



Together we achieve the impossible

# Disclaimer

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 financial group in the southwest of Norway

## Rogaland

Population	474.000
Market share	36%
Year of establishment	1839
Market strategy	Market leader
Unemployment rate	3.0%

## Hordaland

Population	523.000
Market share	6%
Year of establishment	2006
Market strategy	Entry/growth
Unemployment rate	2.9%

## Agder

Population	304.000
Market share	8%
Year of establishment	2002
Market strategy	Growth
Unemployment rate	2.9%

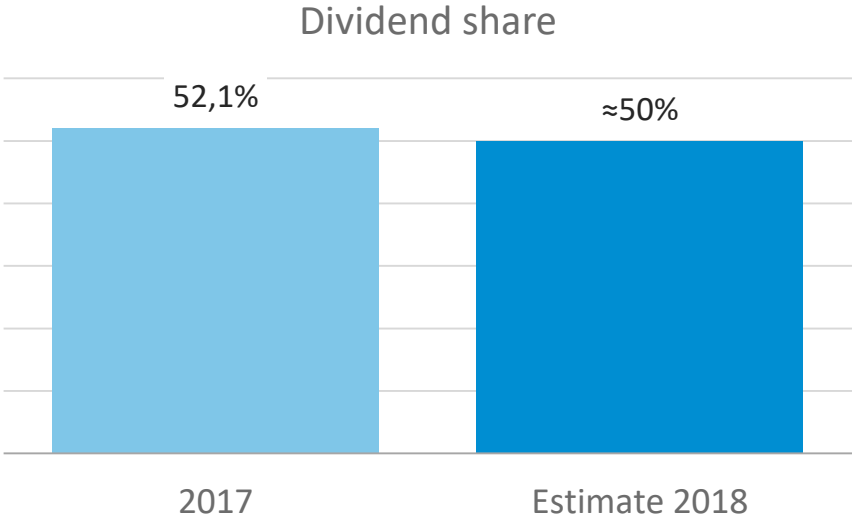
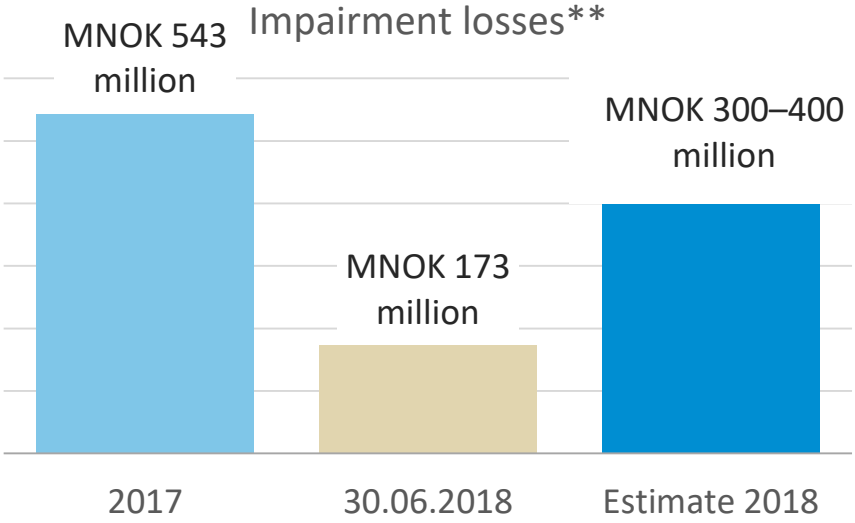
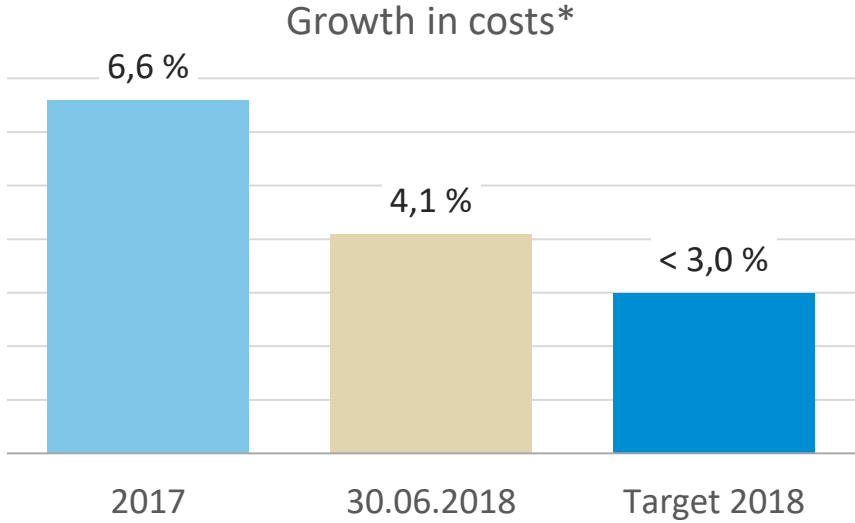
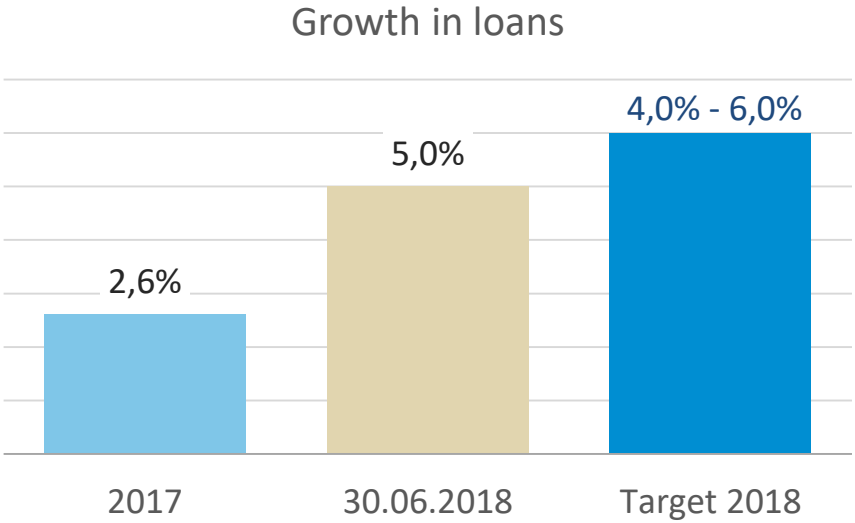
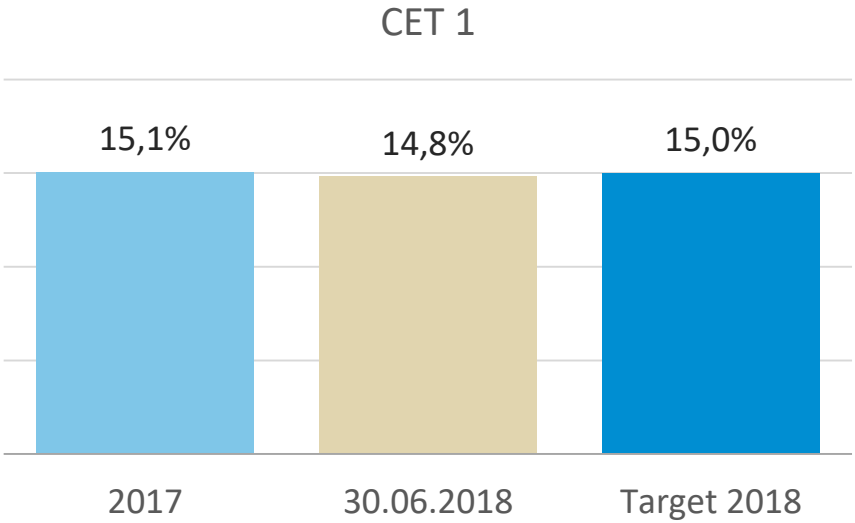
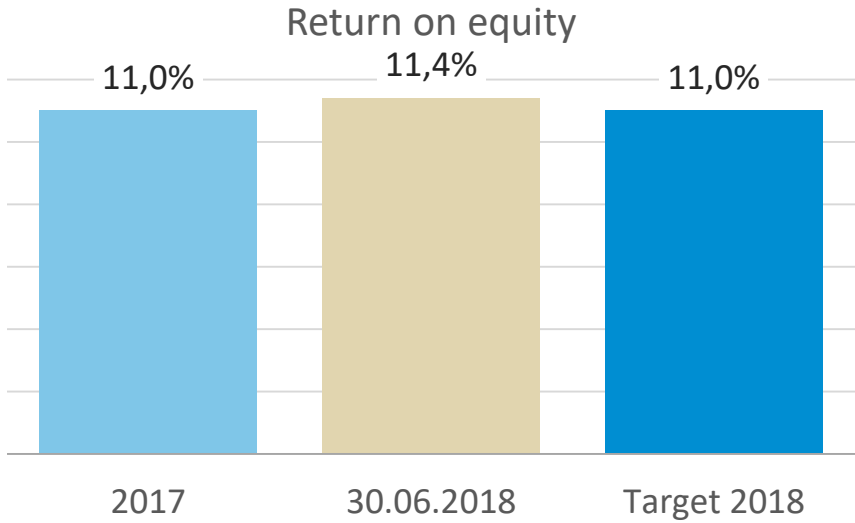


Source: Nav, SSB and SpareBank 1 SR-Bank  
Unemployment rate as at July 2018

# A good result marked by good operations, lower losses and higher financial income

- Pre-tax profit for the quarter is NOK 754 million compared to NOK 648 million last year
  - Return on equity after tax 12.3%
- Pre-tax profit year-to-date is NOK 1.422 billion compared to NOK 1.160 billion last year
  - Return on equity after tax 11.4%
- Impairment losses on loans is NOK 173 million compared to NOK 299 million last year
  - 0.18% of gross lending including covered bond companies as at 30 June 2018
- 12 months lending growth of 5.0%
  - Risk-weighted assets (RWA) is increased by 5.1% the last 12 months
- 12 months deposits growth of 6.1%
- 12 months costs growth of 4.1%
  - Growth in costs last 12 months of NOK 44 million due to increased activity in several areas
- Common equity tier 1 capital ratio increased to 14.8% from 14.7% last year

