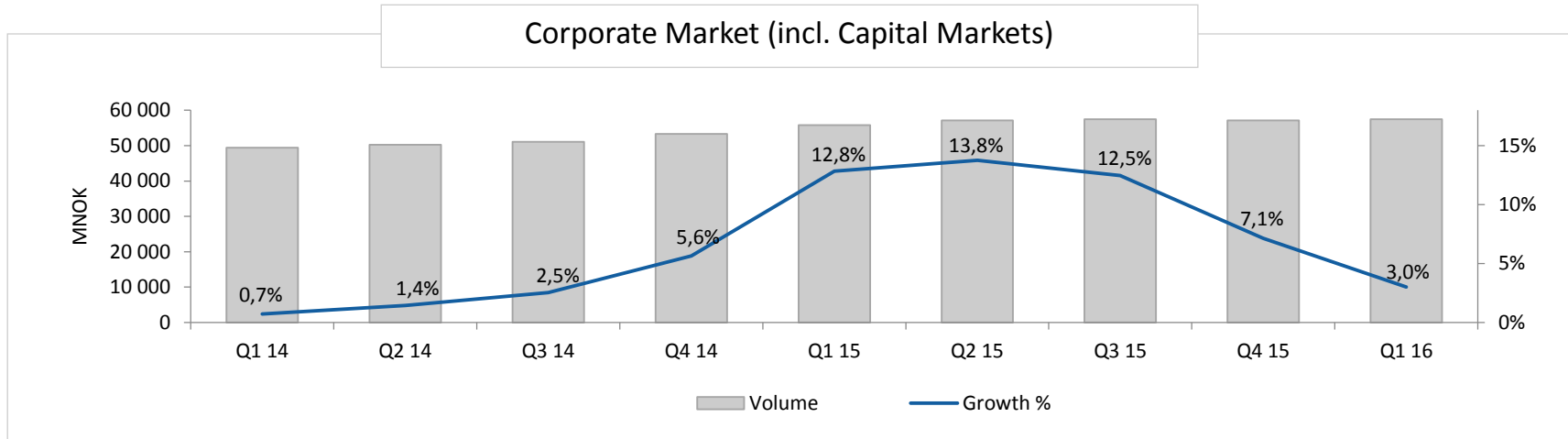
# Consolidated income profile



# Lending and deposit margins



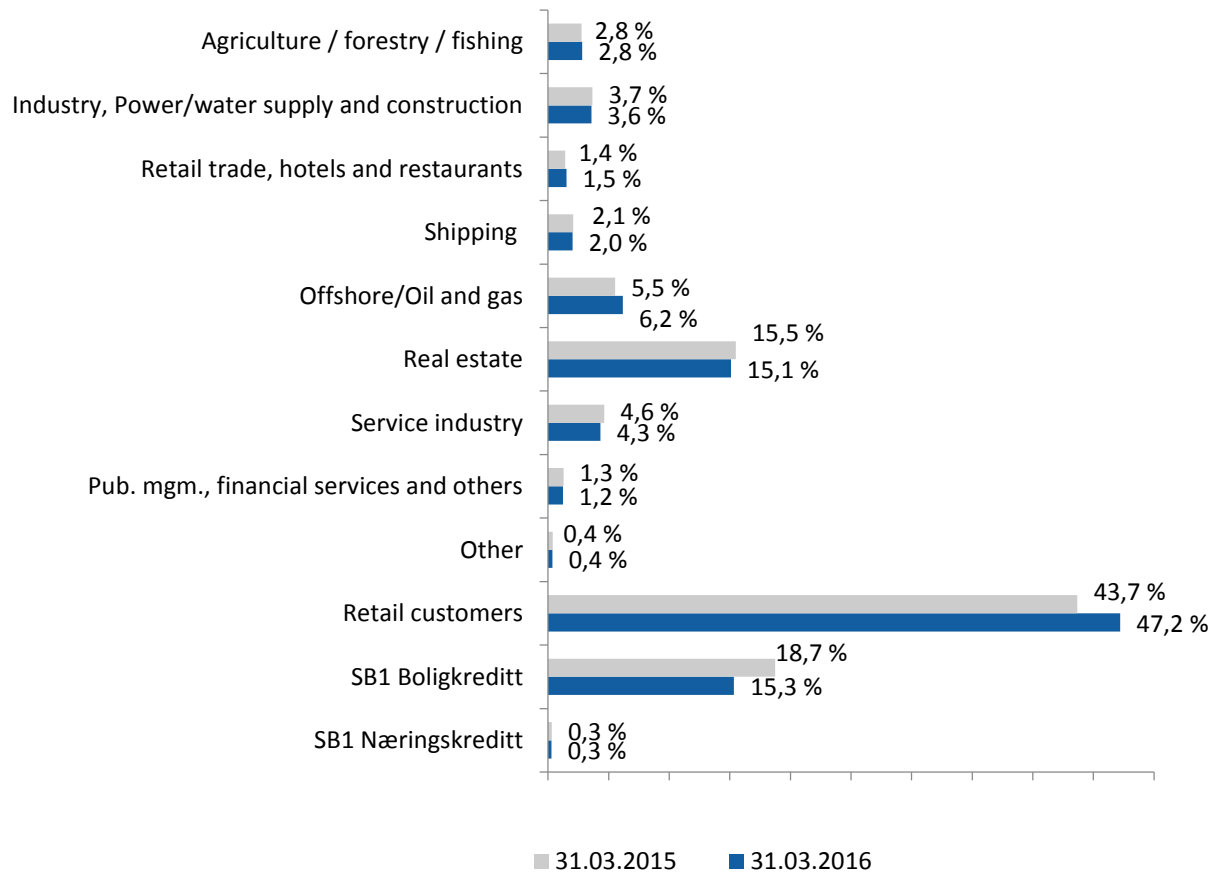
# Lending volume and 12 months growth



Figures incl. loan portfolio in covered bond companies

# Loan portfolio as at 31.03.2016

- Gross loans as at 31 March 2016 amount to NOK 183.9 billion compared with NOK 178.8 billion at the same time the year before.
- 12-month growth in loans of 2.9%.
- Loans to retail customers (incl. covered bond company) account for 62.5% of total loans.

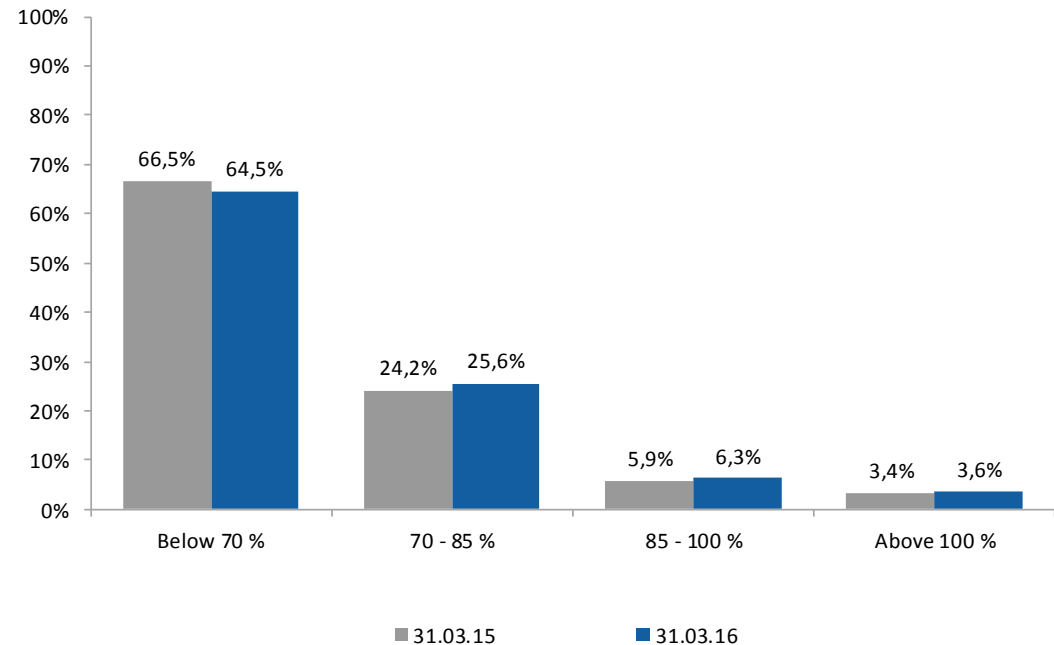


Loans before individual write-downs, nominal amounts.

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 high.*
- *90.1% of the exposure is within 85% of the assessed value of collateral.*
- *Market value on real estate is slightly declining in Rogaland. This has led to a small decrease in the proportion of loans within 70% LTV.*

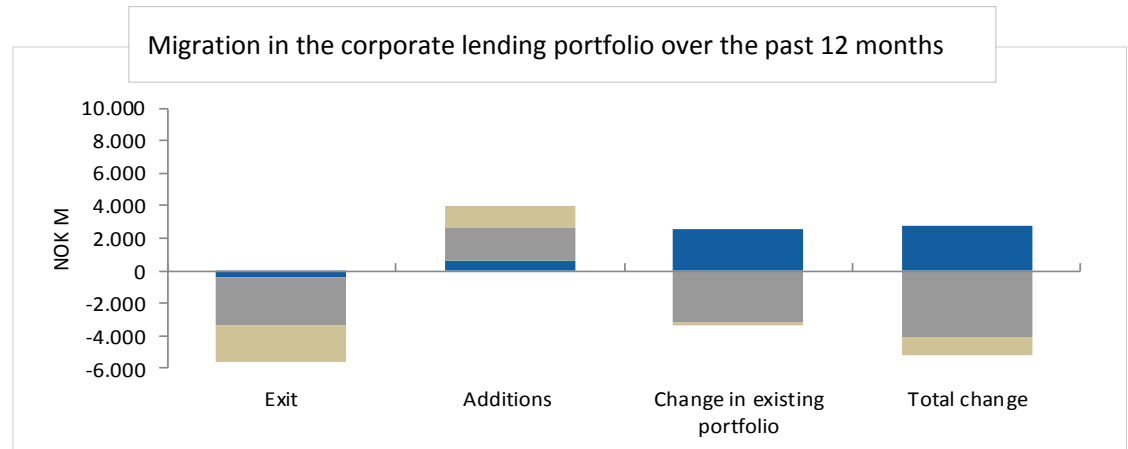
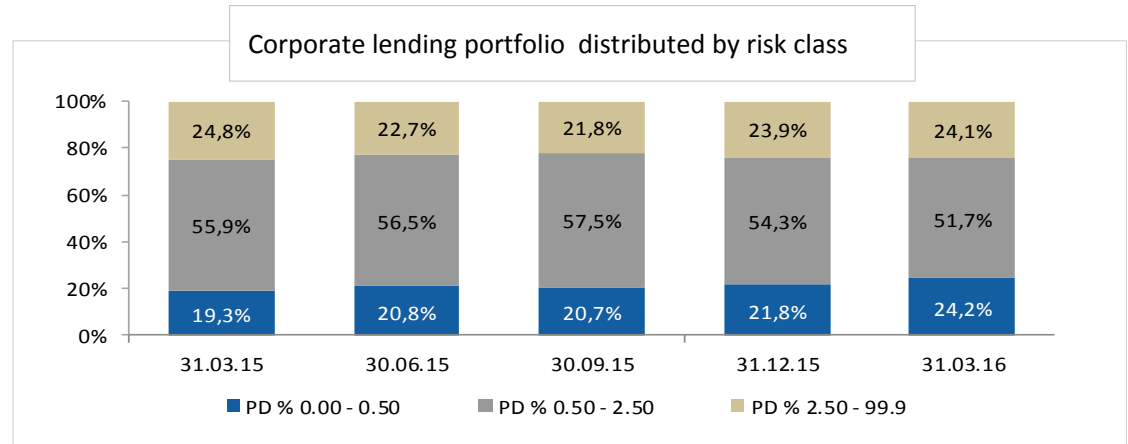


*In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.*

*The figures include the loan portfolio in the covered bond company (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).*

# Lending to the corporate market – risk profile

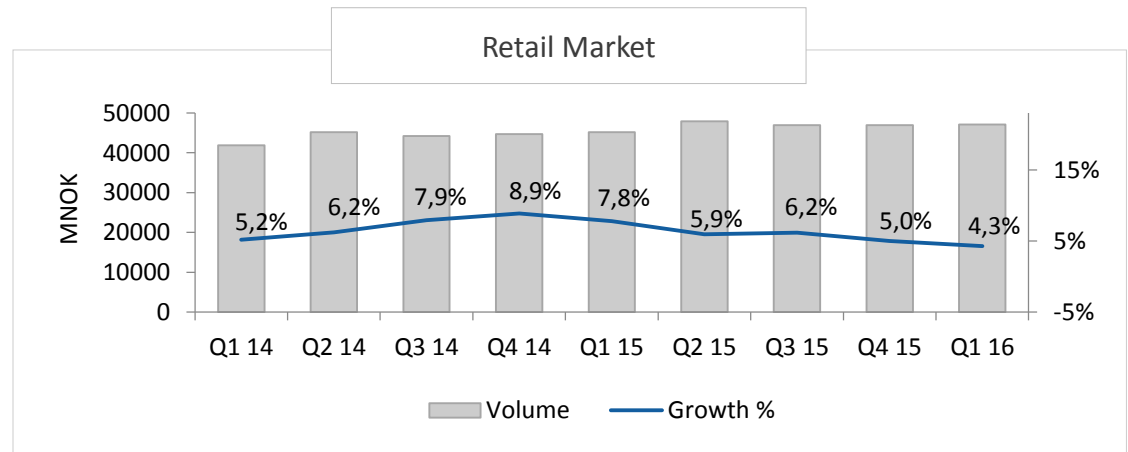
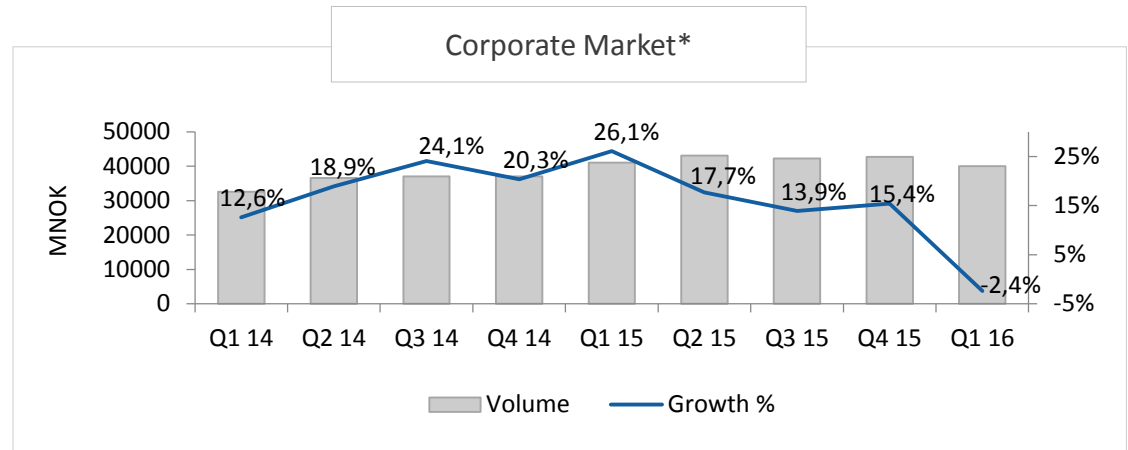
- *The quality of the corporate market portfolio is good.*
- *The share of customers with PD\* below 2.5% has increased, mainly due to a strengthened risk profile in existing portfolio.*
- *SpareBank 1 SR-Bank monitors PD above 2.5% continuously, and there has been a positive development in this segment since 1. quarter 2015.*
- *There is a clearly defined framework that sets limits on what is funded and conditions for particular funding purposes. This ensures a robust portfolio.*



\*Probability of default (PD) through a full cycle of loss.

# Deposits volume and 12 month growth

- Last 12 months deposits increased by NOK 1.0 billion to 87.0 billion.
  - Corresponds to an increase in the period of 1.2%.
- Lower deposit growth in the corporate market (incl. capital market) is a result of larger deposits from institutional customers, held as part of the liquidity portfolio, having been replaced by other instruments to protect the group's liquidity.



\* Includes also the Capital Markets Division.

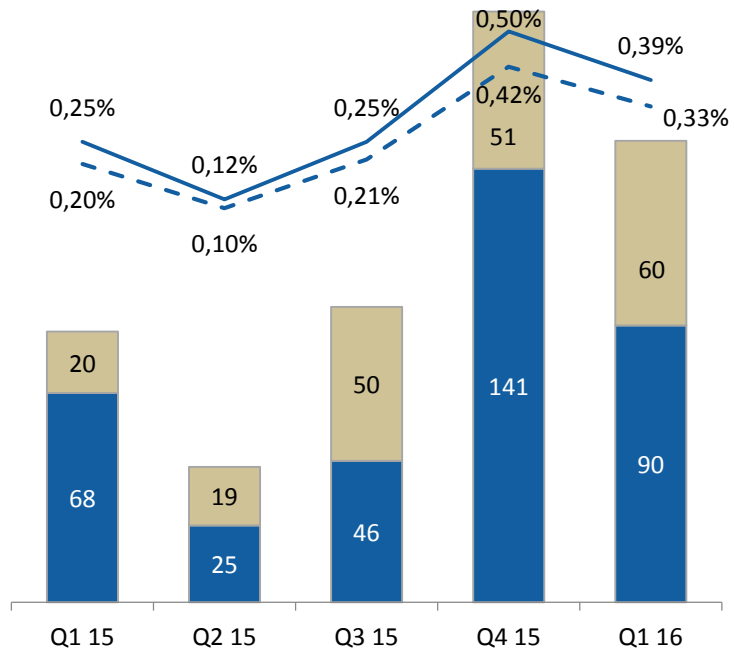


# Operating expenses

<i>MNOK</i>	Q1 16	Q4 15	Q3 15	Q2 15	Q1 15
Personnel expenses	296	255	284	300	304
Restructuring- and non-recurring costs, pensions	-1	-141	-63	0	6
Total personnel expenses	295	114	221	300	310
IT expenses	73	86	70	73	72
Marketing	14	19	24	26	21
Other administrative expenses	15	20	20	23	26
Total administrative expenses	102	125	114	122	119
Depreciation	18	23	20	22	20
Operating expenses from real estate	9	12	9	10	10
Other operating expenses	68	94	65	82	71
Total other operating expenses	95	129	94	114	101
Total operating expenses	492	368	429	536	530

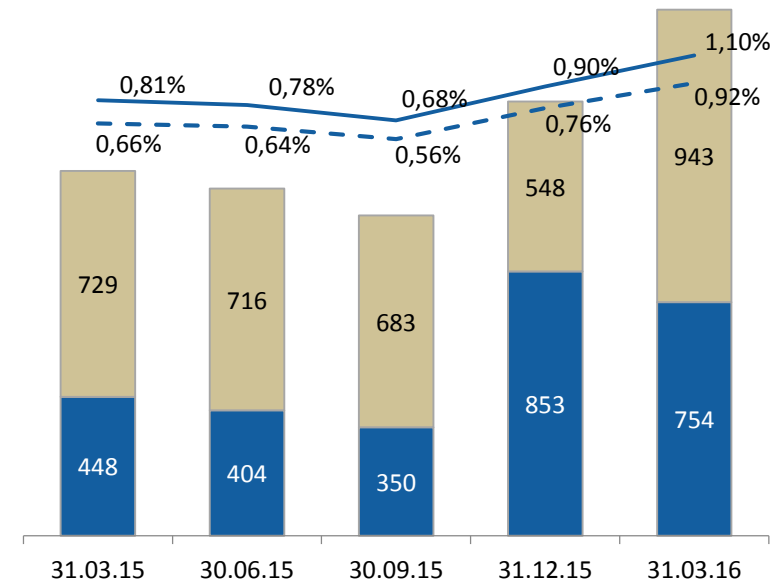
# Impairment losses on loans/ Non-performing and doubtful commitments

Impairment losses on loans



- Collective impairment losses on loans, MNOK
- Individual impairment losses on loans, MNOK
- Loss ratio in % of average gross loans
- Loss ratio in % of average gross loans incl. from covered bond companies

Non-performing and doubtful commitments



- Doubtful commitments, MNOK
- Non-performing loans, MNOK
- Non-performing and doubtful commitments in % of gross loans
- Non-performing and doubtful commitments in % of gross loans incl. from covered bond companies

# Agenda

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Introduction to SpareBank 1 SR-Bank ASA

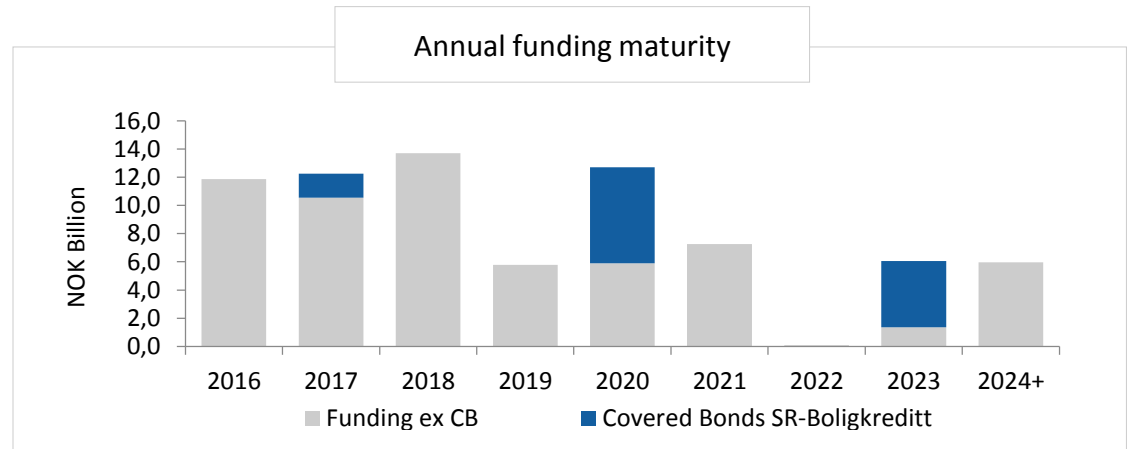
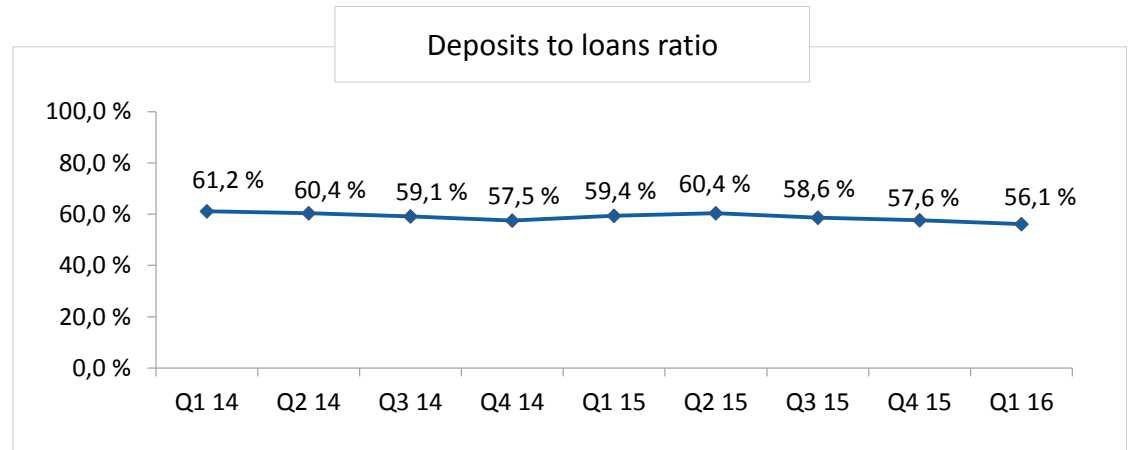
Financials

Solvency and liquidity position

Appendix

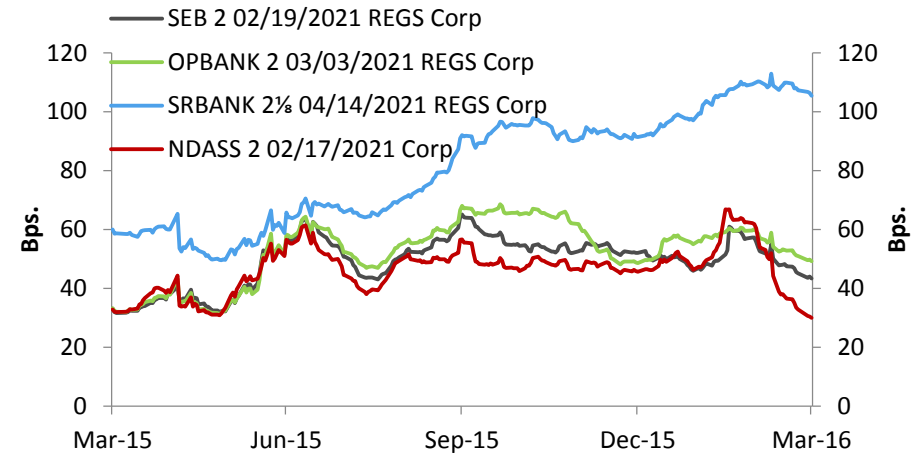
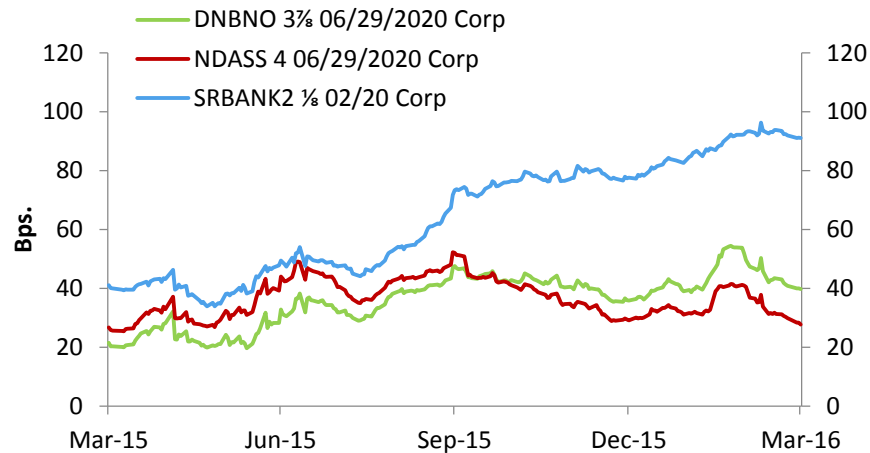
# Funding

- *Well diversified funding.*
- *Greater share of senior and OMF funding last year.*
  - *Euro-benchmarks with due dates in each of the years 2016- 2021.*
  - *2 outstanding euro covered bonds Level 1B through SR-Boligkreditt.*
- *Funding indicator 1\* is 107.0% on consolidated basis.*
- *Good liquidity.*
  - *Net refinancing need over the next 12 months is NOK 20.1 billion.*
  - *Liquidity buffer is NOK 25.4 billion for normal operation in 25 months with closed markets. In addition to the liquidity buffer, NOK 22.4 billion of home mortgages are prepared for covered bond funding.*
- *SR-Boligkreditt was established in the first quarter of 2015.*
  - *Rated Aaa by Moody's.*
  - *Issued 2 covered bonds in the Norwegian market and 2 Euro-benchmarks.*
  - *SR-Boligkreditt will ensure optimal funding mix and eliminate limitations due to regulatory limits on large exposures.*



\*Funding indicator 1 is a ratio of illiquid assets financed by issued securities with a duration of more than 1 year.

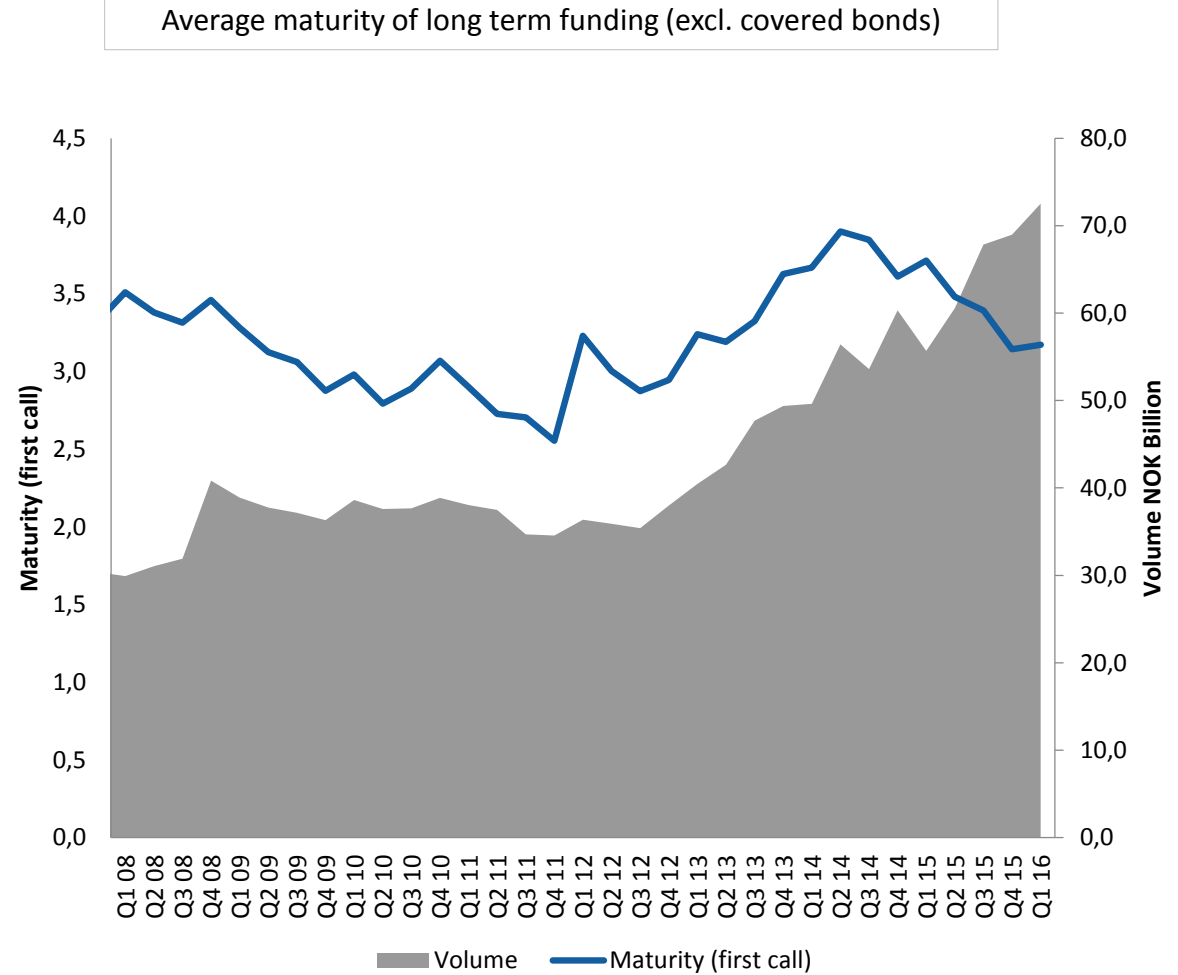
# An established borrower in the Euromarket



Issuer / Ticker	Coupon	Amount	Maturity	ISIN
SR-Bank / SRBANK	3,500%	EUR500mn	21-April-2016	XS0551556409
SR-Bank / SRBANK	3,500%	EUR500mn	27-March-2017	XS0762421195
SR-Bank / SRBANK	2,000%	EUR500mn	14-May-2018	XS0853250271
SR-Bank / SRBANK	2,125%	EUR500mn	27-February-2019	XS0965489239
SR-Bank / SRBANK	2,125%	EUR500mn	03-February-2020	XS0876758664
SR-Bank / SRBANK	2,125%	EUR750mn	14-April-2021	XS1055536251
SR-BOL / SRBANK	0.500%	EUR500mn	28-September-2020	XS1297977115
SR-BOL / SRBANK	0.750%	EUR500mn	18-January-2023	XS1344895450