# Financial targets and estimates for 2018

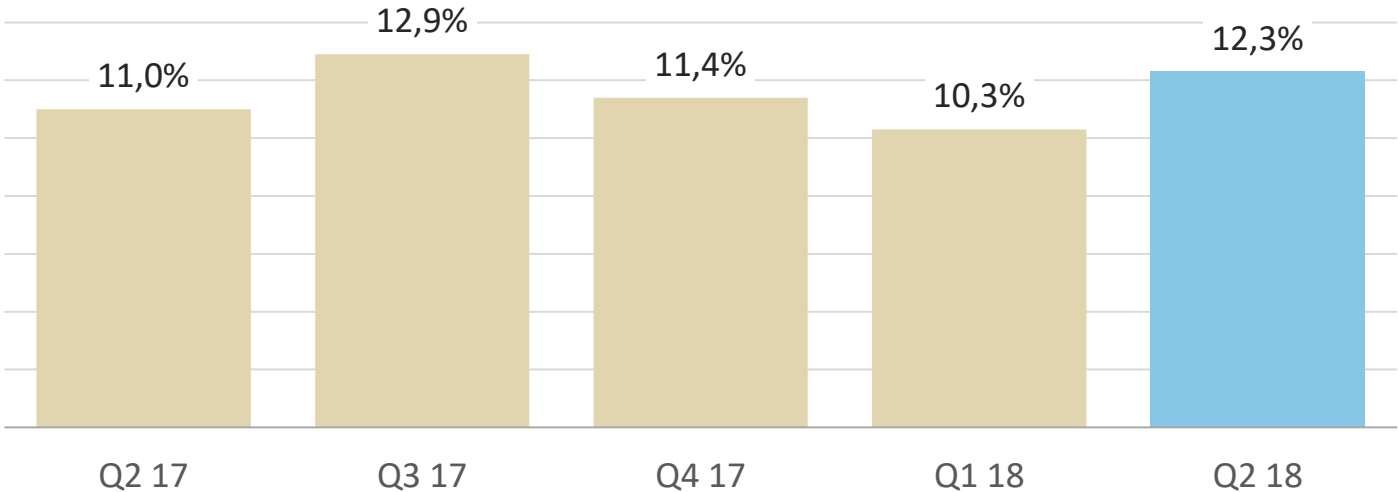


\*Nominal cost growth

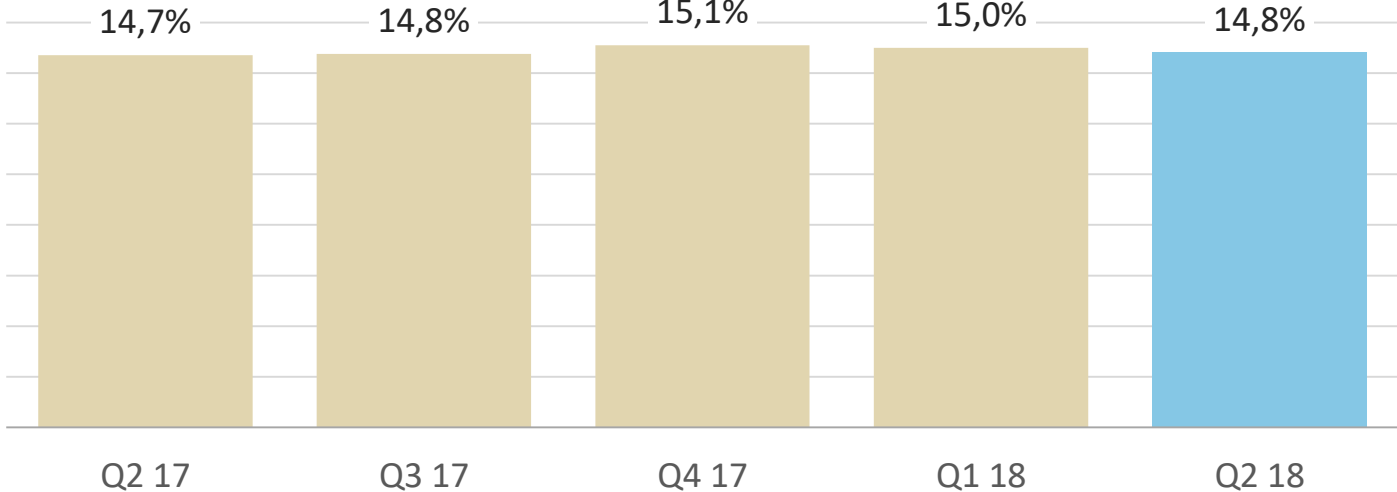
\*\*Estimate of impairment losses in 2018 are adjusted from MNOK 400 - 500 to MNOK 300 -400 per 30.06.2018.

# Key figures – quarterly development

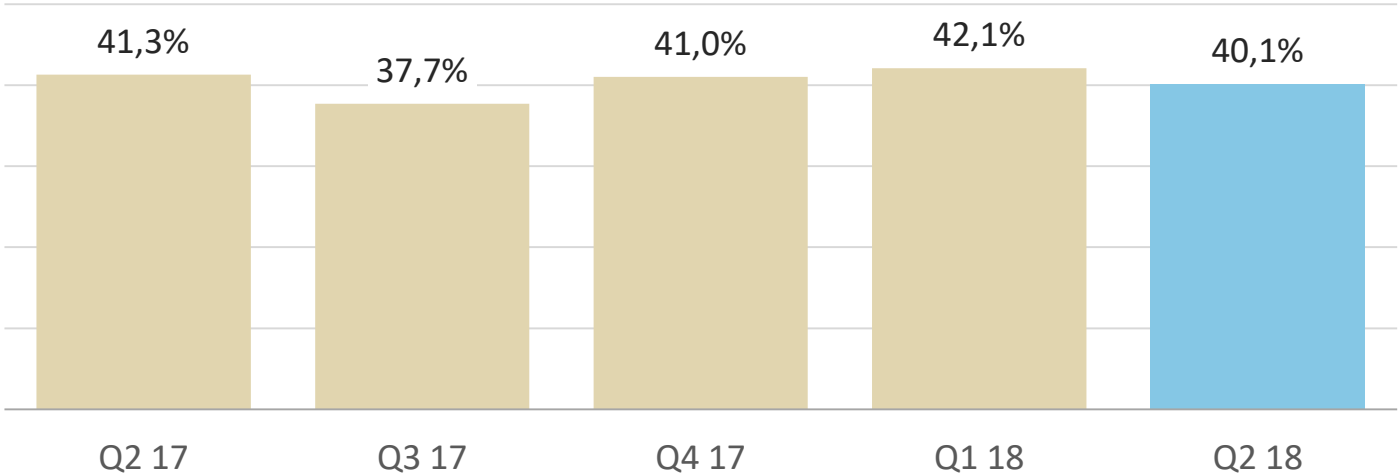
Return on equity



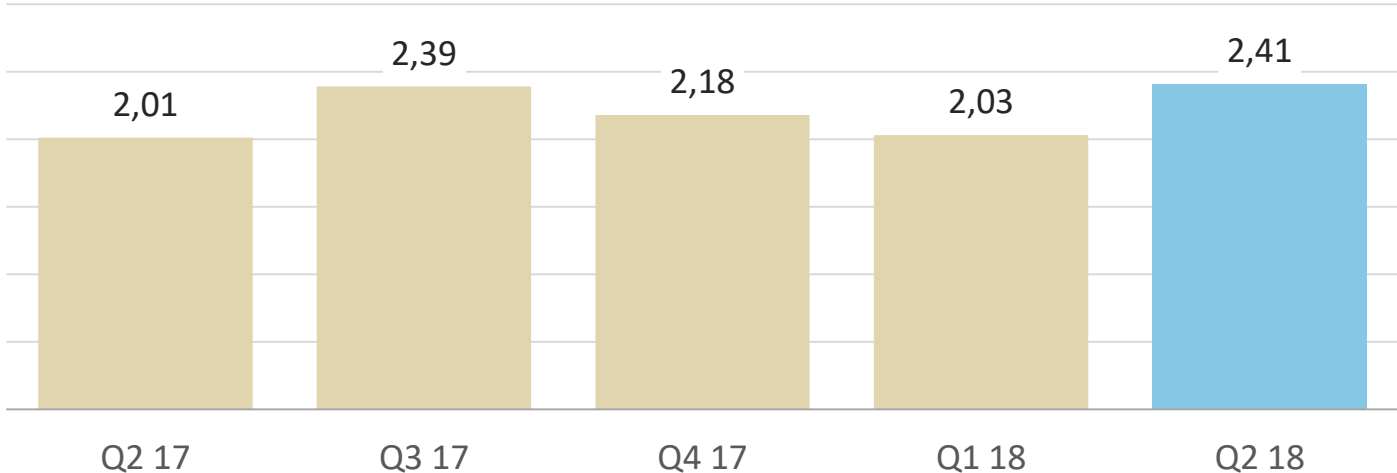
CET 1



Cost ratio



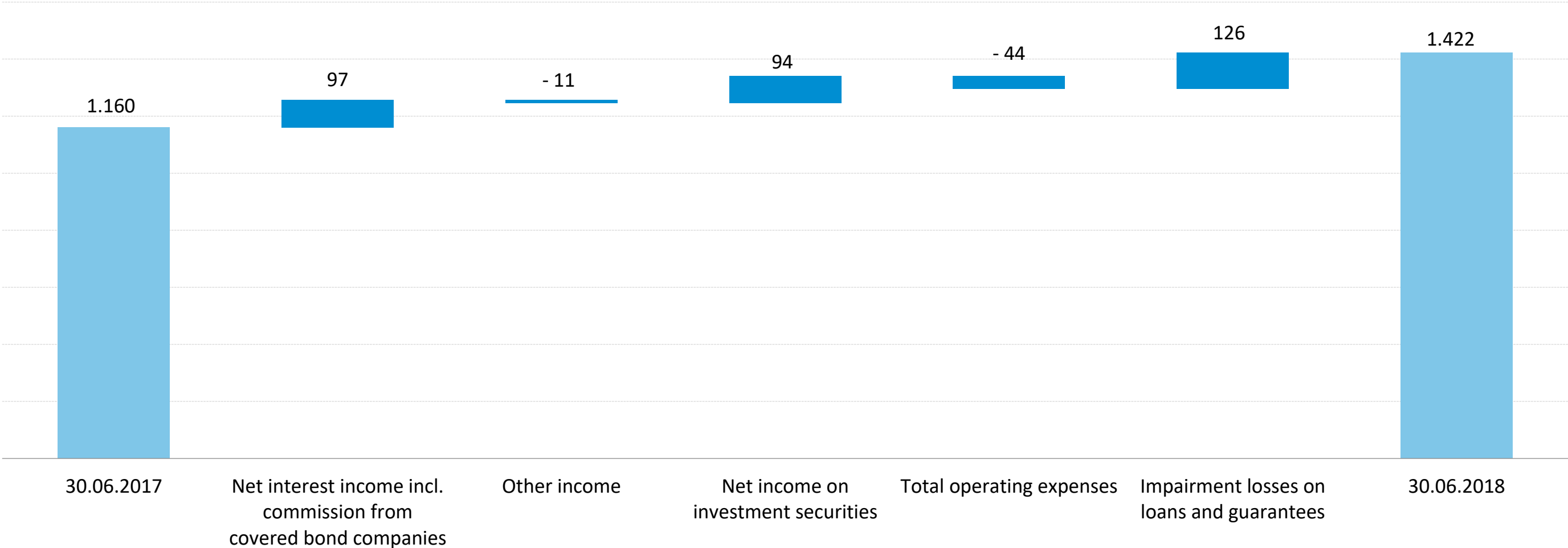
Earnings per share



# Income statement

Group Income Statement (MNOK)	30.06.2018	30.06.2017	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17
Net interest income	1.642	1.523	842	800	819	820	784
Net commission and other income	738	771	370	368	367	386	400
Net income on investment securities	326	232	213	113	204	198	143
<b>Total income</b>	<b>2.706</b>	<b>2.526</b>	<b>1.425</b>	<b>1.281</b>	<b>1.390</b>	<b>1.404</b>	<b>1.327</b>
<b>Total operating expenses</b>	<b>1.111</b>	<b>1.067</b>	<b>572</b>	<b>539</b>	<b>570</b>	<b>530</b>	<b>548</b>
Operating profit before losses	1.595	1.459	853	742	820	874	779
Impairment losses on loans and guarantees	173	299	99	74	120	124	131
<b>Operating profit before tax</b>	<b>1.422</b>	<b>1.160</b>	<b>754</b>	<b>668</b>	<b>700</b>	<b>750</b>	<b>648</b>
Tax expense	287	243	137	150	141	140	134
<b>Net profit</b>	<b>1.135</b>	<b>917</b>	<b>617</b>	<b>518</b>	<b>559</b>	<b>610</b>	<b>514</b>