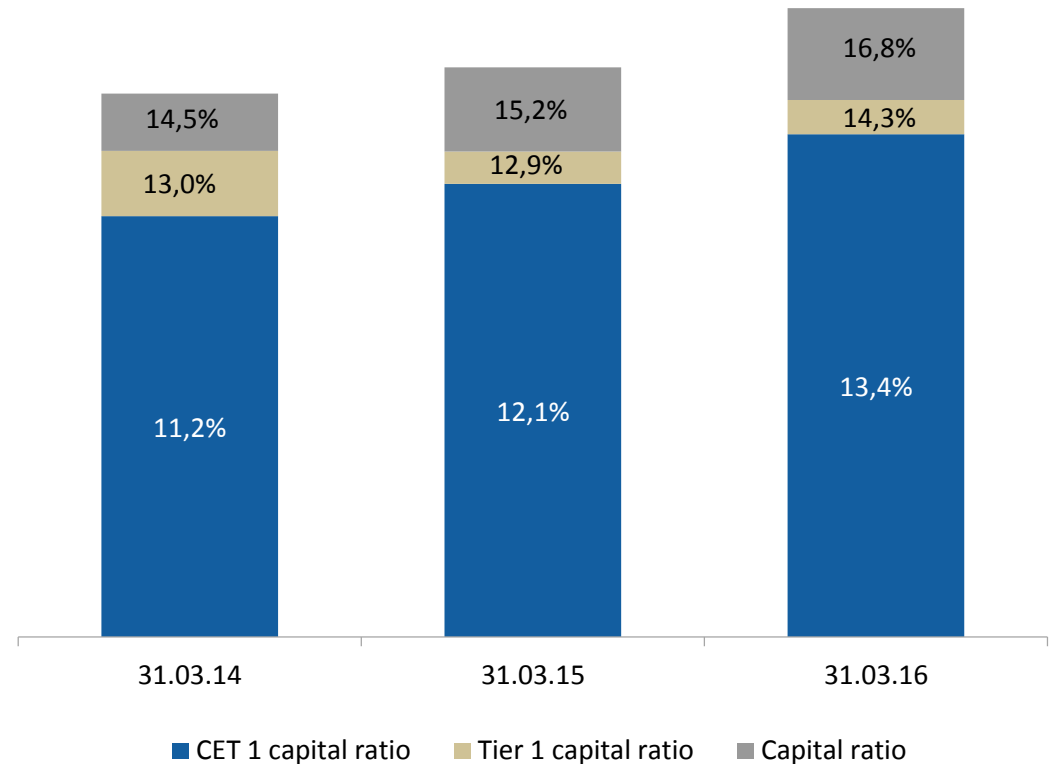
# Funding structure

- *LCR of 130% at the end of March 2016. Average LCR during Q1 2016 was 141%.*



# Stronger capital ratio

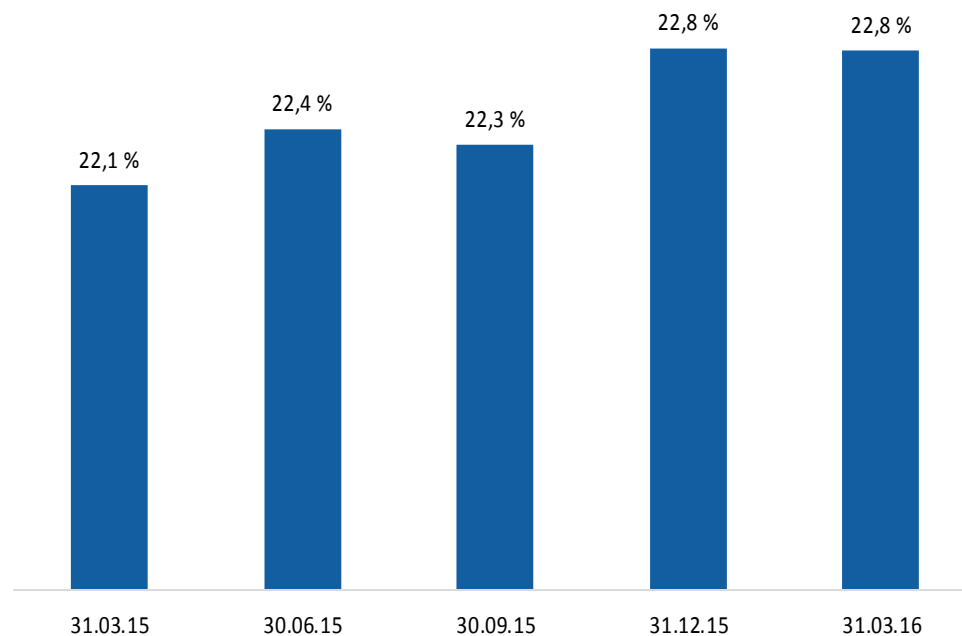
- SpareBank 1 SR-Bank is compliant with capital requirements as at 31.03.2016.
- SpareBank 1 SR-Bank received IRB Advanced approval for the corporate market portfolio in the first quarter of 2015.
- The use of different risk weights in the Nordic countries makes comparisons of actual financial strength difficult.
  - The Basel I floor is also practised differently.
- Leverage ratio is 6.4% as at 31.03.2016. SpareBank 1 SR-Bank exceeds the levels being discussed internationally.



Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

# RWA home mortgages

- *RWA on home mortgages reflects a solid and stable portfolio.*
- *The Norwegian FSA tightened the requirements for mortgage models in 2015 imposed by restrictions on PD and LGD.*



*Probability of default (PD) through a full cycle of loss.*

*LGD (Loss Given Default): Estimated loss given default of one single loan. The calculation is based on the realisation value of assets pledged as security in an economic downturn.*

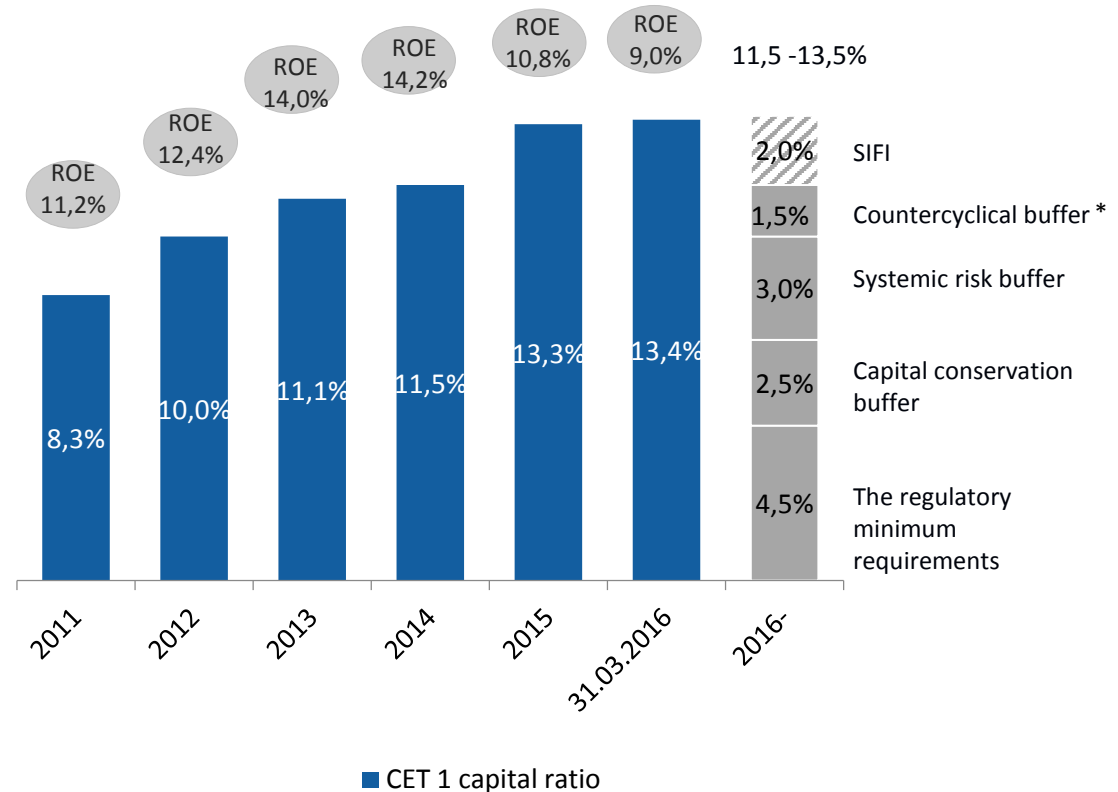
*Home mortgages as defined in the Norwegian IRB framework; residential property must make up at least 30 % of a loan's security.*

*Figures include the portfolio sold to the covered bond company (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).*



# Strengthened Common Equity Tier 1

- *New capital requirements entail a need to continue increasing common equity tier 1 capital going forward.*
- *Norges Bank has decided that the countercyclical buffer will increase to 1.5% from 30 of June 2016.*
- *In addition, the Norwegian FSA will during the 2016 determining an individual Pilar 2-requirements that will be added on the regulatory minimum requirements for CET 1.*
- *SpareBank 1 SR-Bank is not defined as a systemically important financial institution (SIFI).*
- *To meet regulatory and market requirements for solvency, the target CET 1 level is minimum 14.0% in 2016 and 14.5% during 2017. The target expected to be reached through good profitability and retained earnings combined with limited growth in risk-weighted assets.*



\* Countercyclical buffer is 1% as at 31 March 2016.

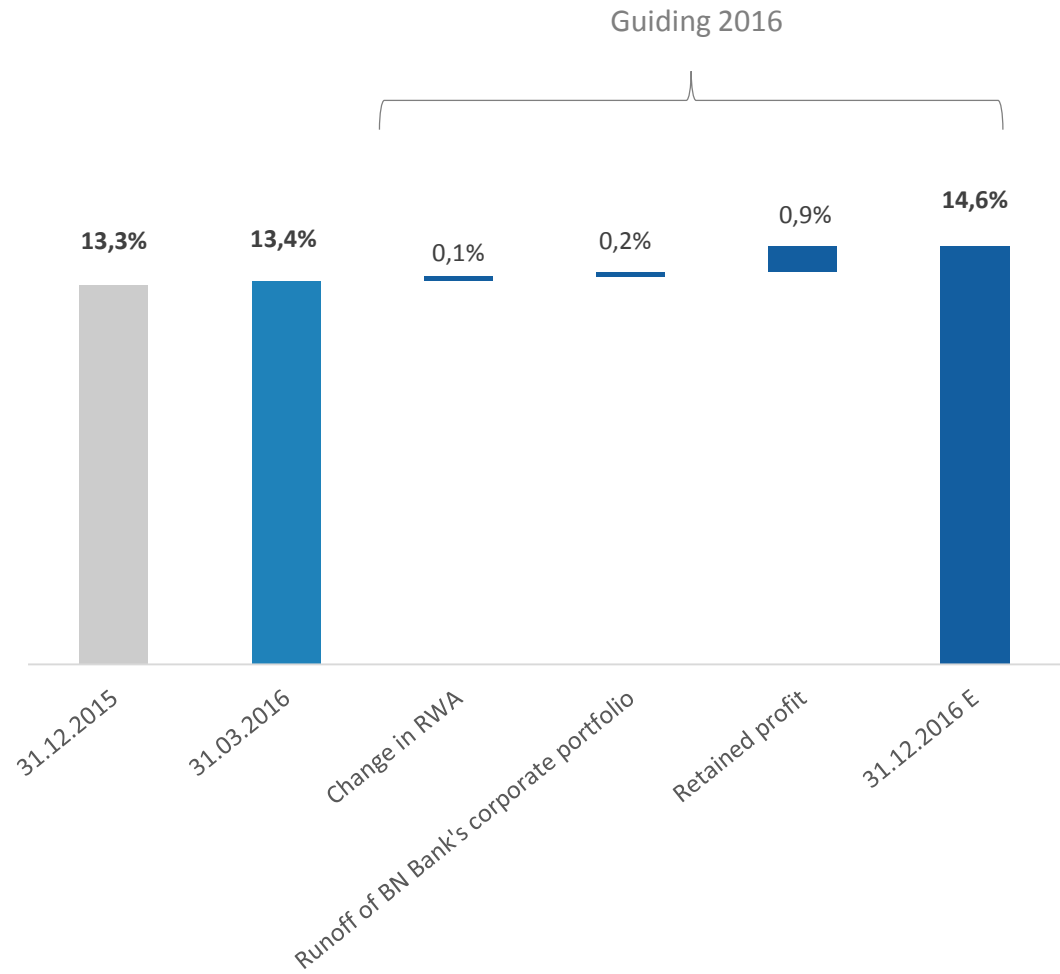
# Increasing CET 1 – well prepared to reach capital requirements

## Stronger common equity tier 1 in 2015

- IRB Advanced approval for the corporate market portfolio
- Changed pension scheme
- Good profitability
- Moderate growth
- Capital efficiency
- Moderate dividend

## Guiding 2016

- Good profitability: Target 11% return on equity
- Marginal decline in risk-weighted assets (RWA)
- Runoff of BN Bank's corporate portfolio
- Moderate dividend

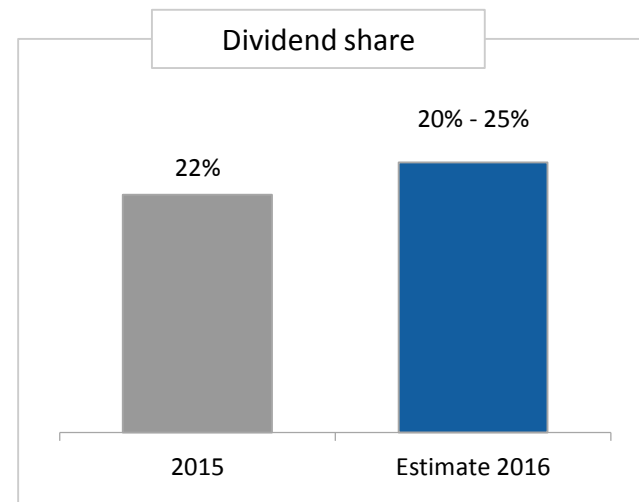
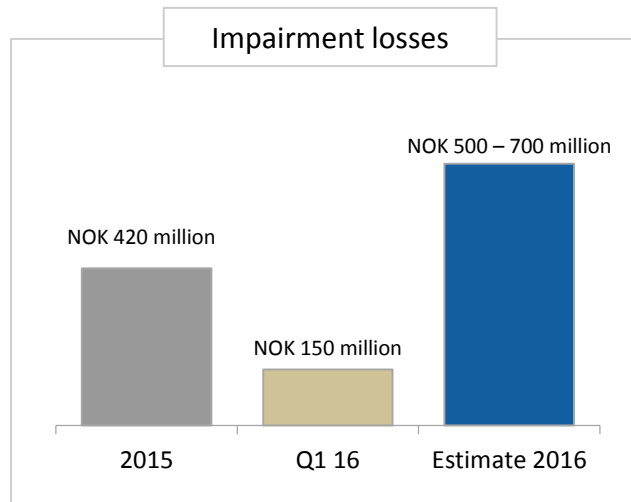
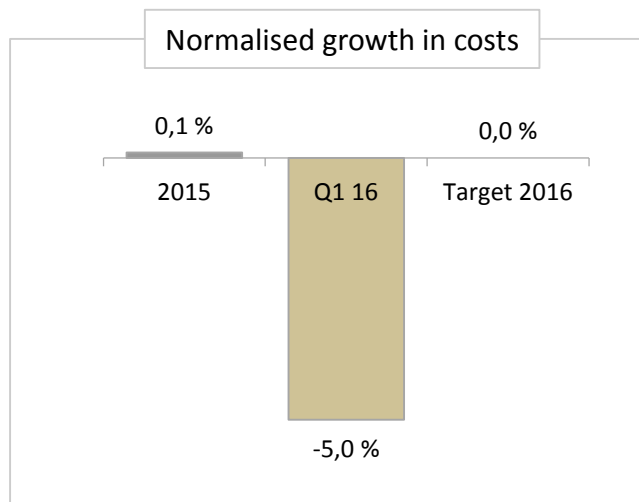
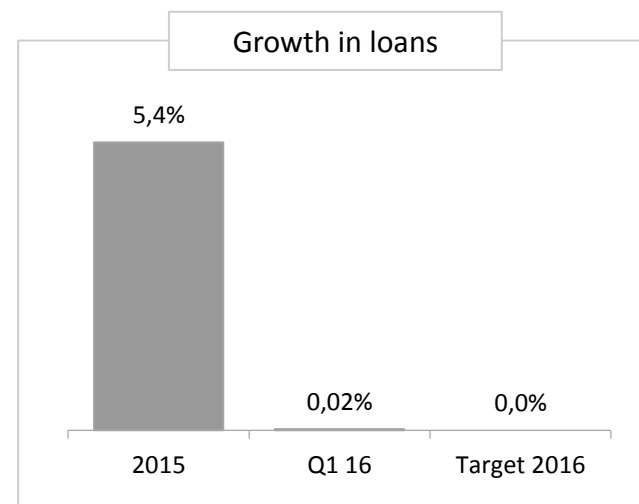
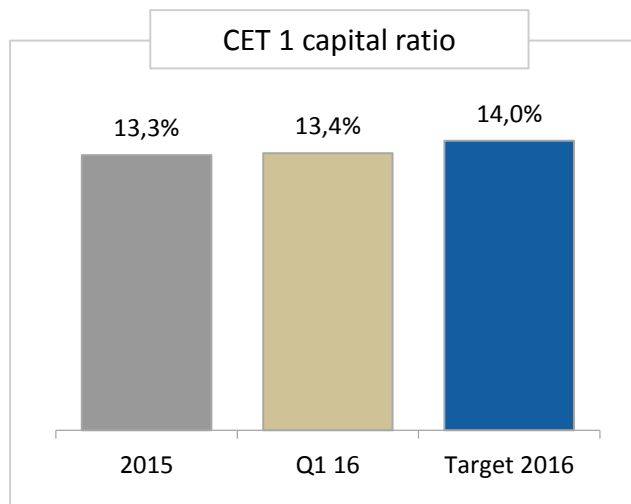
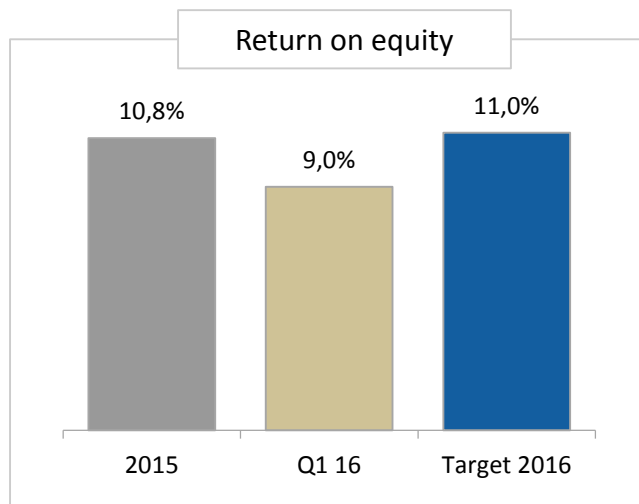


# Outlook

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- Norwegian exports more competitive due to a weaker exchange rate , while interest rates also stimulate business and household spending.
- Major infrastructure projects are helping to ensure good conditions for the region's business and population growth, with moderate unemployment.
- Uncertainty, especially in the petroleum sector, has increased due to lower oil prices. From record high levels, oil investments are reduced with approximately 16% in 2015, and continue decreasing with approximately 10% in 2016.
- Uncertainty about economic developments may dampen demand for loans, while low interest rates work in the opposite direction. We expect stable to slightly declining house prices going forward and still strong competition for new home mortgage customers.
- Long-lasting low oil prices may have negative impacts for the construction sector and the retail sector in the region.
- Non-performance and loan impairment losses are expected to increase to moderate in the future.
- Solid earnings from a robust business model indicates SpareBank 1 SR-Bank well positioned to build up the necessary capital going forward, while ensuring continued competitiveness.
- An offensive approach for the future
  - Investing in new technology, customer behavior changes as a result of digitization
  - The acquisition of 5 accounting offices to satisfy customers needs better by offering accounting services and advise

# Financial targets and estimates for 2016



# Agenda

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Introduction to SpareBank 1 SR-Bank ASA

Financials

Solvency and liquidity position

Appendix

# SpareBank 1 SR-Bank has a moderate risk profile in which no single event should be capable of seriously harming the bank's financial position

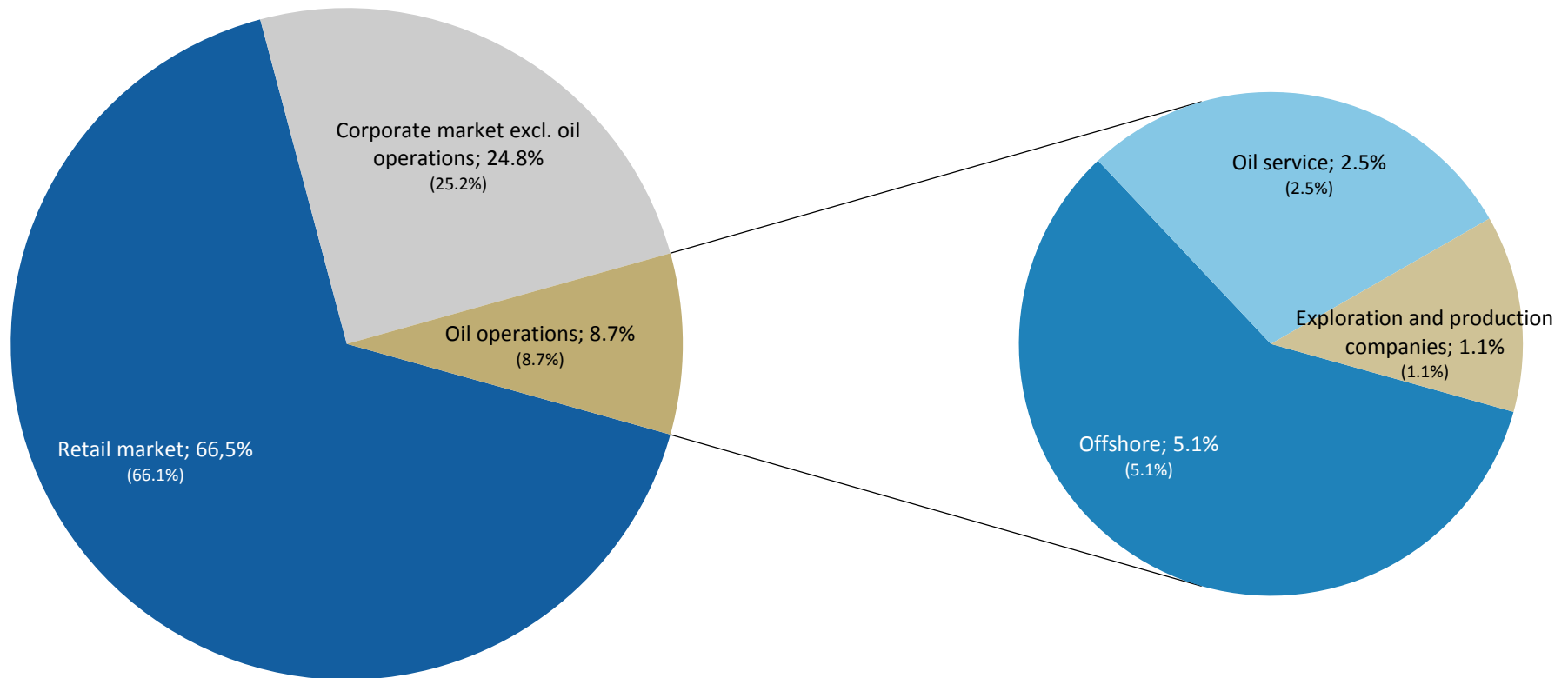
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- The core purpose of the banking industry is to create value by assuming deliberate and acceptable risk
  - SpareBank 1 SR-Bank therefore invests significant resources in developing risk management systems, processes and expertise that are in line with leading international practice
- The bank's primary market areas are Rogaland, the Agder counties and Hordaland
  - Financing outside this market area is based on customers based in the group's market area
- The bank's set clear requirements for loan activities in the corporate market
  - The activities that are financed must have a long-term perspective
  - The group must be very familiar with the ownership and management of the company
  - All financing decisions are based on the customer's debt-servicing capacity and a lack of debt-servicing capacity may not be compensated for through higher security
  - Shipping and offshore related financing (including significant parts of oil-related activities) are handled by centralised expertise
- The bank sets specific limits for the size of commitments as well as requirements concerning industry diversification
  - The maximum total exposure to an individual customer must be significantly lower than the regulatory requirements
  - The maximum unsecured exposure to an individual customer must not be so great that the potential loss cannot be absorbed without the group's financial position being significantly affected
  - This requires a diversified portfolio. The exposure to specific industries is subject to specific limits.
- The bank sets special requirements for all property financing
  - Self-financing requirements apply for all types of property financing - in relation to both residential and commercial property
  - Advanced sales requirements also apply for financing housing development projects
  - In addition to this, requirements that limit loan size/rent income ratio apply for financing commercial property

# SpareBank 1 SR-Bank has a well diversified portfolio 8.7% (8.7%) of total EAD is related to oil operations

SpareBank 1 SR-Bank\* has total BNOK 201.5 (202.5) EAD per 31.03.2016

BNOK 17.6 (17.6) EAD is related to oil operations



EAD: Exposure at default

Figures as at 31.03.2016. Figures in parentheses as at 31.12.2015.

\* Include portfolio in covered bond company.

# Oil services - total NOK 5.1 billion

(NOK 5.0 billion as at 31.12.2015)

## Exploration and concept studies

- EAD NOK 0.7 billion
- Average weighted probability of default 0.8%

## Field development and start-up drilling

- EAD NOK 1.0 billion
- Average weighted probability of default 1.4%

## Operational fields and operational drilling

- EAD NOK 2.6 billion
- Average weighted probability of default 2.3%

## On shore facilities

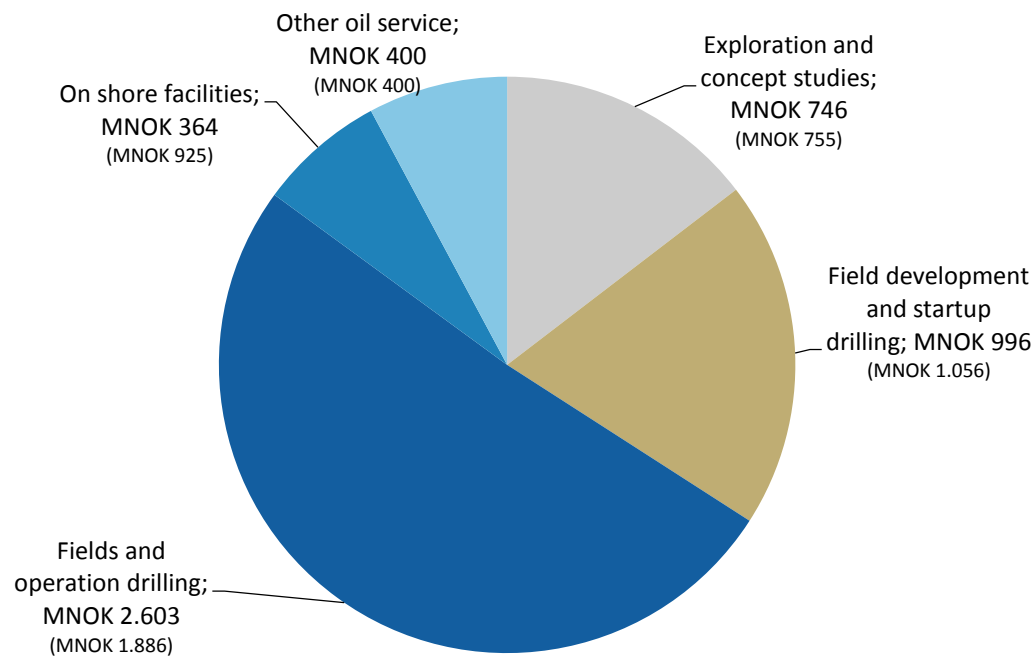
- EAD NOK 0.4 billion
- Average weighted probability of default 2.3%

## Other oil services

- EAD NOK 0.4 billion

## Oil services

- EAD NOK 5.1 billion, 2.5% of the bank's total EAD
- Average weighted probability of default for the oil services portfolio is 2.0%
- Funding of operating capital through current and fixed assets, as well as guarantees



EAD: Exposure at default

Figures as at 31.03.2016. Figures in parentheses as at 31.12.2015.



# Oil and gas - total NOK 2.1 billion

(NOK 2.2 billion as at 31.12.2015)

## Exploration financing

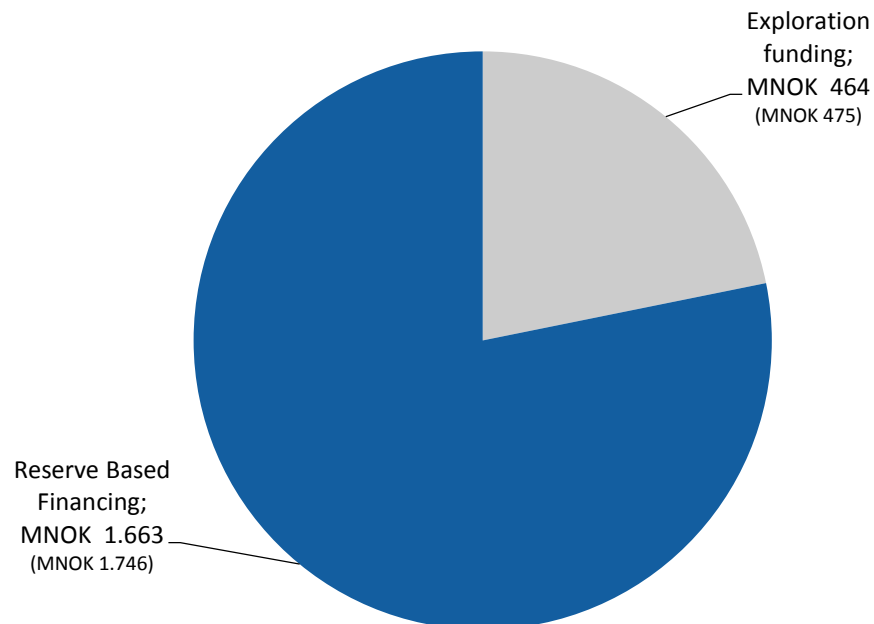
- EAD NOK 0,5 billion
- Average weighted probability of default 2.5%
- Secured by a tax refund from the Norwegian State. No direct oil price risk

## Reserve based lending (RBL)

- EAD NOK 1.7 billion
- Average weighted probability of default 2.6%
- Structured financing based on assumptions relating to reserves, production volume, investments, oil prices, etc. The basis for loans is adjusted semi-annually based on a review of total assumptions

## Exploration and production companies

- EAD NOK 2.1 billion, 1.1% of the bank's total EAD
- Average weighted probability of default for the oil and gas portfolio is 2.6%
- Exposure primarily to companies with activities on the Norwegian continental shelf



EAD: Exposure at default

Figures as at 31.03.2016. Figures in parentheses as at 31.12.2015.

# Offshore - total NOK 10.3 billion (NOK 10.4 billion as at 31.12.2015)

## Offshore Service Vessels

- EAD NOK 7.3 billion, average weighted probability of default is 1.1%, weighted average age is 7.7 years, average weighted contract coverage for 2016 and 2017 of 60% and 46% respectively, average weighted LTV 68%, 78 vessels

## Rigs

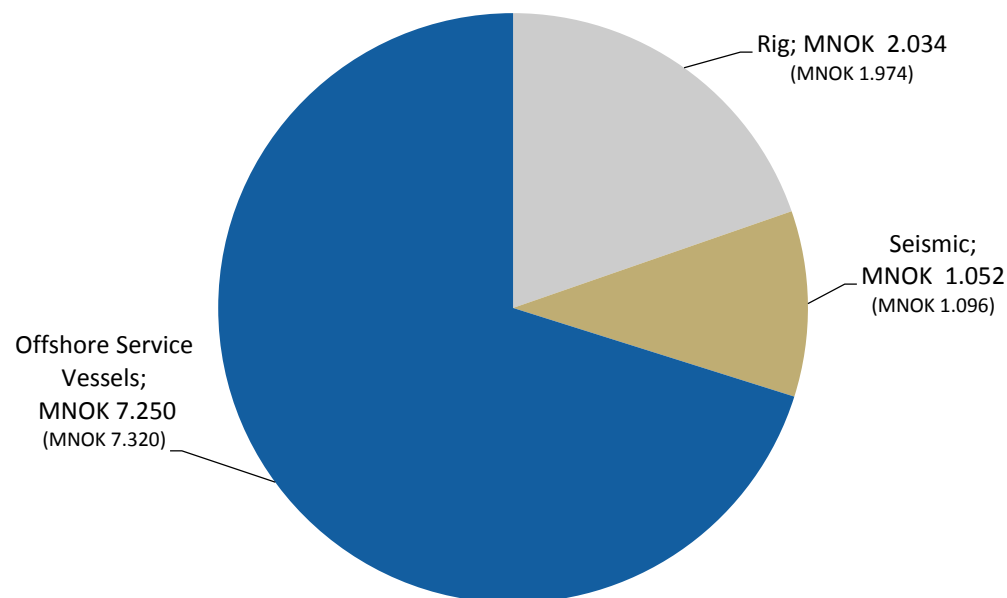
- EAD NOK 2.0 billion, average weighted probability of default is 4.8%, weighted average age is 9.4 years, average weighted contract coverage for 2016 and 2017 of 82% and 66% respectively, average weighted LTV 78%, 17 rigs

## Seismic vessels

- EAD NOK 1.1 billion, average weighted probability of default is 1.3%, weighted average age is 11.9 years, average weighted contract coverage for 2016 and 2017 of 70% and 69% respectively, average weighted LTV 68%, 7 vessels
- Applies to ship financing, not seismic equipment

## Offshore

- EAD NOK 10.3 billion, 5.1% of the bank's total EAD
- Average weighted probability of default for the offshore portfolio is 1.8%
- Exposure primarily to industrial-oriented shipping companies with strong ownership and integrated organisation



EAD: Exposure at default

Figures as at 31.03.2016. Figures in parentheses as at 31.12.2015.