# Change in profit 30.06.2017 – 30.06.2018

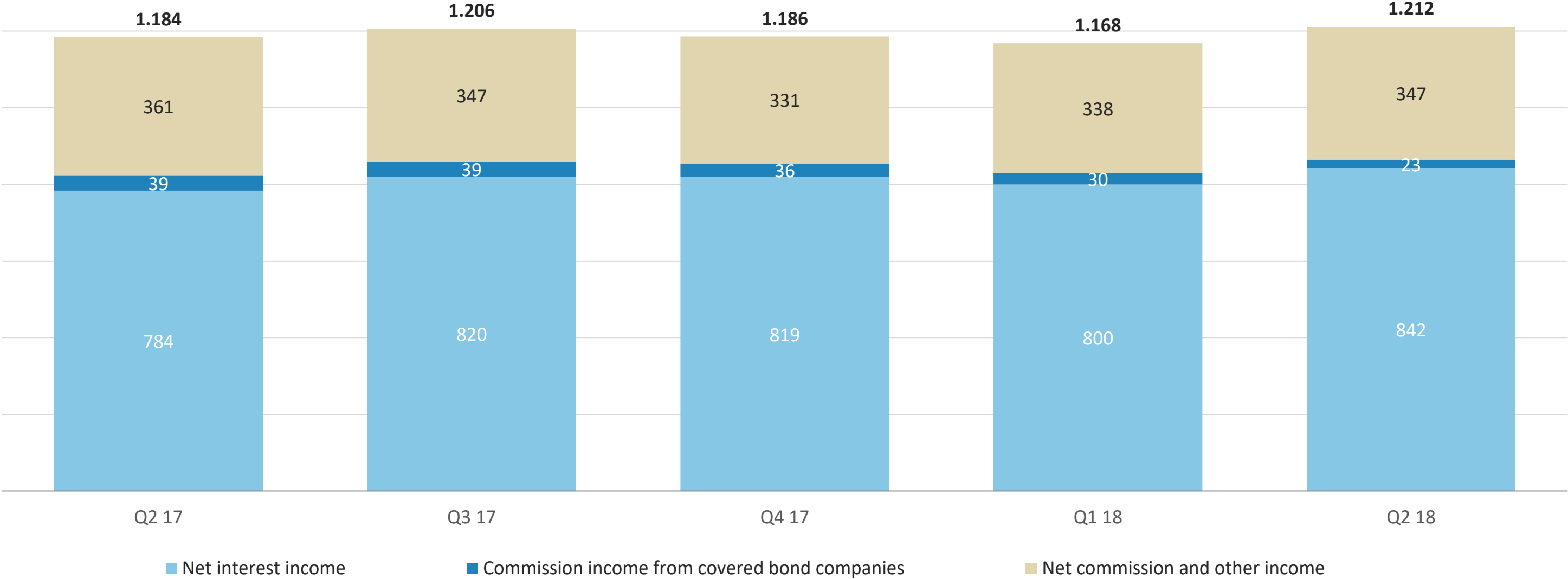




# Key figures

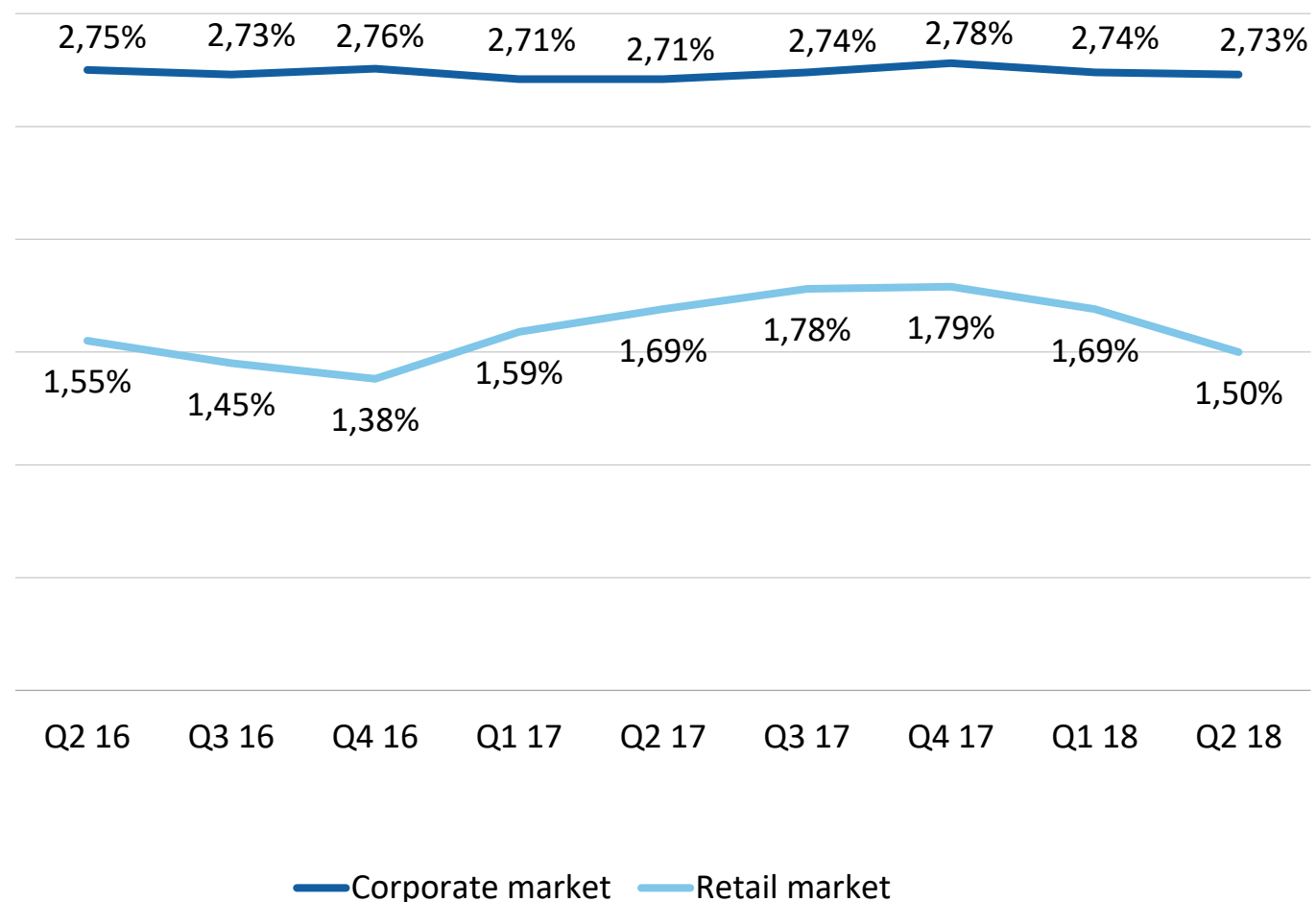
	30.06.2018	30.06.2017	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17
Return on equity after tax (%)	11,4	9,9	12,3	10,3	11,4	12,9	11,0
Net interest margin (%)	1,51	1,52	1,52	1,50	1,50	1,54	1,52
Impairment losses on loans and guarantees in % of gross loans incl. covered bond companies	0,18	0,33	0,21	0,16	0,26	0,27	0,29
Non-performing and other problem commitments in % of gross loans incl. covered bond companies	1,51	1,21	1,51	1,14	1,13	1,18	1,21
Cost to income ratio	41,1	42,2	40,1	42,1	41,0	37,7	41,3
Annual growth in loans to customers, gross incl. covered bond companies (%)	5,0	0,5	5,0	3,1	2,6	1,2	0,5
Annual growth in deposits from customers (%)	6,1	11,3	6,1	7,0	11,0	13,0	11,3
Total assets (BNOK)	224,0	212,9	224,0	217,4	216,6	215,3	212,9
Portfolio of loans in covered bond companies (BNOK)	14,6	19,4	14,6	14,6	14,6	18,0	19,4
Risk weighted assets (BNOK)	126,8	120,7	126,8	122,8	120,2	121,8	120,7
Liquidity Coverage Ratio (LCR) (%)	157	212	157	177	168	212	212
Earnings per share (NOK)	4,44	3,59	2,41	2,03	2,18	2,39	2,01
Book value per share (NOK)	77,28	72,72	77,28	79,24	77,24	75,07	72,72