LTV: Loan to Value. Value estimates per 31.12.2015

# Offshore Service Vessels - total NOK 7.3 billion

(NOK 7.3 billion as at 31.12.2015)

## PSV

- EAD NOK 2.6 billion, weighted average age is 5.0 years

## AHTS

- EAD NOK 0.7 billion, weighted average age is 8.5 years

## Subsea

- EAD NOK 2.6 billion, weighted average age is 7.5 years

## Standby/area contingency

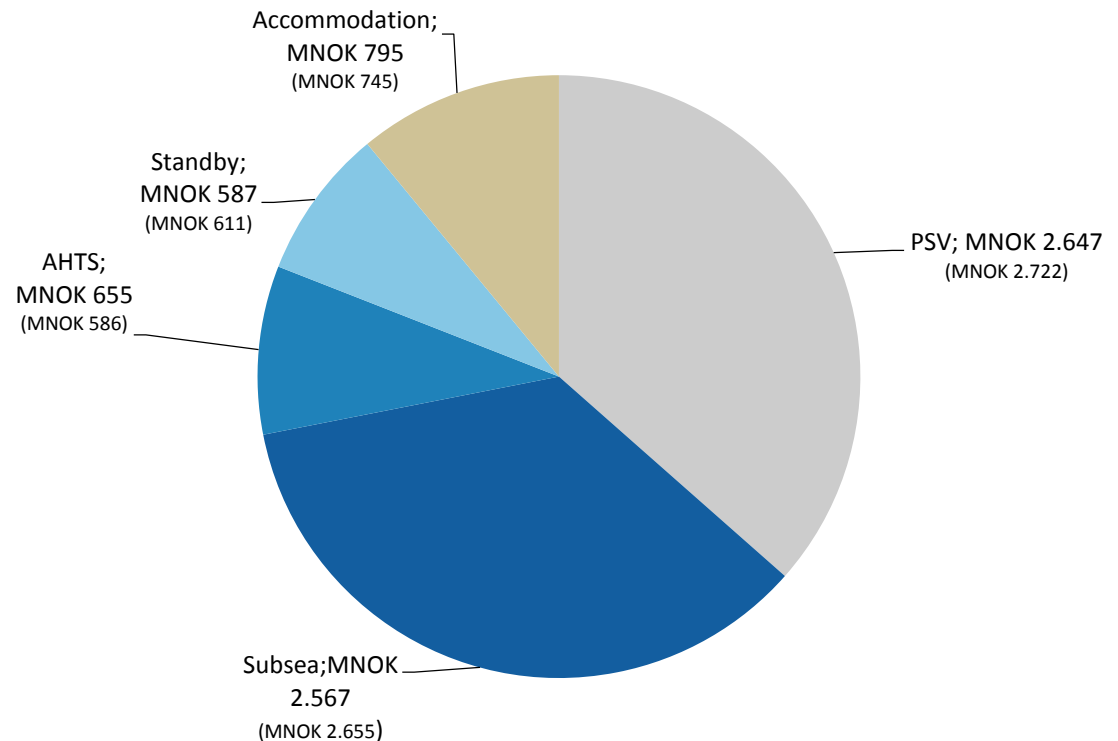
- EAD NOK 0.6 billion, weighted average age is 4.8 years

## Accommodation

- EAD NOK 0.8 billion, weighted average age is 18.9 years

## Offshore Service Vessels

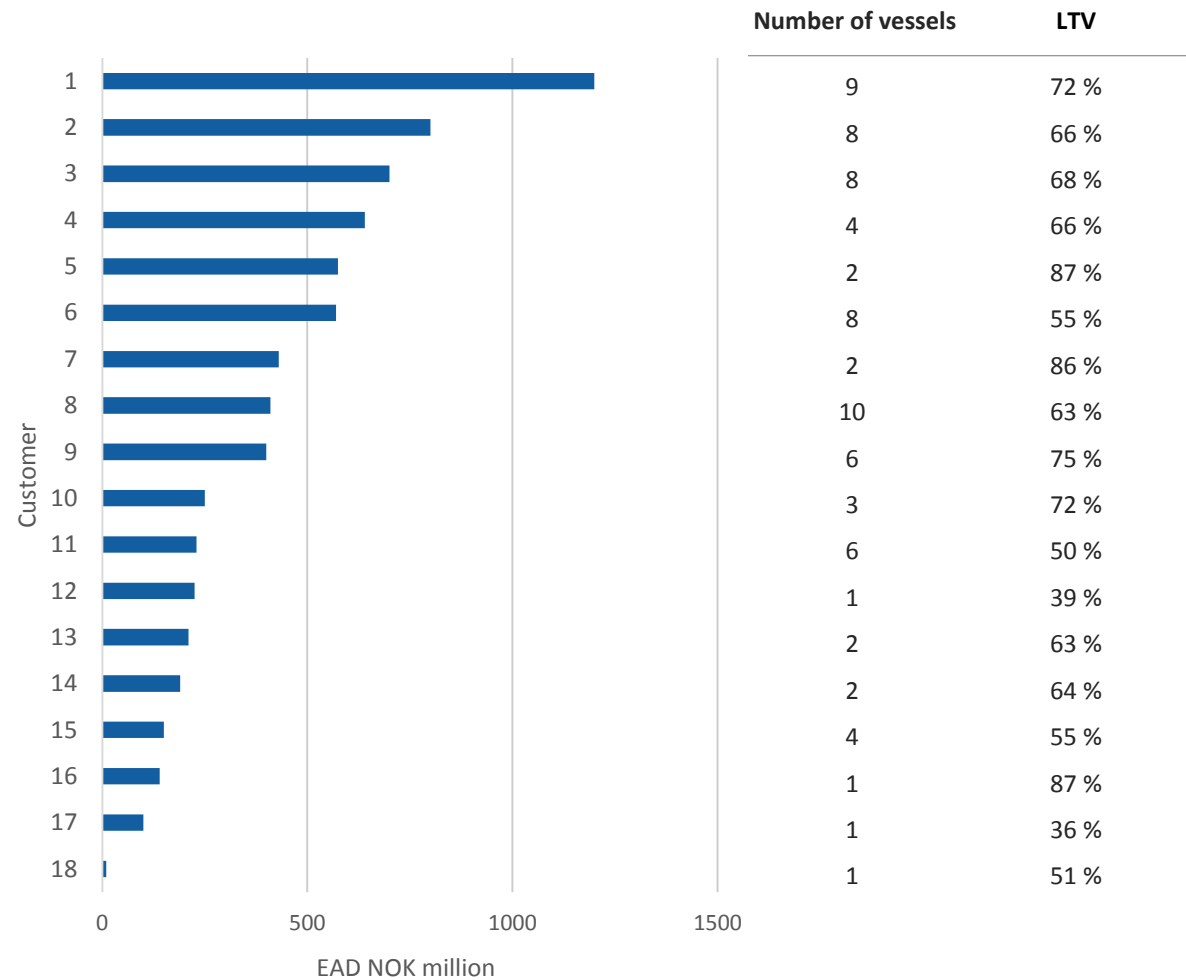
- Most customers with long history as a borrower in SpareBank 1 SR-Bank
- Most of the companies are listed on stock exchange or family owned
- A major part is industrially focused companies, only a small number of financially oriented owners



EAD: Exposure at default  
 Figures as at 31.03.2016. Figures in parentheses as at 31.12.2015.

# Offshore Service Vessels – largest customer group

- Well diversified portfolio. One commitment of NOK 1.2 billion, rest of NOK 800 million or lower
- Financing of 78 vessels, all with 1. priority pledge
- Generally low loan to value (LTV). Valuations made by 3. party brokerage companies as of 31.12.2015. Value estimates reduced by 20% from 31.12.2014

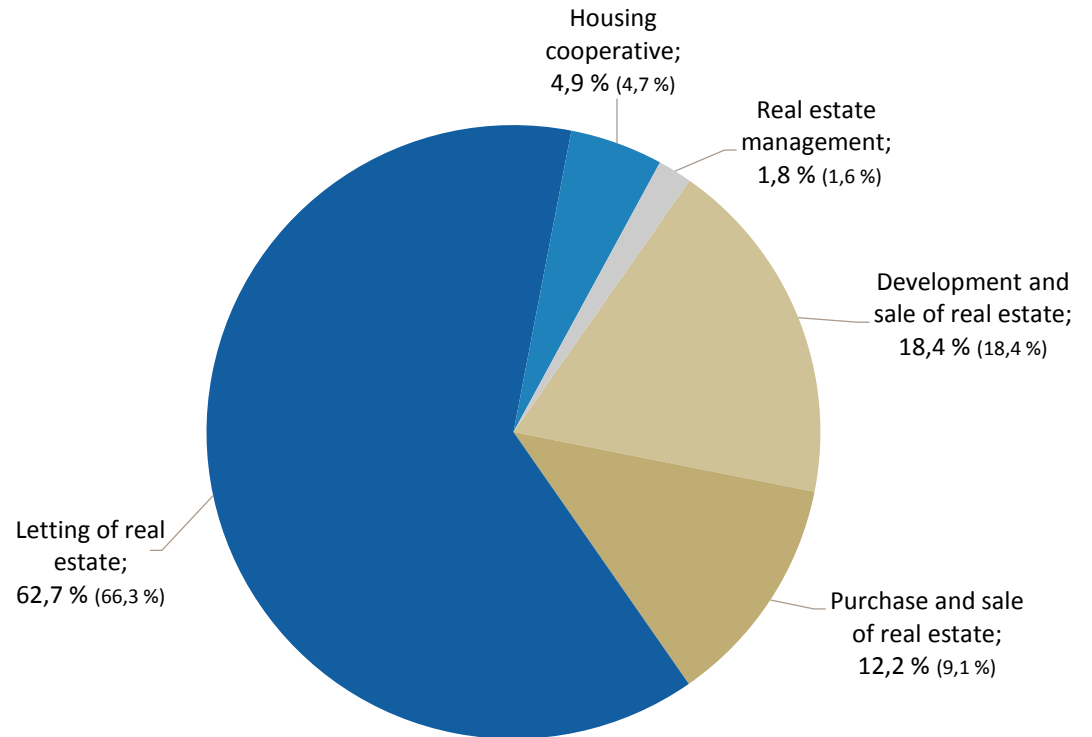


Total EAD NOK 7.3 billion

# Lending to commercial property

## Lending to commercial property

- NOK 27.7 billion, 15.1% of the bank's total loans.
- 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.
- NOK 3.3 billion is related to letting of real estate to oil related activities.



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

Figures as at 31.03.2016. Figures in parentheses as at 31.03.2015.

# SpareBank 1 SR-Bank monitors and follows up pro-actively

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- The bank continuously monitors portfolios
- If special incidents occur, special portfolio reviews are conducted
- The customer units continuously and pro-actively follow up the bank's credit customers
- Commitments where the risk of poorer debt-servicing capacity increases significantly are included on the bank's watch list:
  - subject to special follow-up
  - use of the bank's total resources
  - if necessary resources from the bank's 'work out' unit
- The bank's loan portfolio with individual commitments, where EAD is more than NOK 50 million, has recently been analysed in order to identify commitments that might be affected by a prolonged fall in oil prices. The main observations are:
  - Good diversification
  - The majority of the exposure is related to businesses:
    - with a clear industrial profile
    - linked to exploration and production companies in oil and gas
    - where the primary activity is linked to the Norwegian continental shelf
  - Low exposure to the most risky part of the value chain that is exploration and development

# Our vision: the customer's first choice in Southern and Western Norway

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## Objectives

- SpareBank 1 SR-Bank's objectives are to stimulate growth and development in the region
- To provide a sustainable contribution to the wealth creation process in the region through:
  - A sustainable and profitable business model
  - An owner-friendly, stable dividend policy

## Financial goals

- Return on equity of 11% after tax in 2016. The longer term target is a minimum of 11%.
- Top 50% return on equity and cost/income in a Nordic benchmark

## Strategic goals

- Nearer to people and companies
- We want to be nearer to people and companies than our competitors by understanding the people, companies and markets in the region better than our competitors.
- We want to learn what is important for our customers through a combination of close, personal relationships and the proper utilisation of customer data. We want to be an accessible, long-term partner whom the customers trust.

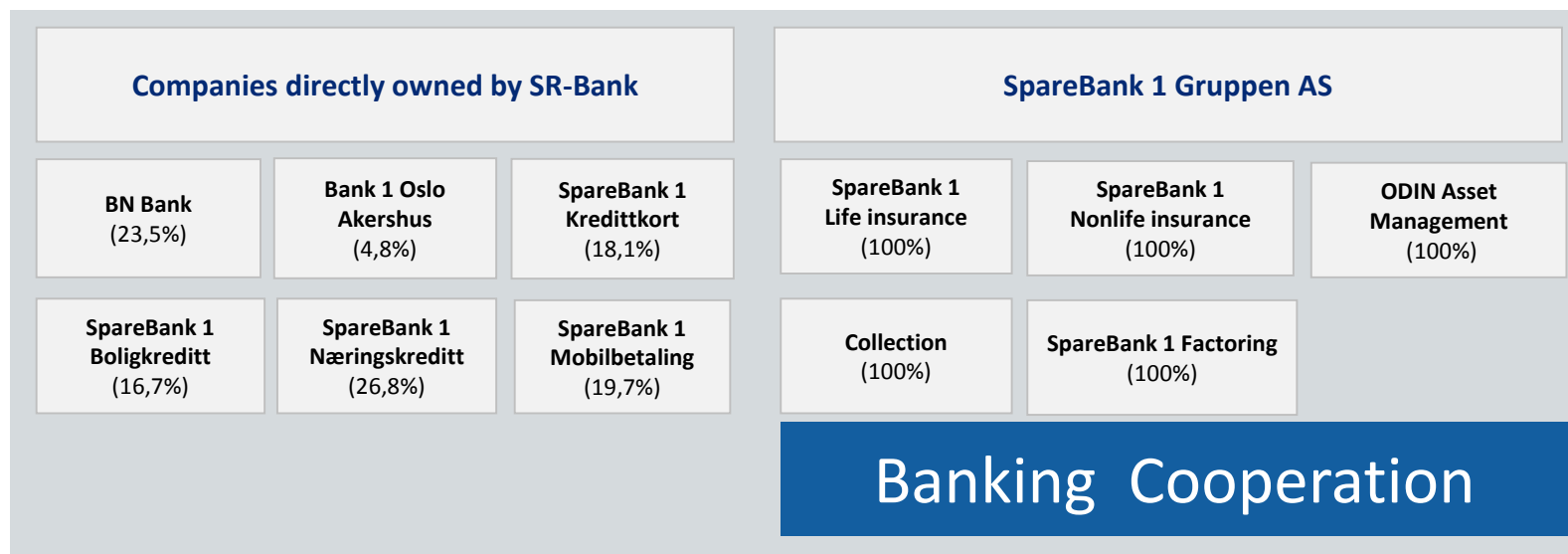
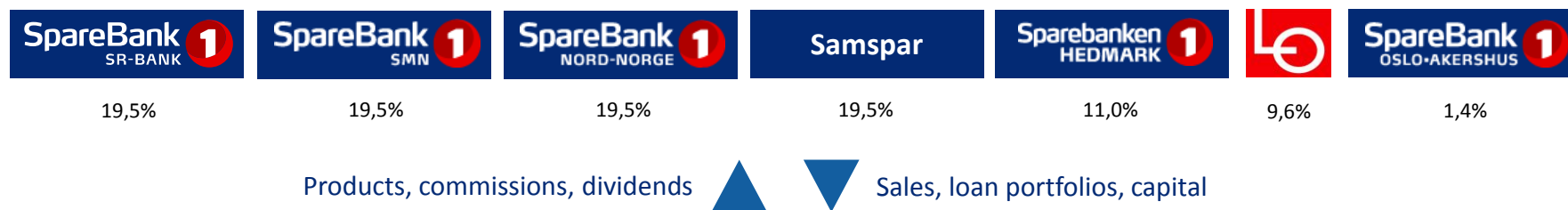
## Strategic focus

- Portfolio quality
- Managed and selective growth, greater product mix
- Risk pricing
- Portfolio management
- Innovation, digitalisation and continuous streamlining - cost effectiveness
- Strengthening capital
- Diversified funding platform