# Consolidated income profile

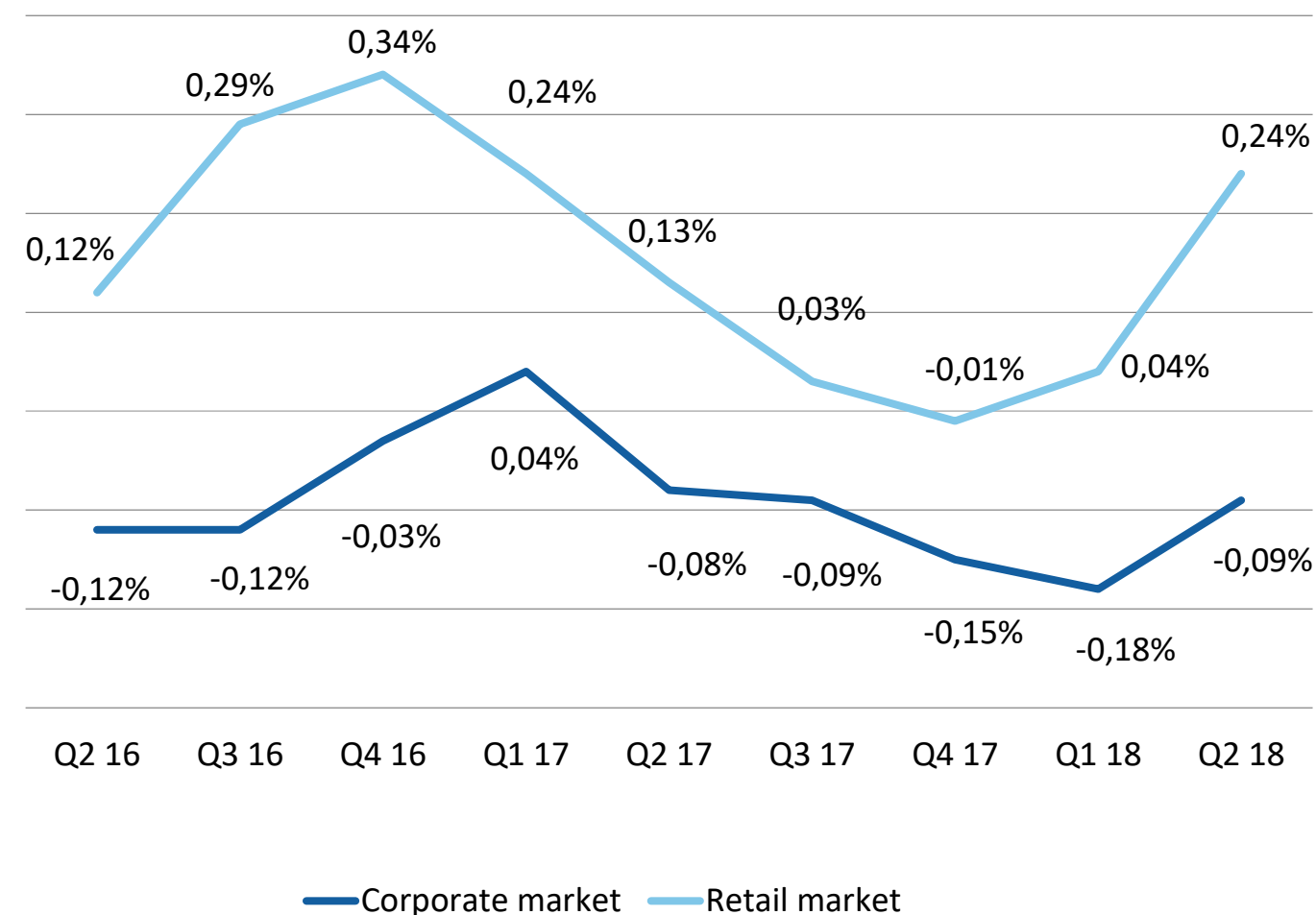


# Lending and deposit margins

Lending margins\*



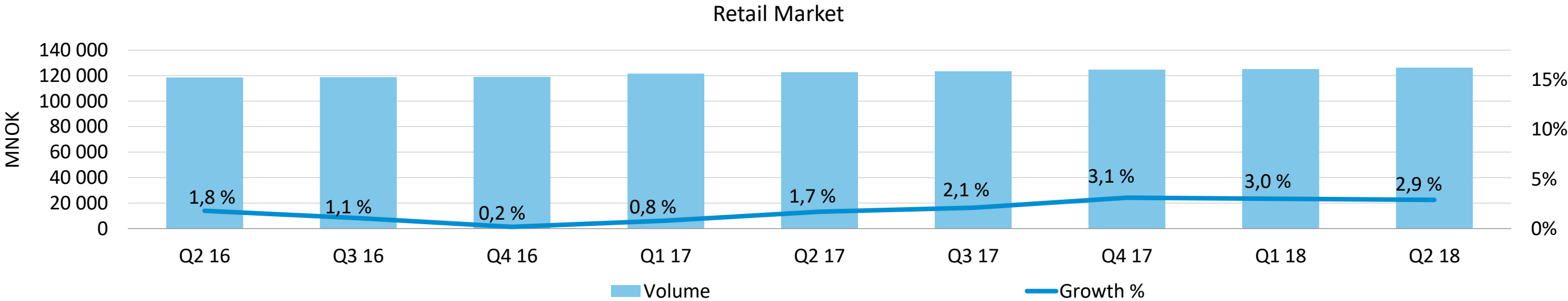
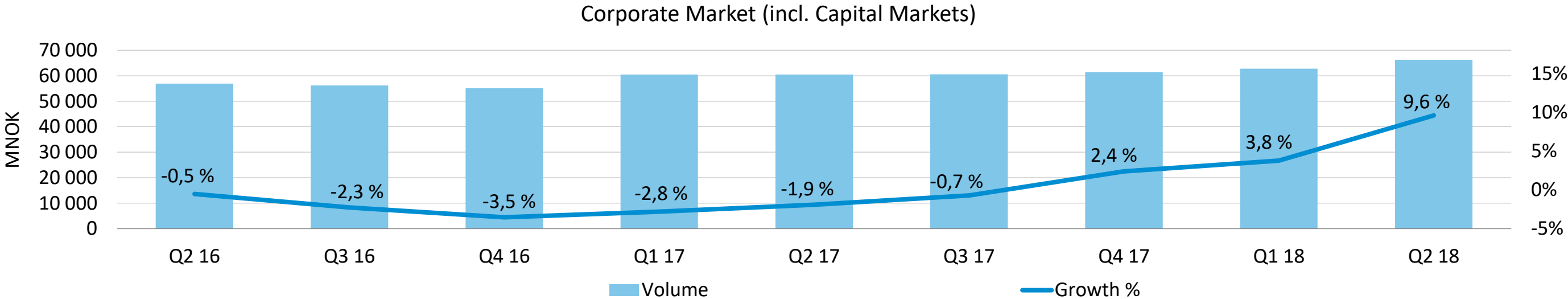
Deposit margins



\*SpareBank 1 SR-Finans AS was merged into SpareBank 1 SR-Bank from 1 January 2017. The figures (lending margins) are therefore not entirely comparable. Lending margins for the corporate market also changed in 2017 compared with what was previously reported due to the internal correction of net interest income.

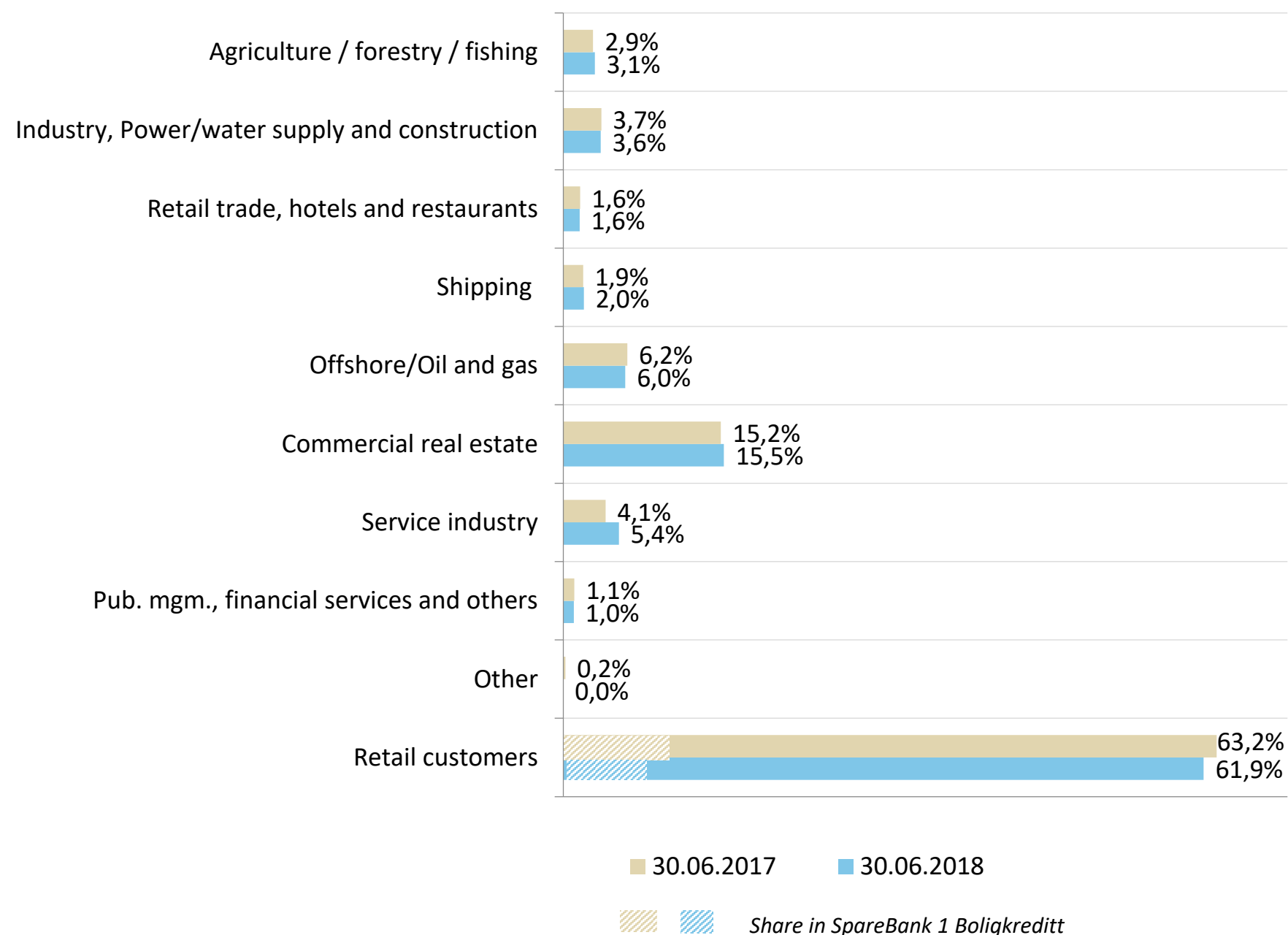
**Definition:** Average customer interest rate against 3-month moving average for 3-month NIBOR. Lending margins include loan portfolio in covered bond companies

# Lending volume and 12 months growth



# Loan portfolio as at 30.06.2018

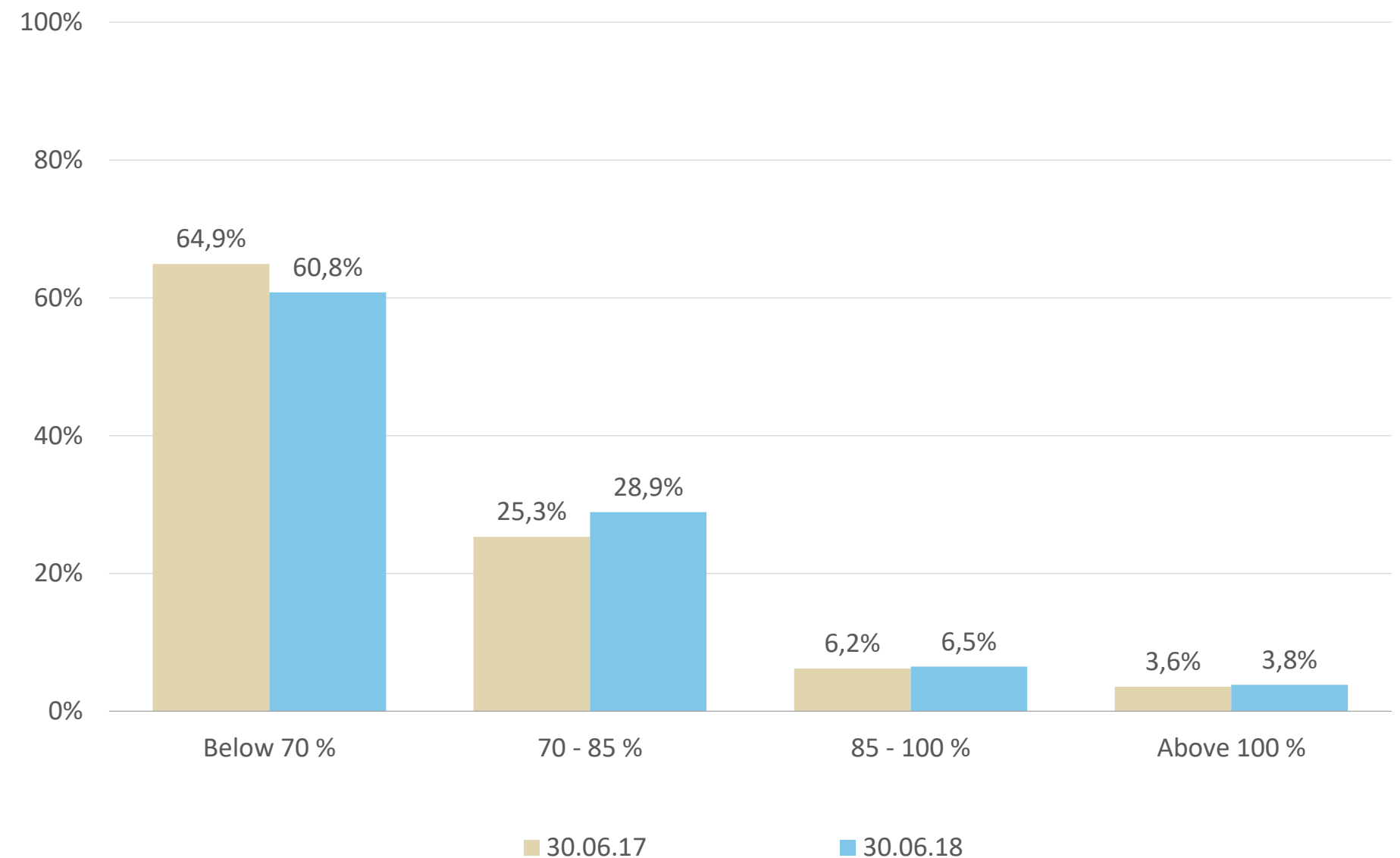
- Gross loans (incl. covered bond companies) as at 30 June 2018 amount to NOK 193.5 billion compared with NOK 184.3 billion at the same time the year before.
- 12-month growth in loans of 5.0%.
- Loans to retail customers (incl. covered bond company) account for 61.9% of total loans, of which 7.3%-points is in SpareBank 1 Boligkreditt.



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

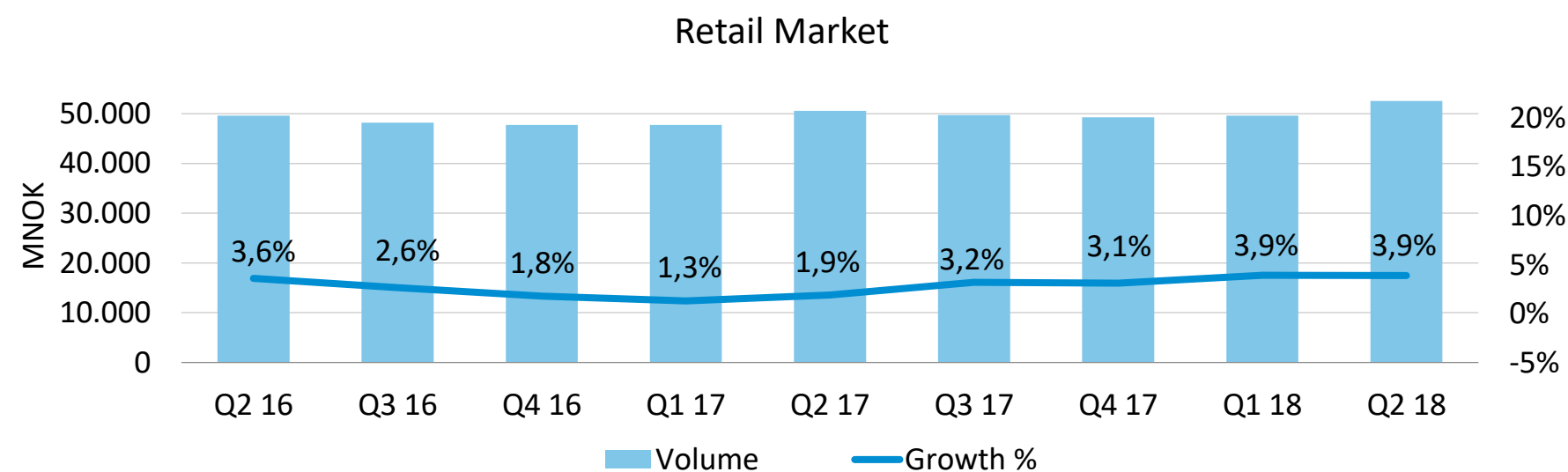
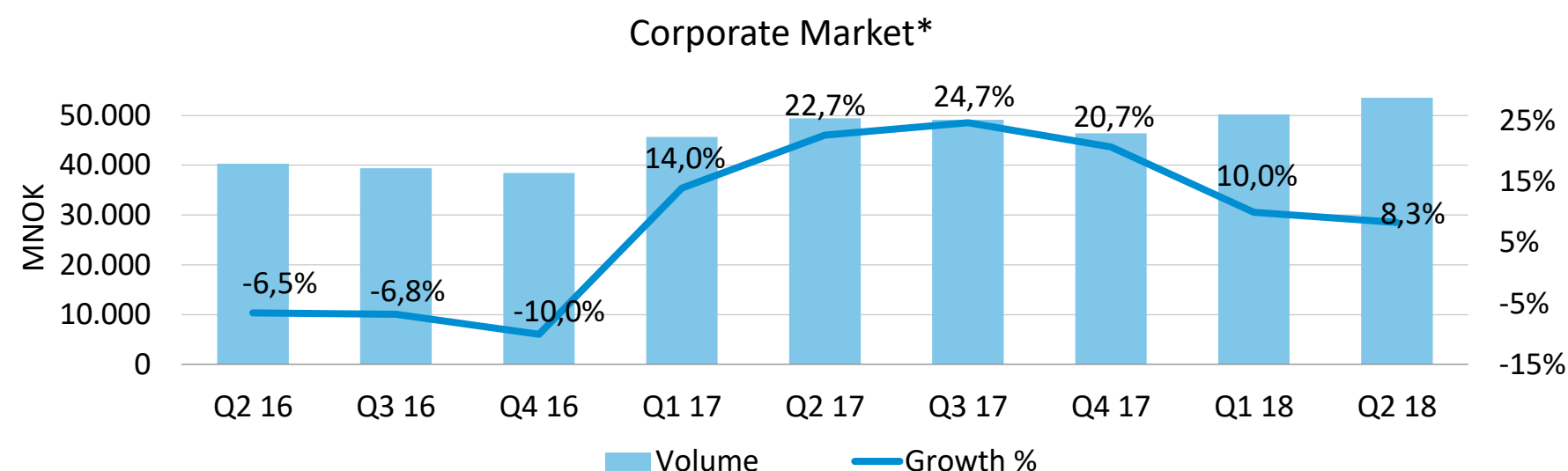
- The proportion of loans with a loan-to-value ratio of less than 85% is high.
  - 89.7% of the exposure is within 85% of the assessed value of collateral.



*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 companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).*

# Deposits volume and 12 month growth

- Last 12 months deposits increased by NOK 6.1 billion to 105.8 billion.
  - Corresponds to an increase in the period of 6.1%.
- Increased deposit growth in the corporate market (incl. capital market) in 2017 is due to larger deposits from public sector.
  - Deposit growth is 4.0% at 2. quarter 2018 excl. deposits from public sector.



## Net commission and other income

MNOK	30.06.2018	30.06.2017	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17
Payment facilities	122	126	59	63	65	71	63
Savings/placements	100	100	48	52	47	51	49
Insurance products	96	104	47	49	52	52	52
Commission income real estate broking	190	205	109	81	94	90	112
Guarantee commission	54	51	20	34	27	29	26
Arrangement- and customer fees	60	37	32	28	28	28	24
Accounting services SpareBank 1 Regnskapshuset SR	55	55	28	27	23	18	27
Other	8	18	4	4	-5	8	8
<b>Net commission and other income excl. covered bond companies</b>	<b>685</b>	<b>696</b>	<b>347</b>	<b>338</b>	<b>331</b>	<b>347</b>	<b>361</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	53	75	23	30	36	39	39
<b>Net commission and other income incl. covered bond companies</b>	<b>738</b>	<b>771</b>	<b>370</b>	<b>368</b>	<b>367</b>	<b>386</b>	<b>400</b>



# Net income on investment securities

MNOK	30.06.2018	30.06.2017	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17
Dividends	12	9	1	11	0	2	4
Investment income, associates	159	144	102	57	154	127	81
Securities gains/losses	74	57	69	5	24	46	32
- of which capital change in shares and certificates	96	35	90	6	44	57	28
- of which capital change in certificates and bonds	-122	-41	-50	-72	-70	-41	-34
- of which derivatives; bonds and certificates	100	63	29	71	50	30	38
Currency/interest gains/losses*	81	22	41	40	26	23	26
- of which currency customer- and own-account trading	90	45	48	42	35	24	28
- of which value change basis swap spread	-15	-23	-13	-2	-5	-4	-7
- of which counterparty risk derivatives including CVA	0	1	0	0	0	1	0
- of which IFRS-effects	6	-1	6	0	-4	2	5
<b>Net income on investment securities</b>	<b>326</b>	<b>232</b>	<b>213</b>	<b>113</b>	<b>204</b>	<b>198</b>	<b>143</b>

\*On 1 January 2018, the group changed its accounting policies for recognising the effects of basis swaps due to the implementation of IFRS 9. The effects of basis swaps related to contracts signed after 1 January 2018 will be recognised through other comprehensive income.

# Subsidiaries

Subsidiaries	MNOK	30.06.2018	30.06.2017
EiendomsMegler 1 SR-Eiendom AS	Number of sales	3.288	3.519
	Operating profit before tax	12	21
SR-Forvaltning AS	Capital under management (BNOK)	11	11
	Operating profit before tax	18	17
FinStart Nordic AS*	Operating profit before tax	23	7
SpareBank 1 Regnskapshuset SR AS	Operating profit before tax**	4	5
SR-Boligkreditt AS	Operating profit before tax	179	67
Other	Operating profit before tax	-10	-1
<b>Total subsidiaries</b>	<b>Operating profit before tax</b>	<b>226</b>	<b>116</b>

\*In September 2017, SR-Investering AS changed its name to FinStart Nordic AS. Start up on 1 January 2018. The company will be a start-up factory for new ideas and the venture will challenge the bank's own business models.

\*\* The result to Regnskapshuset SR includes amortization of intangible assets of NOK 1.0 million (NOK 0.9 million per 30.06.2017).

# Ownership interests

Ownership interests	MNOK	30.06.2018	30.06.2017
SpareBank 1 Gruppen AS	Interest ownership	19,5 %	19,5 %
	Profit after tax	117	139
	Adjusted profit previous years	0	-5
SpareBank 1 Boligkreditt AS*	Interest ownership	8,0 %	13,9 %
	Profit after tax	-2	-27
SpareBank 1 Næringskreditt AS	Interest ownership	19,2 %	21,9 %
	Profit after tax	5	8
BN Bank ASA	Interest ownership	23,5 %	23,5 %
	Profit after tax	36	34
SpareBank 1 Kredittkort AS	Interest ownership	17,9 %	17,9 %
	Profit after tax	12	7
SpareBank 1 Betaling AS**	Interest ownership	19,7 %	19,7 %
	Profit after tax	-6	-7
	Adjusted profit previous years	-6	-7
Other	Profit after tax	3	2
<b>Total ownership interests</b>	<b>Profit after tax</b>	<b>159</b>	<b>144</b>

\*From 1 January 2018, the company has changed its accounting policies for the recognition of the effects of basis swaps due to the implementation of IFRS 9. The effects of basis swaps are now recognised through other comprehensive income in SpareBank 1 Boligkreditt AS and thereby do not affect the company's after tax profit or the group's share of the profit.