# 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

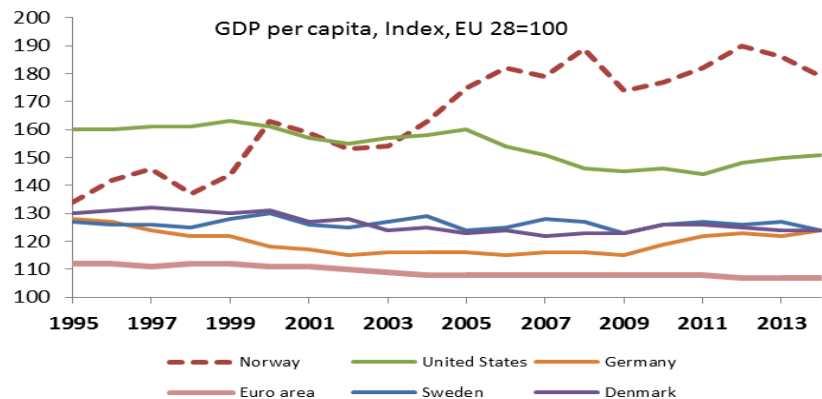




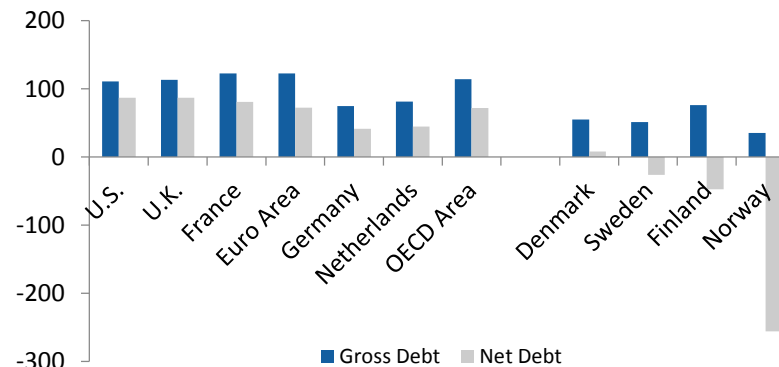
# Norwegian Economy

## - A unique situation with a continuing budget surplus...

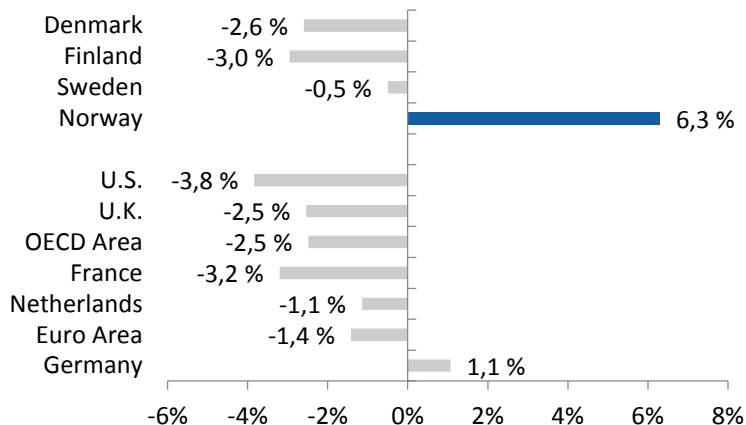
GDP per capita, index, EU 28 = 100



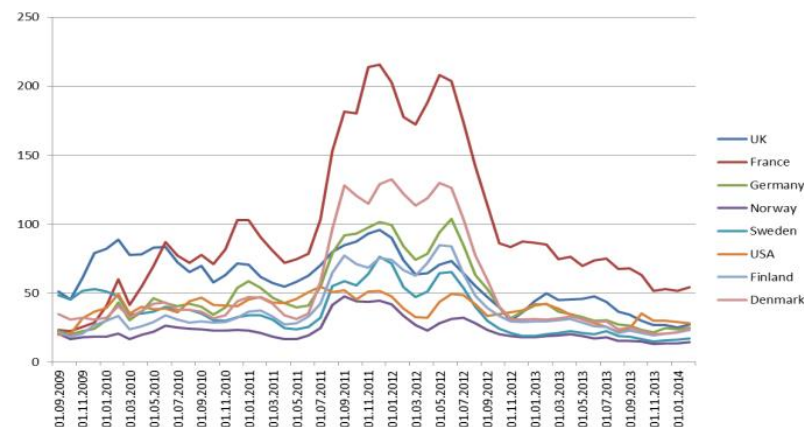
2016 governments financial liabilities (in per cent of GDP)



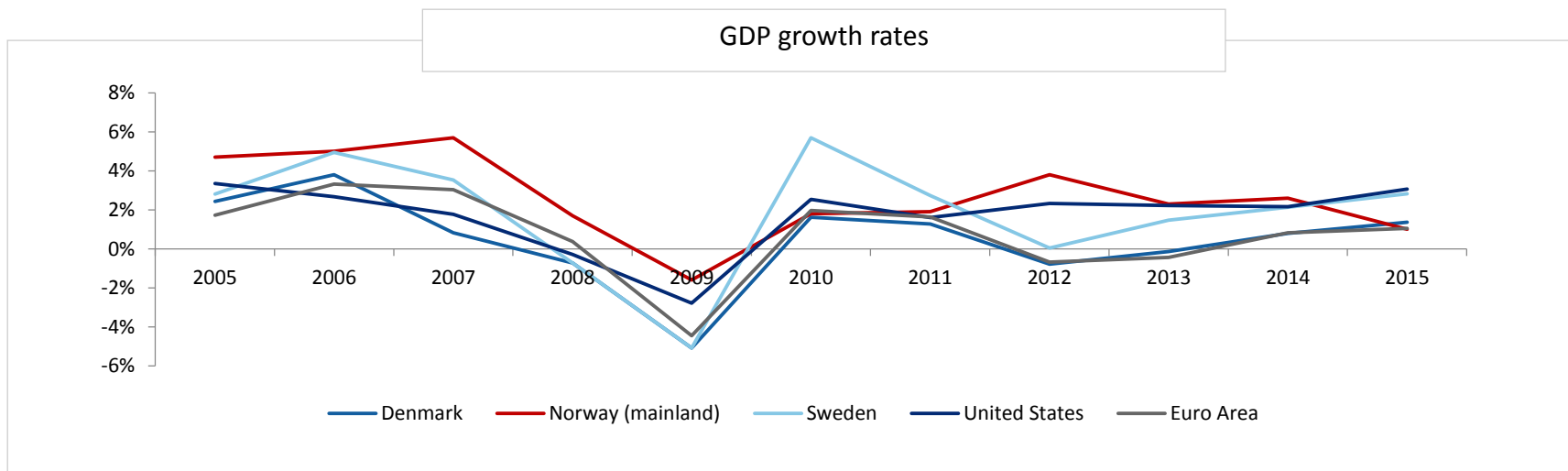
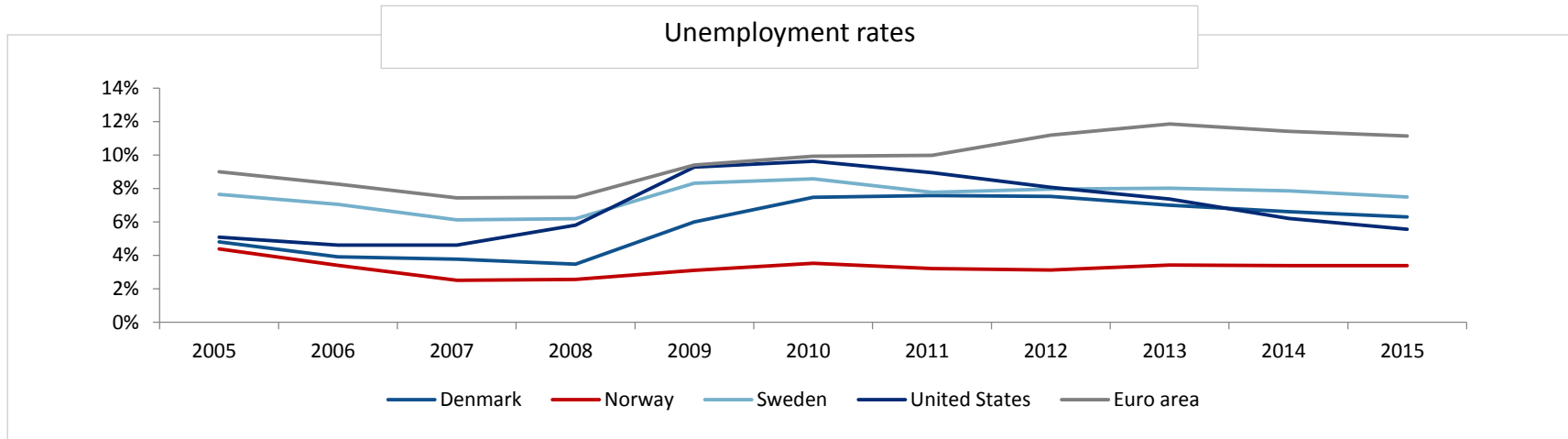
2016 government deficit/surplus (in per cent of GDP)



The market view; 5 year Sovereign CDS levels



# Norwegian Economy – international context

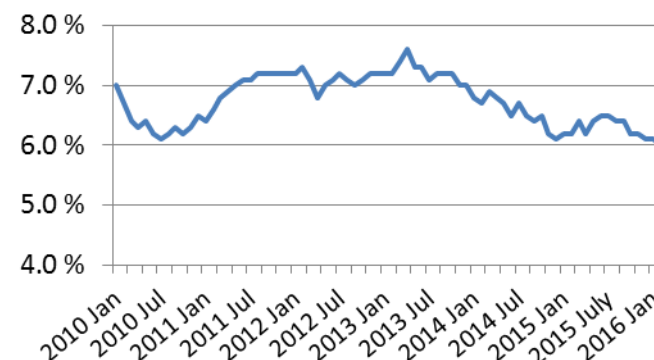


Source: OECD Economic Outlook no.96 and Statistics Norway

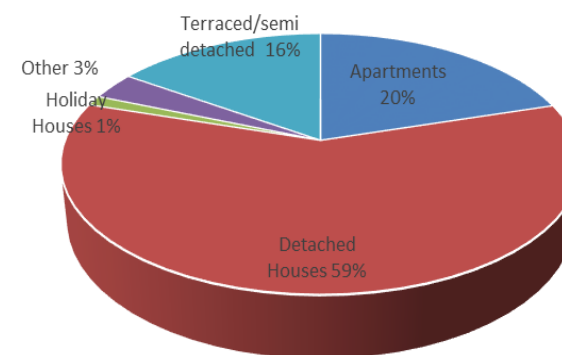
# Housing and mortgage markets – Key characteristics

<b>Mortgage Market</b>	<ul style="list-style-type: none"> <li>Total size approximately NOK 2,500 billion (USD 320bn, €280bn)</li> <li>Private banks (incl. savings banks) are the dominant suppliers of mortgages with over 90% market share</li> <li>Scheduled repayment mortgages: 83.4%, flexible: 16.6%</li> <li>Typical maturity: 25 years</li> <li>First priority security market with high doc. standard</li> </ul>
<b>Home Ownership</b>	<ul style="list-style-type: none"> <li>Over 80% of households owner occupied (little buy to let)</li> <li>Between 50 and 60% are detached one-family houses</li> </ul>
<b>Social security</b>	<ul style="list-style-type: none"> <li>Generous unemployment benefits</li> <li>Unemployment benefit represents ca 60% of final salary for at least 104 weeks</li> </ul>
<b>Personal Liability</b>	<ul style="list-style-type: none"> <li>Borrowers are personally liable for their debt</li> <li>Swift foreclosure regime upon non-payment</li> <li>Usually tight relationship, borrower - bank</li> <li>Transparent information about borrowers</li> </ul>
<b>Regulation</b>	<ul style="list-style-type: none"> <li>Loan to value: 85% (75% legal limit for cover pool)</li> <li>Interest only mortgages: max 70% LTV</li> <li>Required amortization for loans with LTV &gt; 70 %</li> <li>5% mortgage interest rate increase as stress test</li> <li>Higher risk weighting for mortgages from 2015 (approx. 25%)</li> </ul>
<b>Interest Payments</b>	<ul style="list-style-type: none"> <li>90-95% of mortgages are variable rate</li> <li>Interest rates can be reset at the lender's discretion, by giving the debtor 6 weeks notice</li> </ul>
<b>Tax Incentives</b>	<ul style="list-style-type: none"> <li>25% of interest paid is tax deductible (equal to the basic rate of tax)</li> <li>Low effective real estate tax (lower net worth tax on real estate than financial assets)</li> </ul>

## Household credit growth (12 months growth rate)



## Norwegian Mortgages (by type of property)



# Norwegian Housing and Mortgage Market

Population Change and Completed Housing Units

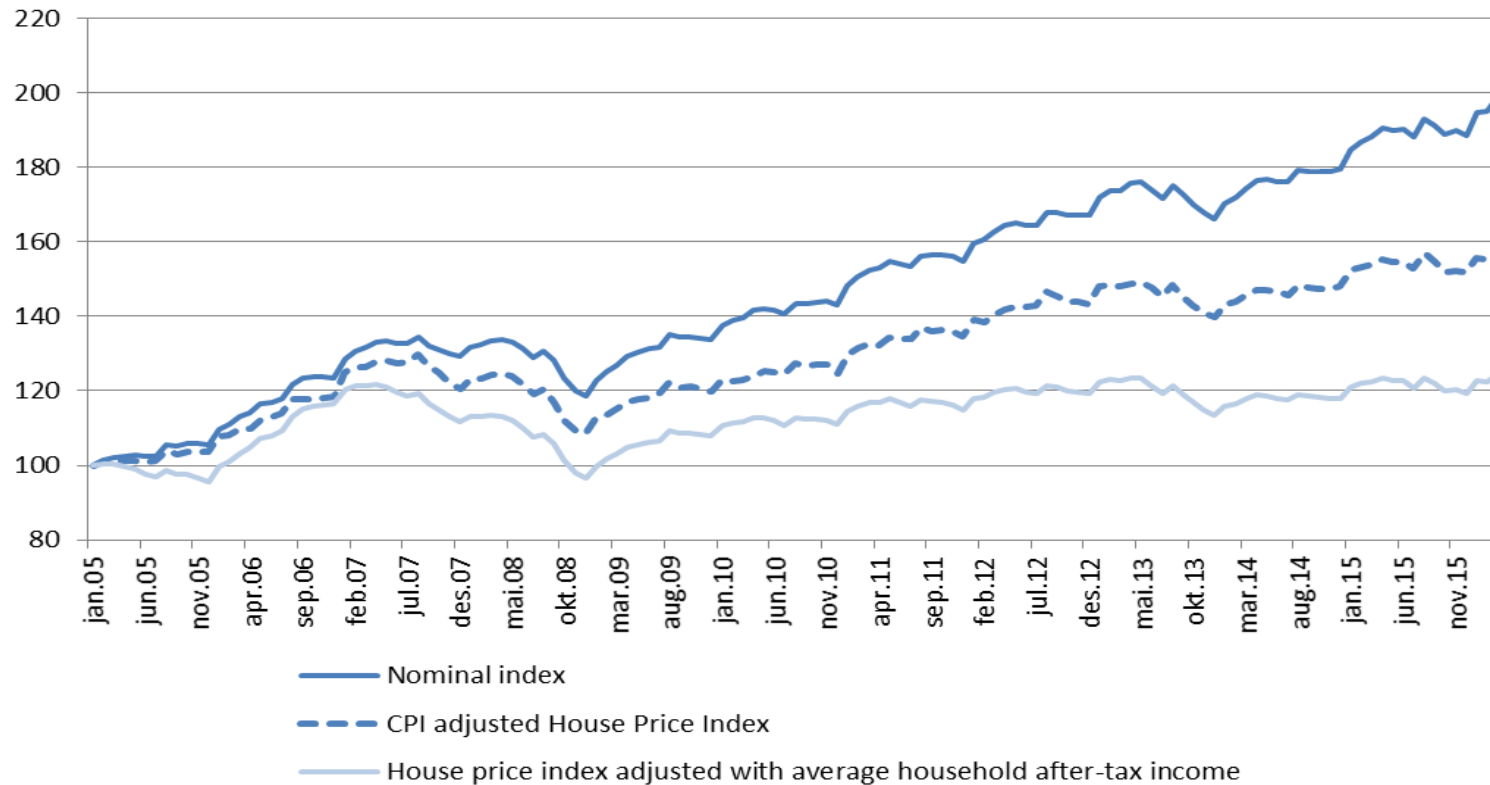


Source: Statistics Norway

# Norwegian Housing and Mortgage Market

## - Adjusted price developments

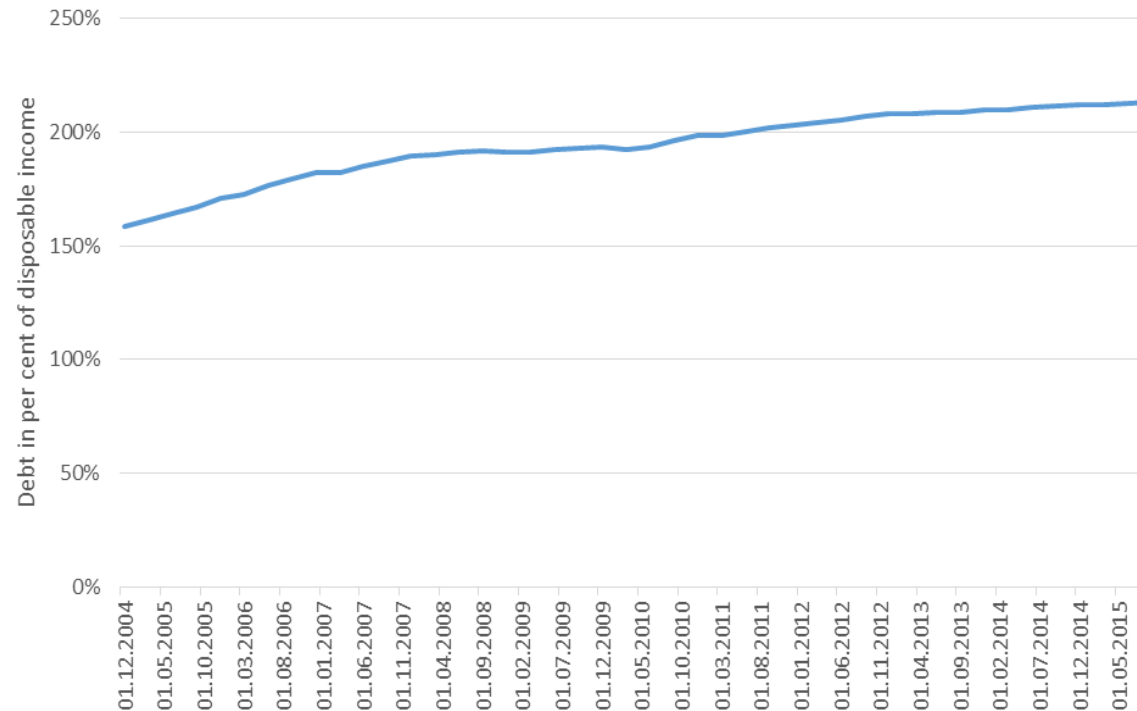
Index of House Prices, Norway, Monthly (Jan 2005 = 100)



Source: Eiendomsverdi through March 2016, SpareBank 1 Boligkreditt 's projections and indexation

# Aggregate household indebtedness

## Total Debt burden in per cent of household income (after tax)



### Norway:

- All HH debts included in the statistic, question of int'l comparability
- High home ownership (mortgage debt rather than rent commitments)
- Generous benefits (pensions, healthcare, education, childcare, maternity, unemployment)
- Income growth over the last decades has far outpaced the cost of necessities in the time period shown
- Household savings rate is high: debt reduction possible

# Balance sheet

<i>Balance sheet (MNOK)</i>	31.03.2016	31.03.2015
Cash and balances with central banks	1.497	2.400
Balances with credit institutions	5.059	2.533
<b>Net loans to customers</b>	<b>154.221</b>	<b>143.937</b>
Certificates, bonds and other fixed-income securities	20.963	14.789
Financial derivatives	5.403	5.760
Shares, ownership stakes and other securities	428	631
Business available for sale	162	22
Investment in associates	5.017	4.886
Other	2.013	1.955
<b>Total assets</b>	<b>194.763</b>	<b>176.913</b>
Balances with credit institutions	4.174	4.803
Deposits from customers	87.023	85.984
Listed debt securities	75.737	60.198
Financial derivatives	3.064	3.916
Other liabilities	4.160	3.093
Additional Tier 1 and Tier 2 capital instruments	3.310	2.975
<b>Total liabilities</b>	<b>177.468</b>	<b>160.969</b>
<b>Total equity</b>	<b>17.295</b>	<b>15.944</b>
<b>Total liabilities and equity</b>	<b>194.763</b>	<b>176.913</b>

# Net commission and other income

<i>MNOK</i>	Q1 16	Q4 15	Q3 15	Q2 15	Q1 15
Payment facilities	54	56	66	56	58
Savings/placements	51	48	45	48	49
Insurance products	50	48	48	47	47
Commission income real estate broking	68	82	84	113	104
Guarantee commission	28	34	28	33	34
Arrangement- and customer fees	30	27	16	26	16
Accounting services SpareBank 1 Regnskapshuset SR*	23	10	7	8	10
Other	7	14	4	2	6
<b>Net commission and other income excl. covered bond companies</b>	<b>311</b>	<b>319</b>	<b>298</b>	<b>333</b>	<b>324</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	41	53	55	66	84
<b>Net commission and other income incl. covered bond companies</b>	<b>352</b>	<b>372</b>	<b>353</b>	<b>399</b>	<b>408</b>

\*SpareBank 1 Regnskapshuset SR was established in the first quarter of 2015 in connection with the acquire of the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet AS. The company acquired a number of accounting firms in 2015.



# Net income on investment securities

MNOK	Q1 16	Q4 15	Q3 15	Q2 15	Q1 15
Dividends	8	1	1	8	7
Investment income, associates	104	110	78	101	133
Securities gains/losses	-66	-87	-100	-14	-23
- of which capital change in shares and certificates	-21	-34	-6	-4	4
- of which capital change in certificates and bonds	-53	-80	-100	-46	-49
- of which derivatives; bonds and certificates	8	27	6	36	22
Currency/interest gains/losses	33	-37	33	-1	94
- of which currency customer- and own-account trading	29	25	31	17	31
- of which value change basis swap spread	13	6	13	2	67
- of which counterparty risk derivatives including CVA	1	-66	-	-	-
- of which IFRS-effects	-10	-2	-11	-20	-4
<b>Net income on investment securities</b>	<b>79</b>	<b>-13</b>	<b>12</b>	<b>94</b>	<b>211</b>

# Subsidiaries

<i>MNOK</i>	31.03.16	31.03.15
<b>EiendomsMegler 1 SR-Eiendom AS</b>		
Number of sales	1.211	1.785
Operating profit before tax	-6	12
<b>SpareBank 1 SR-Finans AS</b>		
Total assets (BNOK)	7	7
Operating profit before tax	43	36
<b>SR-Forvaltning AS</b>		
Total assets under management (BNOK)	9	10
Operating profit before tax	8	8
<b>SR-Investering AS</b>		
Operating profit before tax	-1	0
<b>SpareBank 1 Regnskapshuset SR AS</b>		
Operating profit before tax*	1	1,7
<b>SR-Boligkreditt AS</b>		
Operating profit before tax**	38	-
<b>Other</b>		
Operating profit before tax	0	-3
<b>Total subsidiaries</b>		
Profit before tax	83	55

\*SpareBank 1 Regnskapshuset SR was established in the first quarter of 2015 in connection with the acquire of the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet AS. The company acquired a number of accounting firms in 2015. The result to Regnskapshuset SR includes amortization of intangible assets of NOK 0,4 million.

\*\* SR-Boligkreditt AS was established in the second quarter of 2015.

# Ownership interests

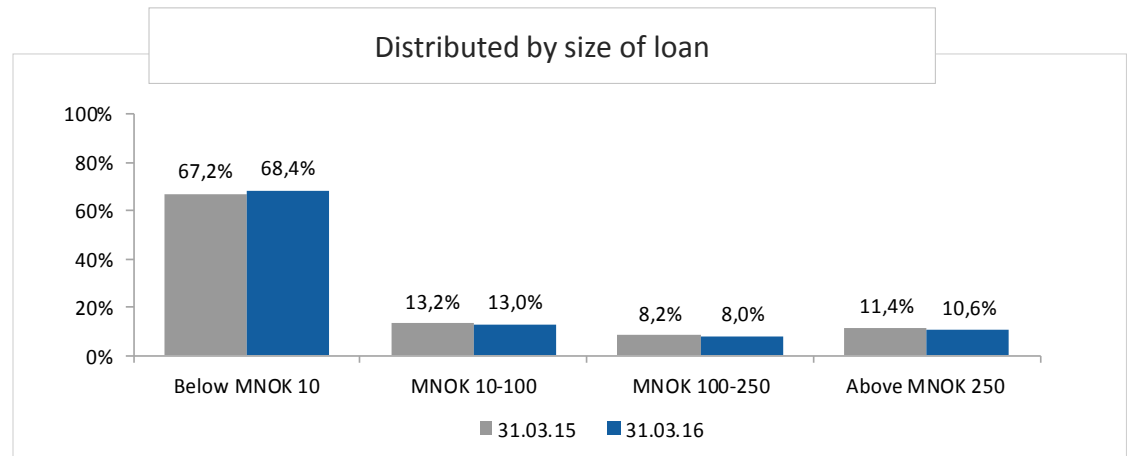
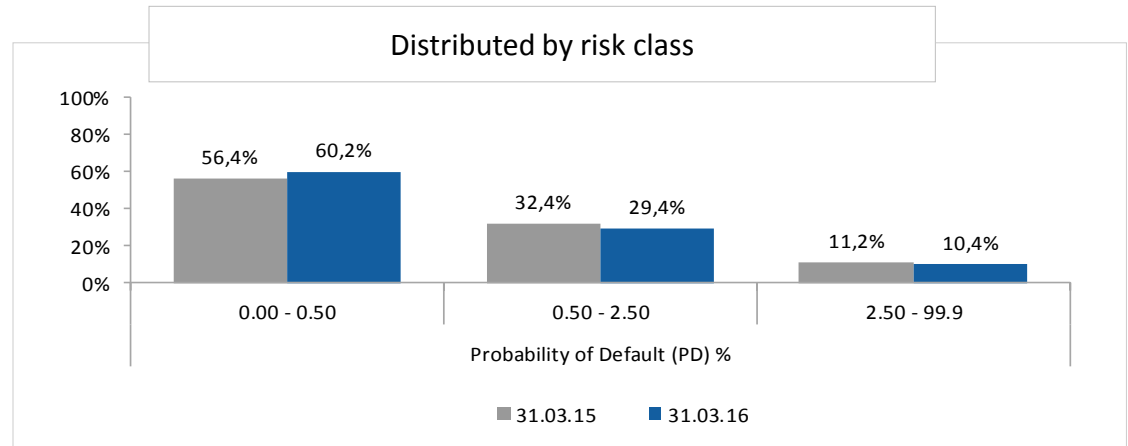
MNOK	31.03.16	31.03.15
<b>SpareBank 1 Gruppen AS</b>		
<i>Interest ownership</i>	19,5%	19,5%
Profit after tax	55	59
Adjusted profit previous years	6	0
<b>SpareBank 1 Boligkreditt AS</b>		
<i>Interest ownership</i>	16,7%	20,1%
Profit after tax	18	47
Adjusted profit previous years	4	0
<b>SpareBank 1 Næringskreditt AS</b>		
<i>Interest ownership</i>	26,8%	26,8%
Profit after tax	6	6
Adjusted profit previous years	0	0
<b>BN Bank ASA</b>		
<i>Interest ownership</i>	23,5%	23,5%
Profit after tax	14	13
<b>SpareBank 1 Kredittkort AS</b>		
<i>Eierandel</i>	18,1%	18,1%
Resultat etter skatt	6	4
<b>Other</b>		
Profit after tax	-5	4
<b>Total ownership interests</b>		
Profit after tax	104	133

# Impairment losses on loans and guarantees

	Q1 16	Q4 15	Q3 15	Q2 15	Q1 15
<i>Losses on loans in income statement (MNOK)</i>					
Corporate customers	82	145	40	18	62
Retail customers	8	-4	6	7	6
Change in collective impairment losses on loans	60	51	50	19	20
Net impairment losses on loans	150	192	96	44	88
	31.12	31.12	30.09	30.06	31.03
<i>Impairment losses on loans (MNOK)</i>	16	15	15	15	15
Corporate customers	304	249	301	292	292
Retail customers	69	66	65	64	59
Collective impairment losses on loans	578	518	467	417	398
Total impairment losses on loans	951	833	833	773	749

# Risk profile of the loan portfolio

- SpareBank 1 SR-Bank has a solid loan portfolio with positive development in risk profile.
- 60.2% of the bank's loan exposure has a PD\* below 0.5%.
- Single loan exposures less than NOK 10 million aggregates 68.4% of total loan portfolio.
- Single loan exposures above NOK 250 million is stable and aggregates 10.6% of total loan portfolio.



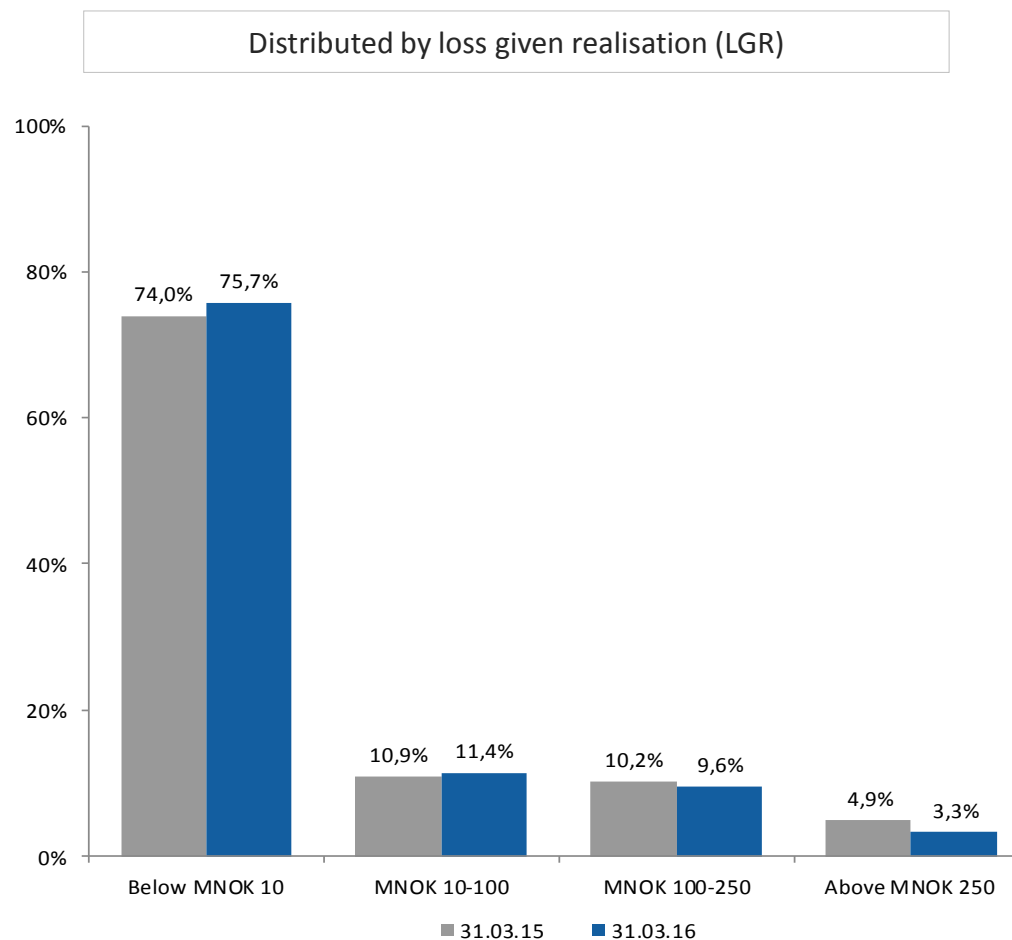
\*Probability of default (PD) through a full cycle of loss.

The figure includes lending portfolios from covered bond companies.

# Low concentration of individual LGRs in the lending portfolio

- At the end of Q1 2016, SpareBank 1 SR-Bank had a total of 50 commitments with a loss potential exceeding NOK 100 million.
- These commitments represent 12.9 % of the loan exposure, which is a reduction from 15.1 % in Q1 2015.
- The proportion of loans with loss potential below NOK 10 million has increased since Q1 2015 and is now 75.7 %.
- There is a clearly defined strategy behind this portfolio composition. The growth and risk profile are managed, for example, through special credit strategy limits for concentration risk.

LGR (Loss Given Realisation). Estimated loss on realising a single loan. Corresponds to LGD without statistical correction for certain non-performing loans being reclassified as recoverable prior to collection. The calculation is based on the realisation value of assets pledged as security in an economic downturn.