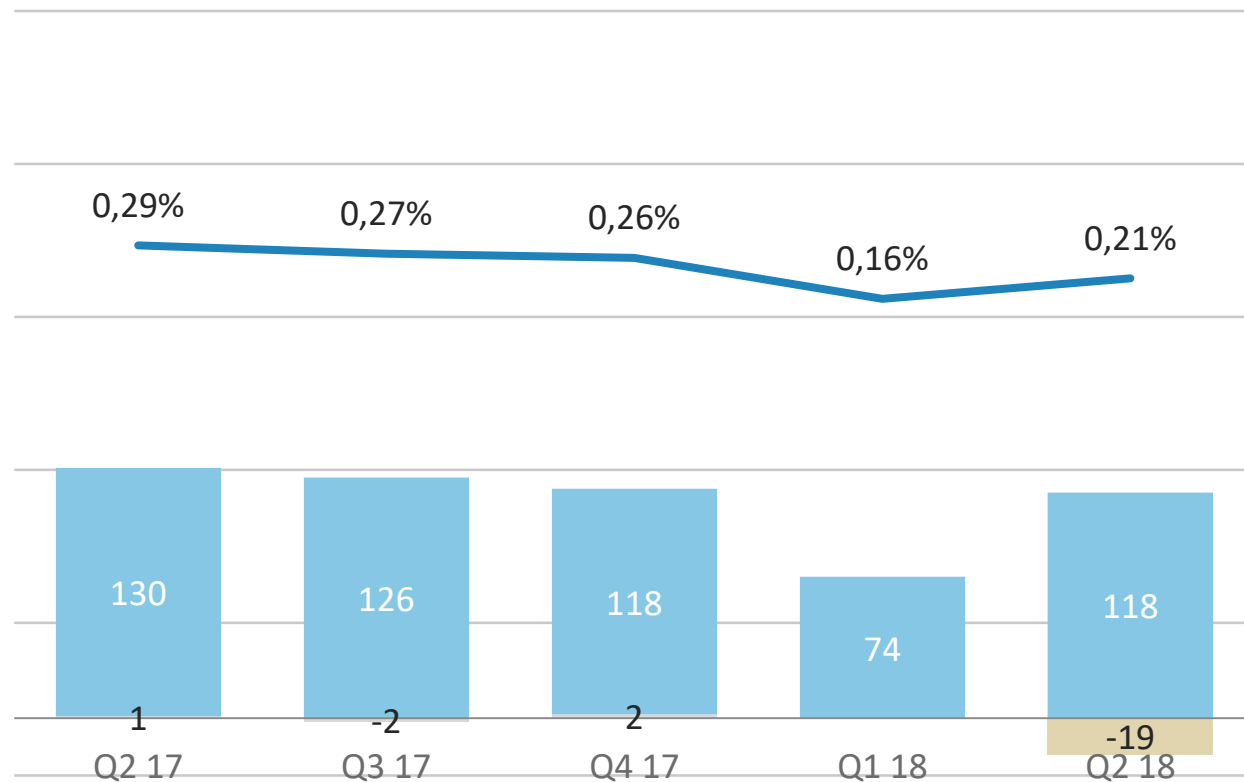
\*\*On 1 September 2017 mCASH merged with Vipps, DNB's payment solution (mobile). SpareBank 1 banks became after the merger with Vipps, the second largest shareholder in Vipps with a stake of 25%.

# Operating expenses

MNOK	30.06.2018	30.06.2017	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17
Personnel expenses	645	618	326	319	323	312	312
Restructuring costs	0	0	0	0	10	0	0
<b>Total personnel expenses</b>	645	618	326	319	333	312	312
IT expenses	166	161	83	83	82	74	86
Marketing	40	37	24	16	20	16	21
Other administrative expenses	49	41	25	24	26	21	20
<b>Total administrative expenses</b>	255	239	132	123	128	111	127
Depreciation	45	36	27	18	17	21	18
Operating expenses from real estate	18	19	8	10	8	7	9
Other operating expenses	148	155	79	69	84	79	82
<b>Total other operating expenses</b>	211	210	114	97	109	107	109
<b>Total operating expenses</b>	1.111	1.067	572	539	570	530	548

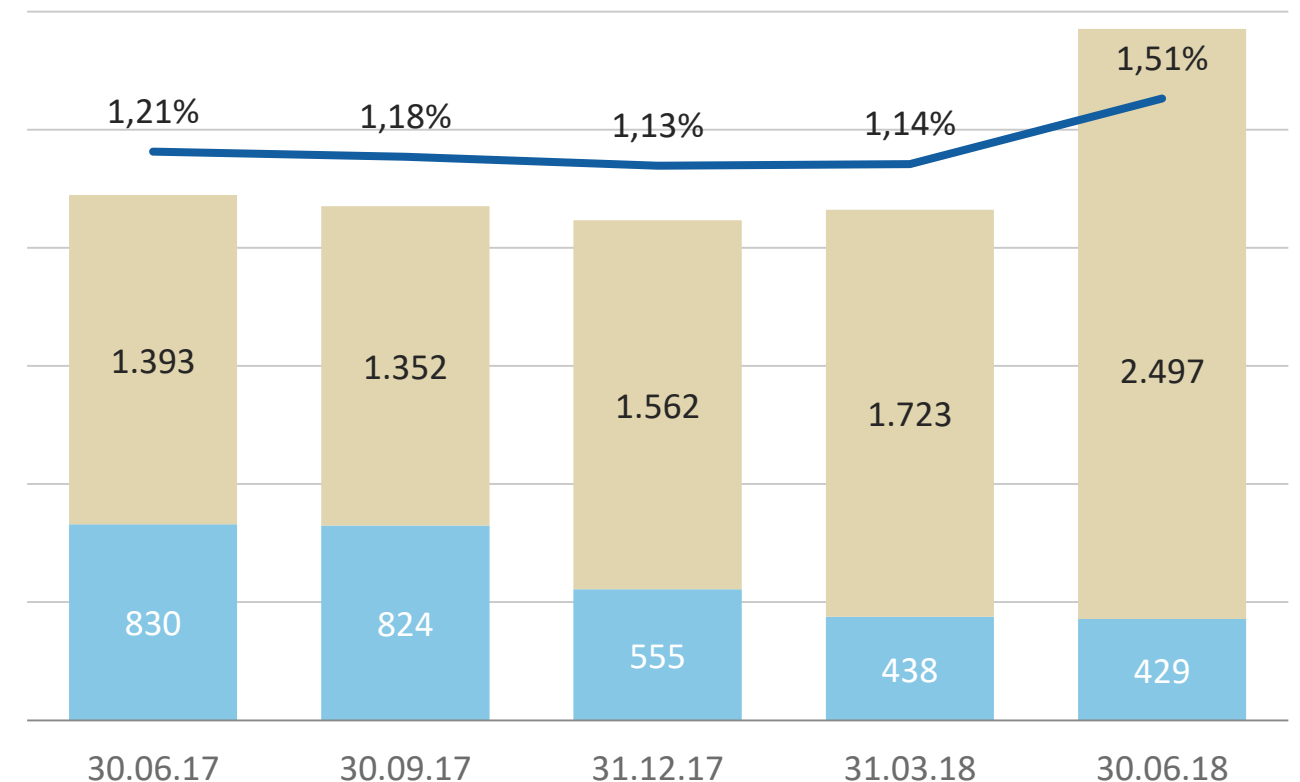
# Impairment losses on loans/ Non-performing and doubtful commitments

Impairment losses on loans



- Individual impairment losses on loans, MNOK
- Total impairment IFRS 9 loans and guarantees
- Collective impairment losses on loans, MNOK
- 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 incl. from covered bond companies

# Impairment losses on loans and guarantees

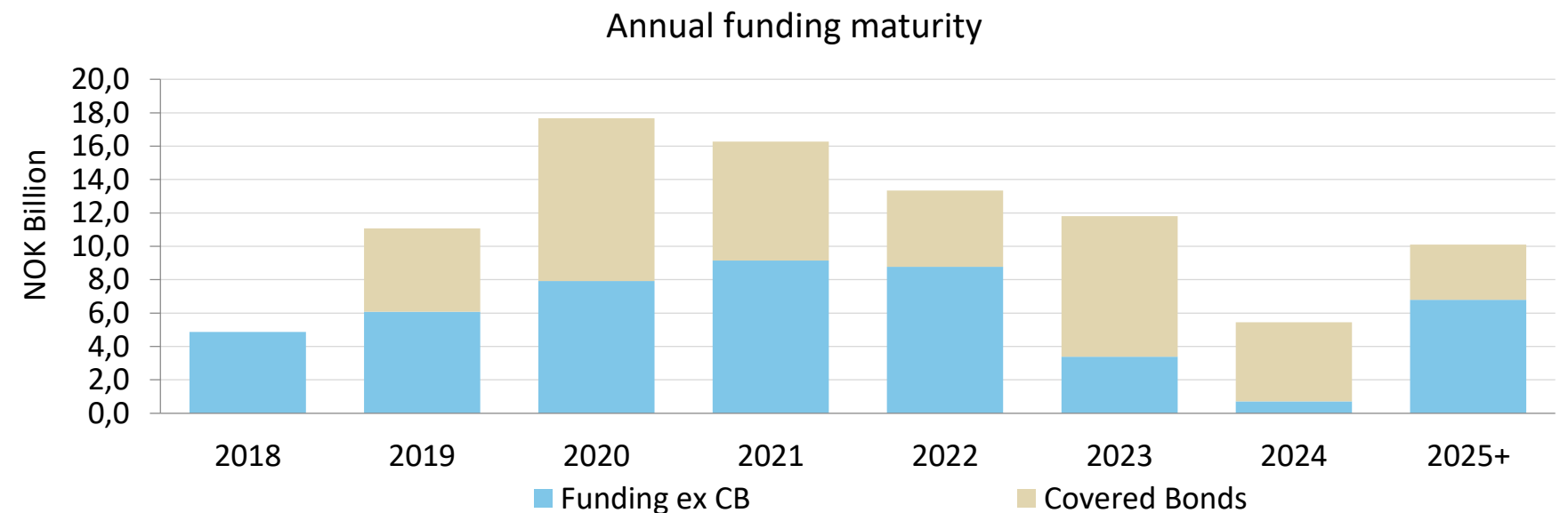
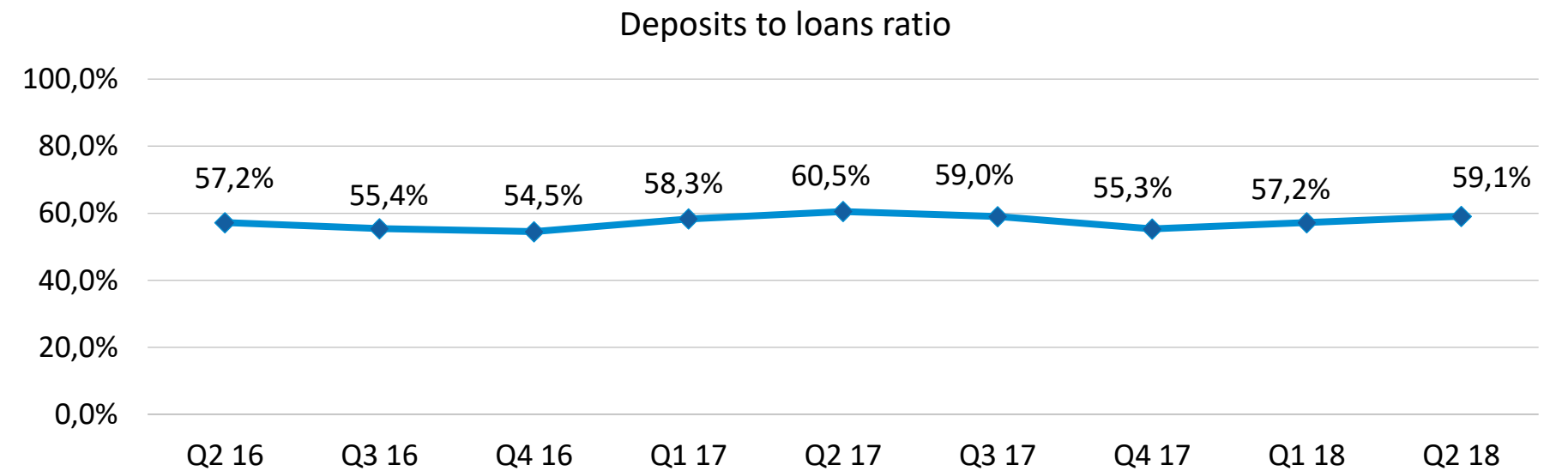
Losses on loans in income statement (MNOK)	30.06.2018	30.06.2017	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17
Corporate customers	166	277	100	66	89	116	115
Retail customers	26	20	18	8	29	10	15
Change in collective impairment losses on loans		2			2	-2	1
Total impairment IFRS 9 loans and guarantees*	-19		-19	-			
<b>Net impairment losses on loans</b>	<b>173</b>	<b>299</b>	<b>99</b>	<b>74</b>	<b>120</b>	<b>124</b>	<b>131</b>