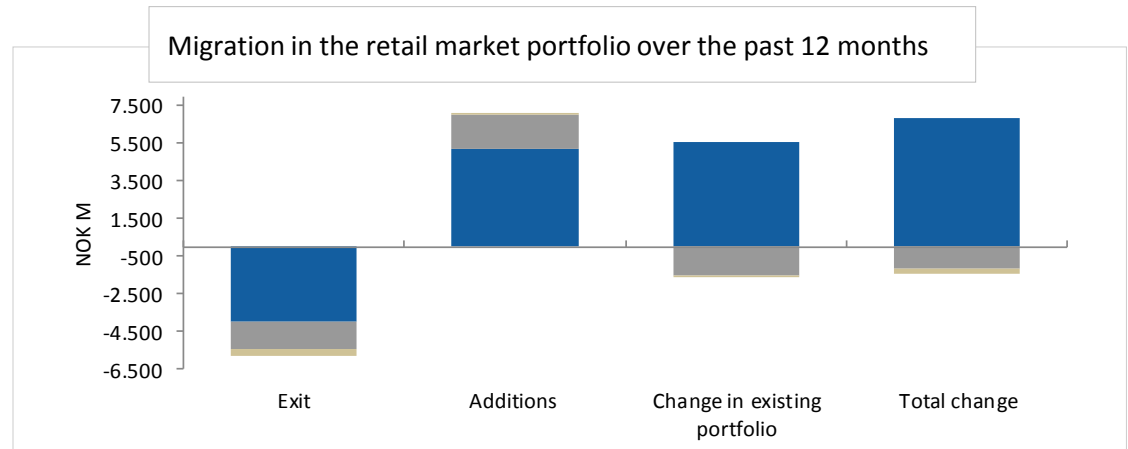
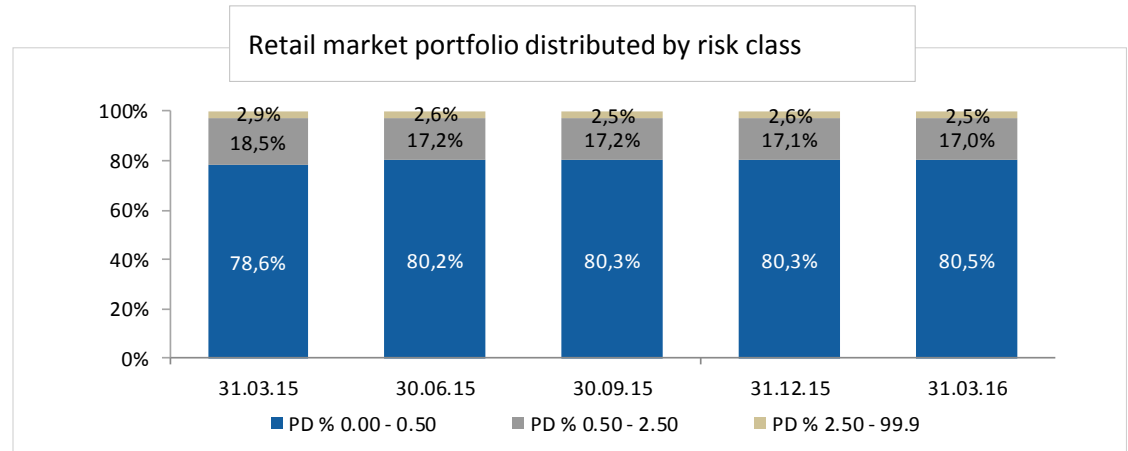


# Risk profile – Lending to the retail market

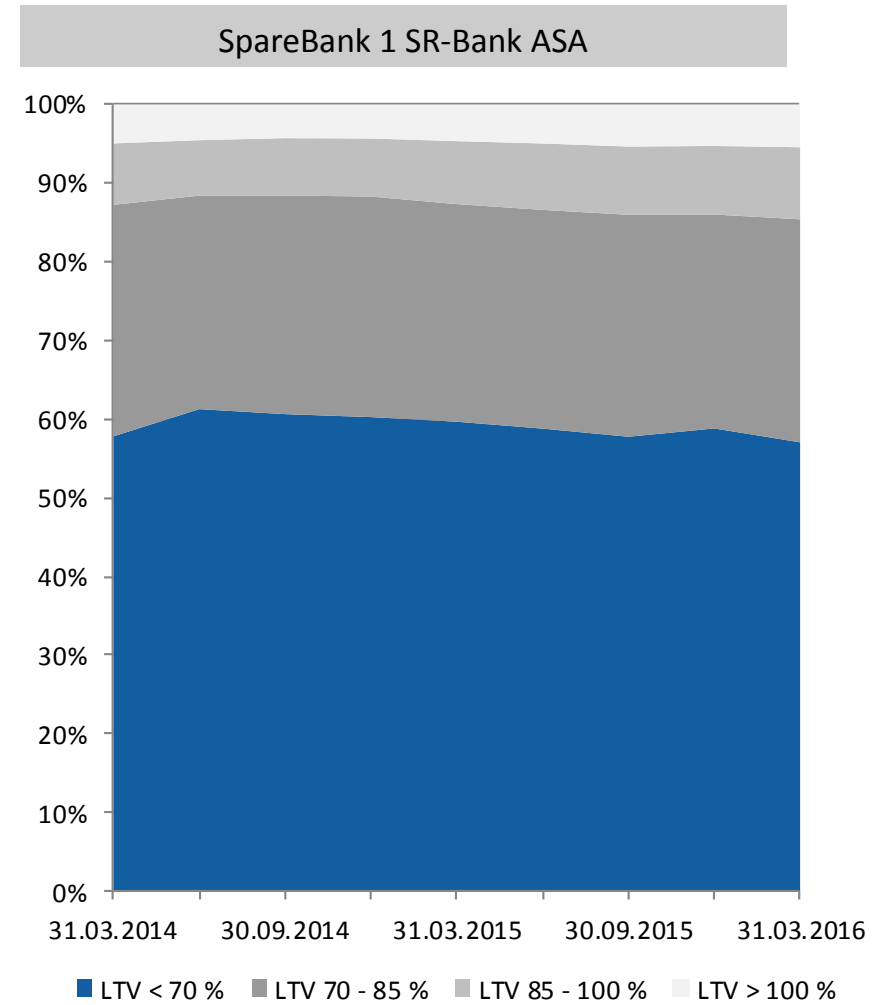
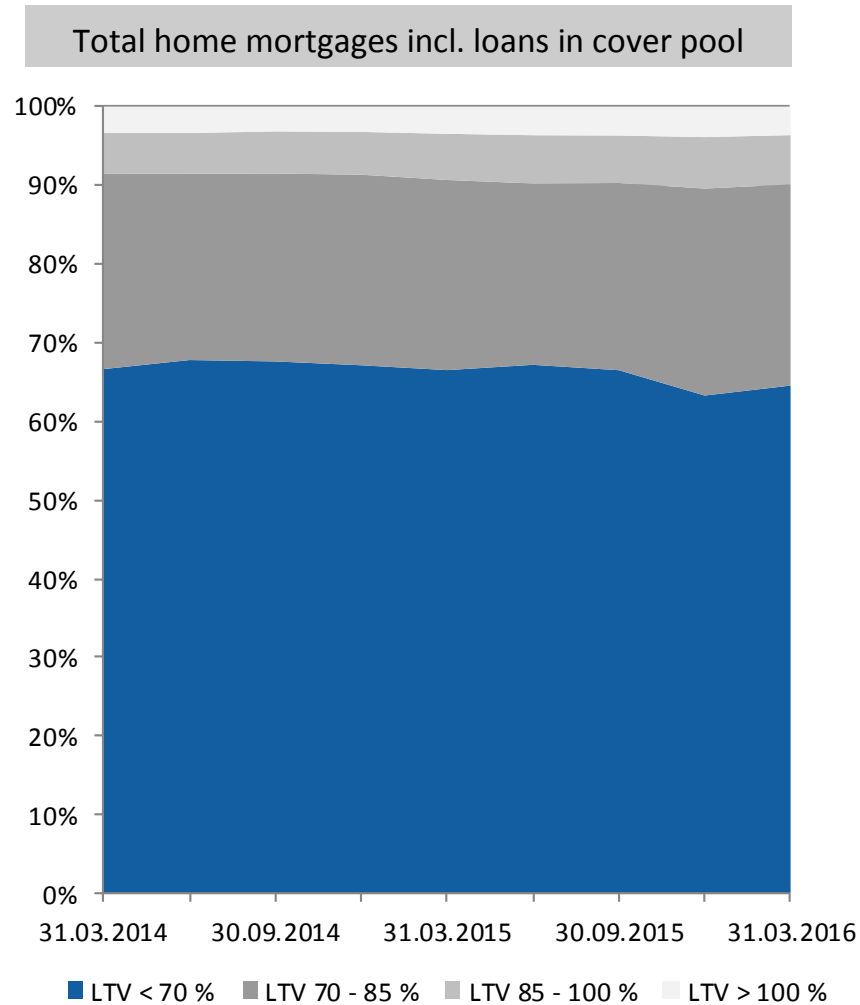
- *The quality of the retail market portfolio is considered to be good and has low potential losses.*
- *The proportion of loans with a PD\* below 0.5% has increased to 80.5% of the total retail portfolio.*
- *The low risk profile is achieved through prudent customer selection and requirements for moderate LTV.*
- *Most of the portfolio is secured against a mortgage on real estate, and lending is overall moderate compared to asset value.*

\*Probability of default (PD) through a full cycle of loss.

Figures include portfolio in covered bond companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).



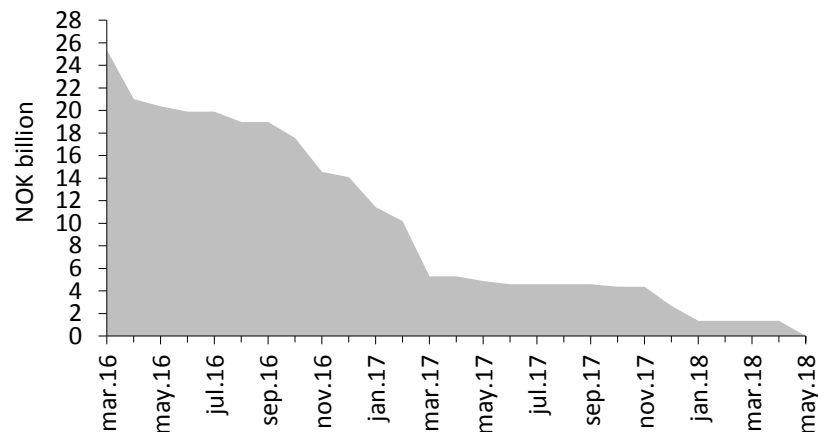
# Historical LTV development for home mortgage loans





# Liquidity portfolio

## Liquidity buffer – survival period



- *Liquidity buffer at the end of the quarter: NOK 25.4 billion*
- *Other liquid assets:*
  - *Home mortgages prepared for transfer to mortgage company: NOK 22.4 billion*
  - *Commercial paper and bonds in the trading portfolio: NOK 0.4 billion*

*Liquidity buffer: cash, highly liquid bonds.*

*Providing deposits and lending remain unchanged, with no new borrowing during the period.*

## Liquidity portfolio

Category	NOK million	Share %	Of which, securities classified to amortised cost, MNOK
Norwegian government/municipal	431	2 %	0
SSA/Foreign guaranteed	6.450	32 %	189
Covered bonds (Norwegian/foreign)	13.084	62 %	972
Norwegian bank/finance	614	3 %	0
Foreign bank/finance	0	0 %	0
Industry/Other	0	0 %	0
<b>Total liquidity portfolio</b>	<b>20.579</b>	<b>100 %</b>	<b>0</b>

# Investments in bonds and certificates

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA og AA-	19.801	94,5 %
Low risk	A+, A og A-	275	1,3 %
Moderate risk	BBB+, BBB og BBB-	603	2,9 %
High risk	BB+, BB og BB-	86	0,4 %
Very high risk	B+ and lower	186	0,9 %
<i>Total portfolio</i>		20.951	100,0 %

## *Of which liquidity purposes:*

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA og AA-	19.801	96,2 %
Low risk	A+, A og A-	275	1,3 %
Moderate risk	BBB+, BBB og BBB-	503	2,4 %
High risk	BB+, BB og BB-	0	0,0 %
Very high risk	B+ and lower	0	0,0 %
<i>Total liquidity purposes</i>		20.579	100,0 %

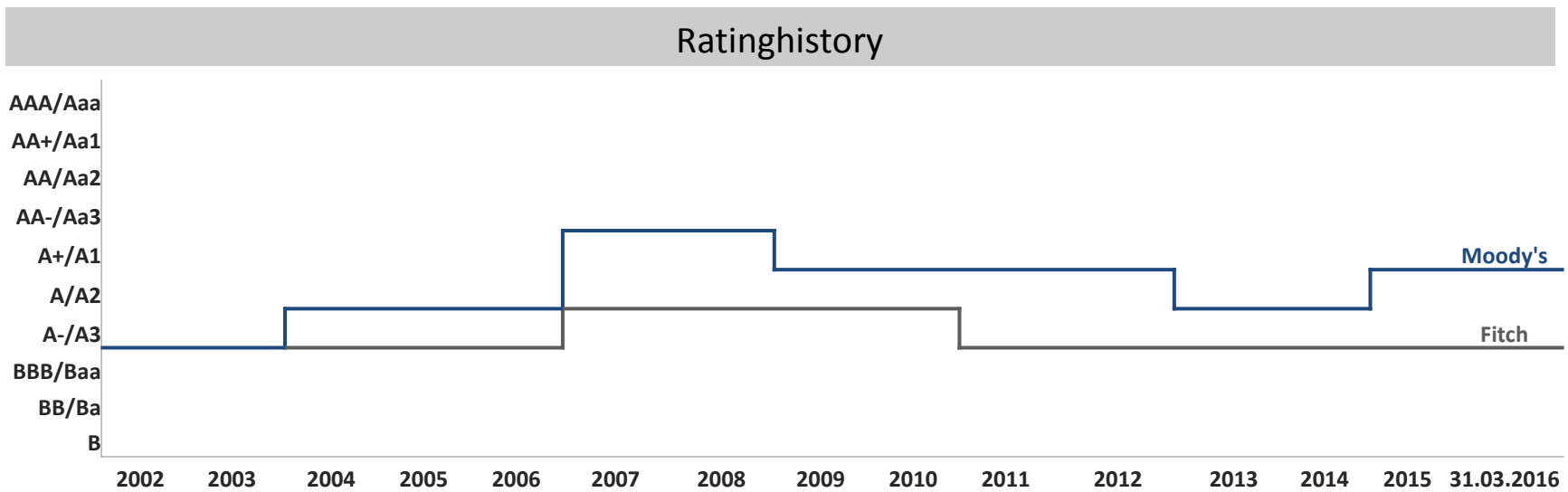
## *Of which SR-Bank Markets:*

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA og AA-	0	0,0 %
Low risk	A+, A og A-	0	0,0 %
Moderate risk	BBB+, BBB og BBB-	99	26,8 %
High risk	BB+, BB og BB-	86	23,1 %
Very high risk	B+ and lower	186	50,1 %
<i>Total trading portfolio</i>		372	100,0 %

All amounts in MNOK.

# Rating

Moody's		Fitch	
Long-term debt	A1	Long-term IDR	A-
Outlook	Negative	Outlook	Stable
Updated	16 March 2016	Updated	4 November 2015



# SRBANK as at March 2016

- *Trading volume in Q1 2016: 4.6% (7.4%)*
- *Ownership interests:*
  - *From Rogaland, Agder-counties and Hordaland: 50.2%*
  - *International: 16.7%*
  - *10 largest: 55.6%*
  - *20 largest: 62.8%*
- *Number of shareholders: 10 129 (10 214)*
- *Employees owning: 1,8%*

	<b>31.03.2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Share price	40,60	39,30	52,50	60,25	37,20	40,70
Stock value (MNOK)	10.383	10.051	13.427	15.409	9.514	5.182
Book value per share, NOK (group)	67,68	66,14	60,28	55,00	49,48	48,75
Earnings per share	1,51	6,83	8,20	7,28	5,33	5,42
Dividend per share	n.a	1,50	2,00	1,60	1,50	1,50
P/E	6,72	5,75	6,40	8,28	6,99	7,51
P/BV (group)	0,60	0,59	0,87	1,10	0,75	0,83

# Dividend policy

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*“The financial objective of SpareBank 1 SR-Bank ASA is to achieve earnings that yield adequate, stable returns on the bank’s equity, thereby creating value for owners through competitive returns in the form of dividends and share appreciation.*

*In determining the level of the annual dividend, considerations will be made towards SpareBank 1 SR-Bank ASA’s future need for capital, including capital adequacy requirements, and strategic plans and targets. Unless capital requirements otherwise dictate, the Board of Directors’ aim is that approximately half of the EPS is paid out.”*

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