Impairment losses on loans (MNOK)	30.06.2018	30.06.2017	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017
Corporate customers	609	508	609	523	546	572	508
Retail customers	98	69	98	92	93	69	69
Collective impairment losses on loans		691			691	690	691
Total impairment IFRS 9 loans*	634		634	669			
Total impairment IFRS 9 guarantees*	125		125	121			
<b>Total impairment losses on loans</b>	<b>1.466</b>	<b>1.268</b>	<b>1.466</b>	<b>1.405</b>	<b>1.330</b>	<b>1.331</b>	<b>1.268</b>

# Funding

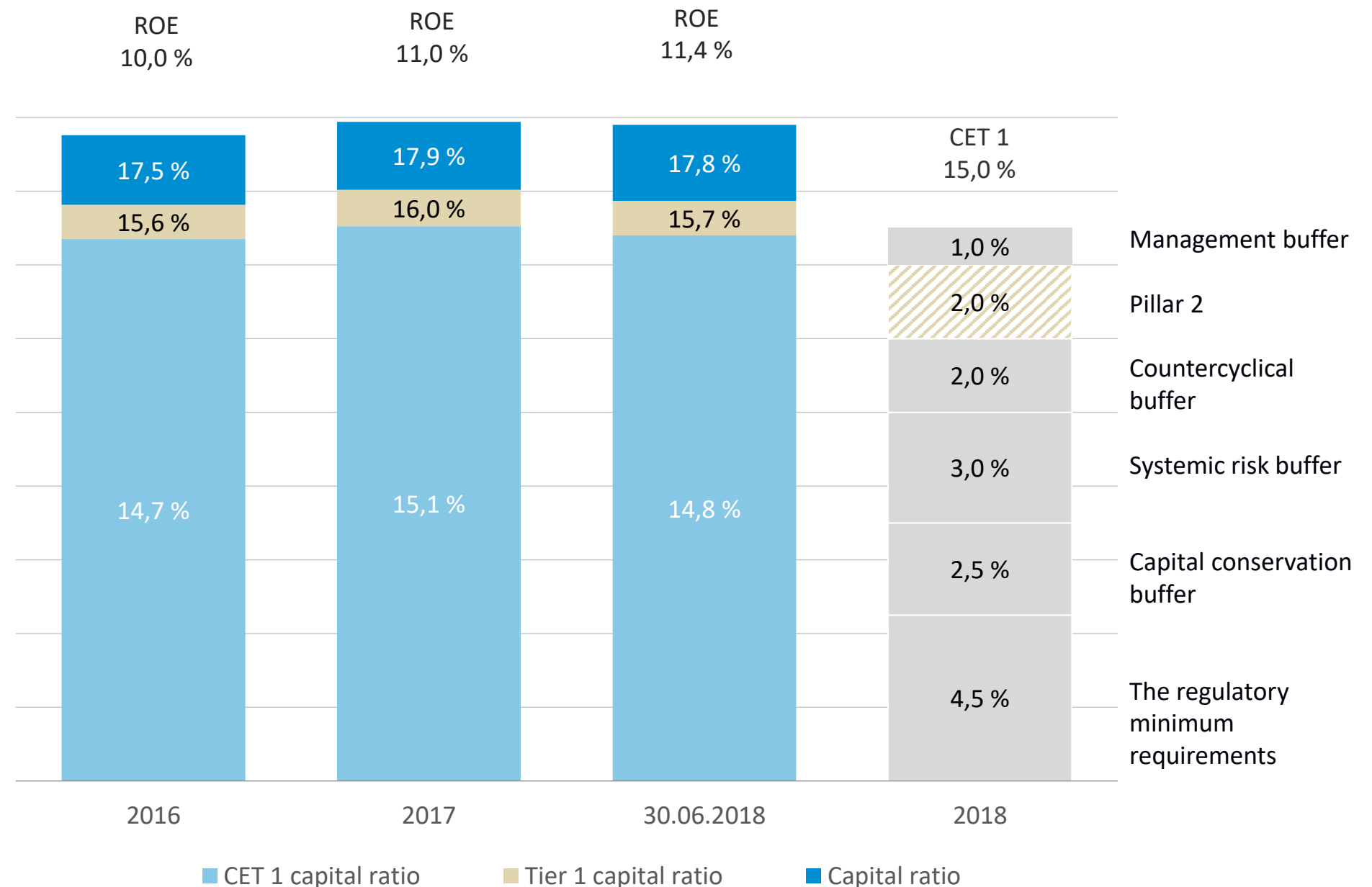
- Well diversified funding.
- Net Stable Funding Ratio\* is 119% on consolidated basis.
- Good liquidity
  - Net refinancing need over the next 12 months is NOK 10.9 billion.
  - Liquidity buffer is NOK 32.2 billion for normal operation in 26 months with closed markets. In addition to the liquidity buffer, NOK 14.7 billion of home mortgages are prepared for covered bond funding.



\*The net stable funding ratio (NSFR) is defined as available stable funding relative to necessary stable funding. NSFR is calculated in accordance with guidelines from the Financial Supervisory Authority of Norway.

# Solid capital ratio

- SpareBank 1 SR-Bank is compliant with capital requirements as at 30.06.2018.
- The Pillar 2 requirement for SpareBank 1 SR-Bank is 2.0%.
- SpareBank 1 SR-Bank is not defined as a systemically important financial institution (SIFI).
- 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 7.5% as at 30.06.2018. SpareBank 1 SR-Bank exceeds the levels being discussed and recommended internationally.





## Outlook - The market is expected to grow

- The development in the group's market area was positively affected by the adaptability of companies and higher oil prices.
- Oil investments on the Norwegian continental shelf are expected rise by up to 10% in 2019.
- Declining unemployment in the group's market area combined with an expected stable housing market are contributing to optimism among the bank's retail and corporate customers.
- Moderate demand for loans, stable house prices and continued strong competition for new home mortgage customers are expected.
- SpareBank 1 SR-Bank expects to make loan loss provisions at NOK 300 – 400 million in 2018.
- Solid earnings from a robust business model and capital optimisation means SpareBank 1 SR-Bank is well positioned to maintain a solid capital base, while ensuring good competitiveness and normalised dividends.
- An offensive approach for the future including establishment of a separate business area for strategy, innovation and development, investing in new technology, geographic expansion and focus on accounting services and consulting.

## We are investing in the future through the startup-factory FinStart Nordic

- **Lease signed**, Kvadraturen in Oslo – move in during August together with some of the companies we have invested in.
- **We have attracted highly qualified staff**, faster than we had expected.
- **Investments have been made.** The start-up factory manages stakes and is represented in the following companies:
  - Boost AI AS – *Chatbot based on AI, 14.0% stake*
  - Monner AS – *loan platform tailored to the SME market, 43.8% stake*
  - Lucidtech AS – *retrieves and reads unstructured data with the aid of AI, 14.3% stake*
  - Just Technology AS – *Friction-free global currency trading platform, 21.4% interest*



# Some demanding years are now behind us in Southern and Western Norway

- Business optimism is growing
  - 62% expect growth next year.
- Surprisingly strong order books and increased investment.
- Job growth, lower unemployment and competition for labour.
- The organisation has coped with a challenging period in a highly competent and solution-oriented manner.
- Commitments totalling around NOK 10 billion have been restructured in the last 2 years.

January 2016:



May 2018:

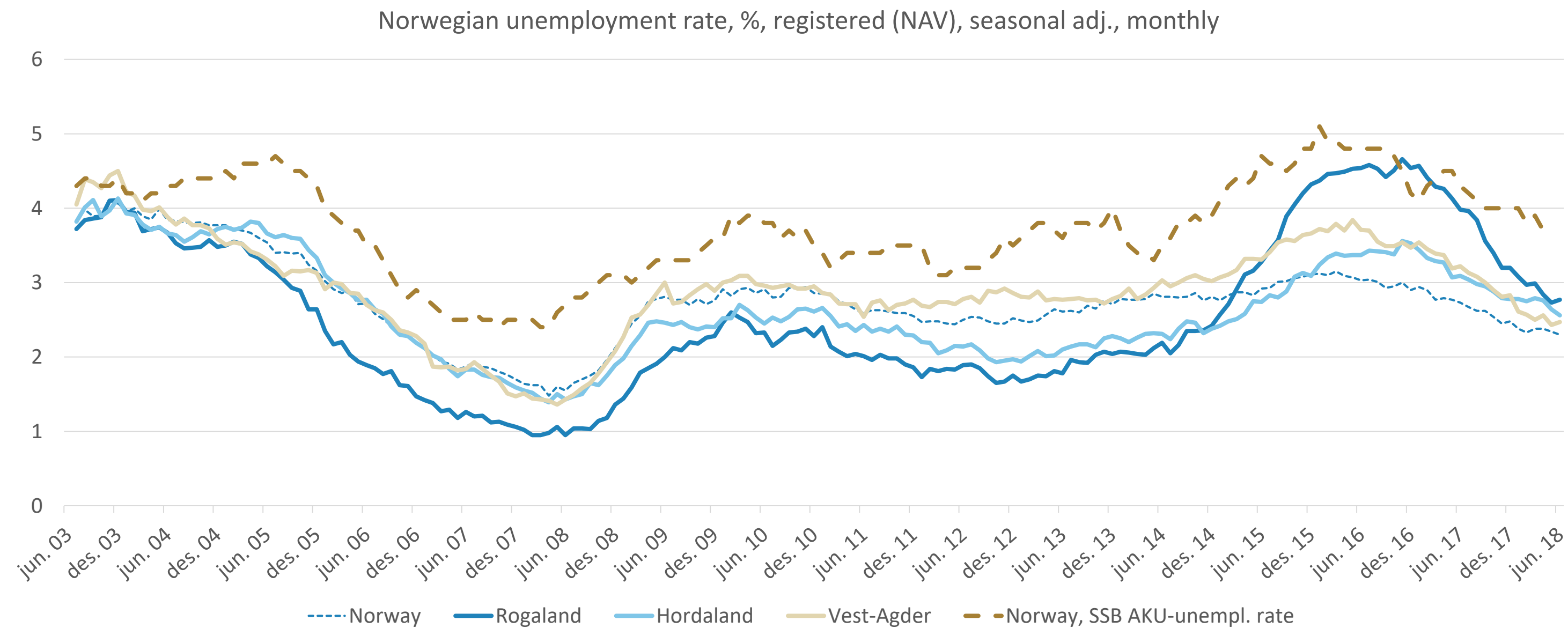


## APPENDIX

- 1) Macro
- 2) Oil related portfolio
- 3) Risk
- 4) SpareBank 1 SR-Bank

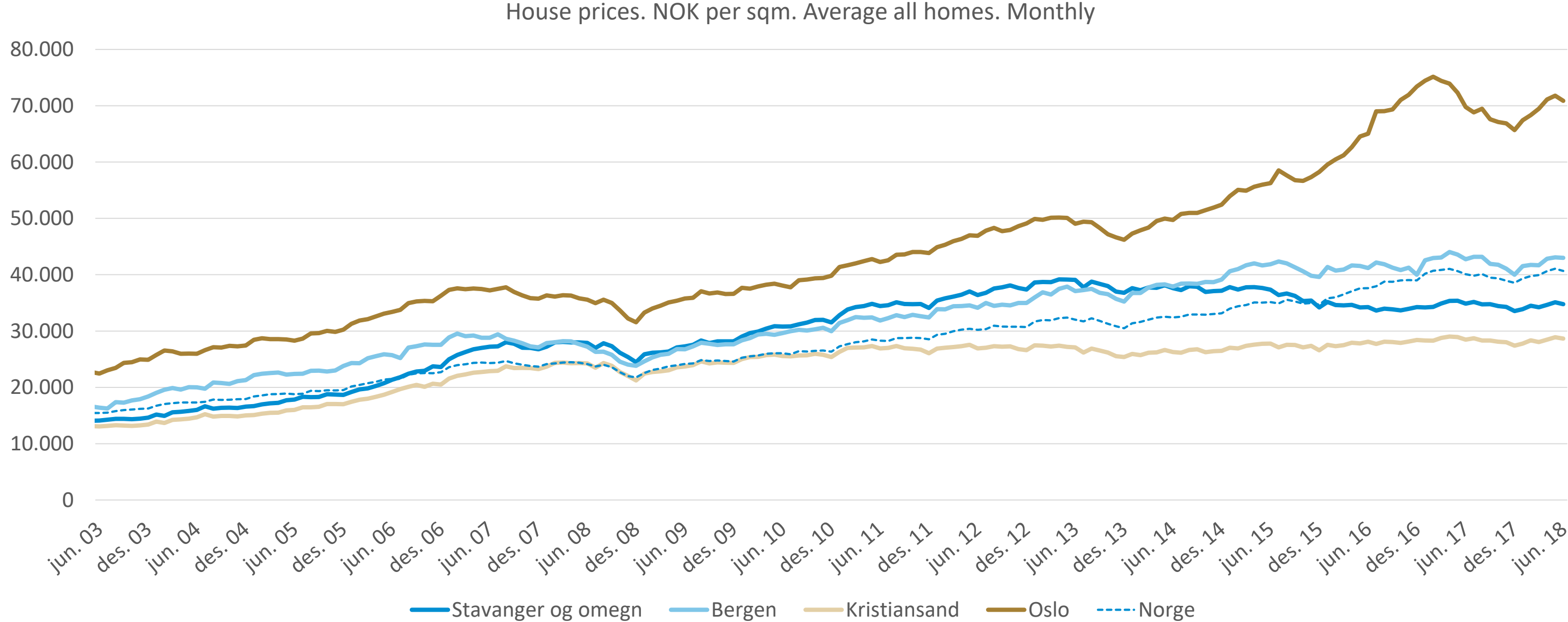
# Lower unemployment rate

Marked reduction in Rogaland in 2017 and the trend has continued in 2018



# Housing prices in Norway approx. unchanged last 12 months

Fairly stable in most counties, but somewhat more volatile in Oslo

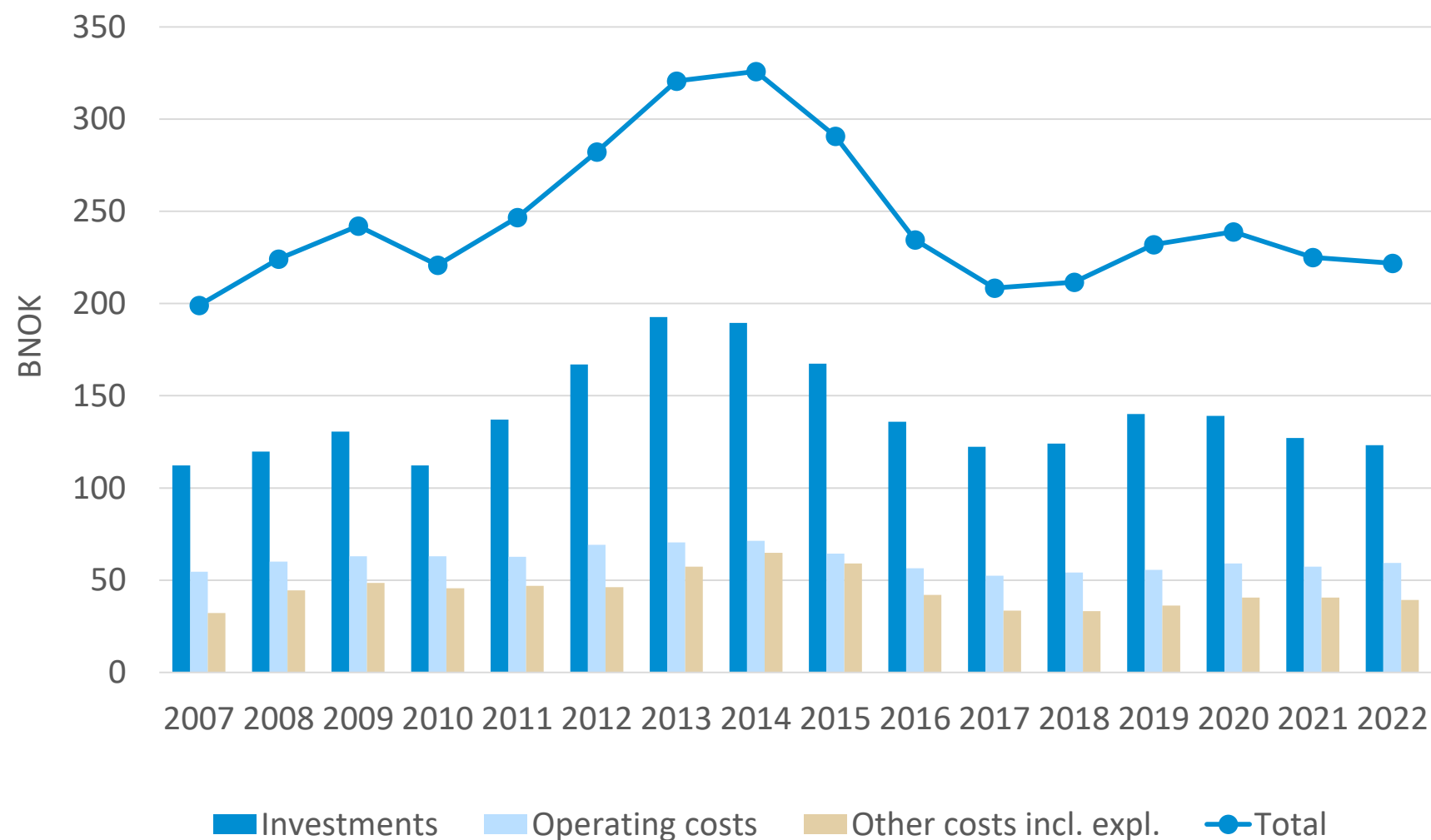


# Petroleum activity on the NCS turning from decline to upswing

Activity down 35% from 2014 to 2017, but is expected to increase coming years

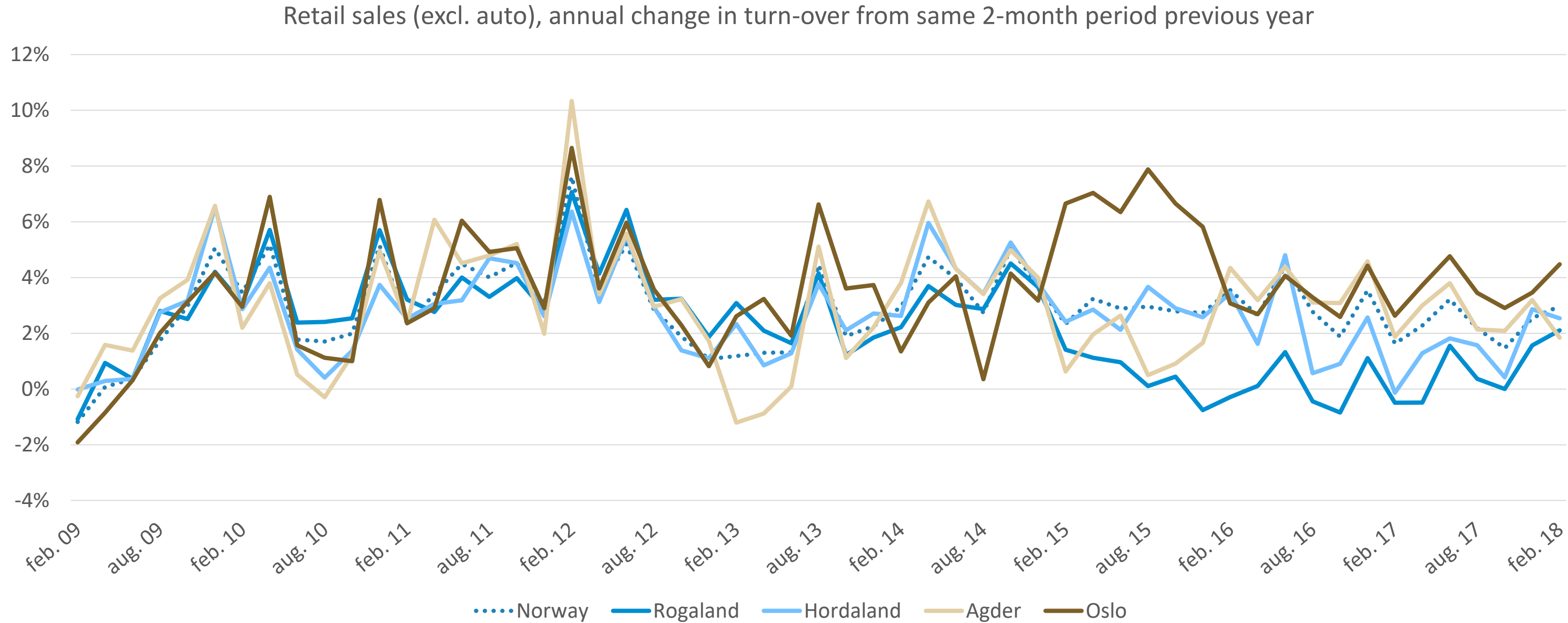
- Total activity on the Norwegian Continental Shelf (NCS) increased by over 60% from 2007 to 2014. Subsequently, activity decreased by 35% to 2017. The Norwegian Petroleum Directorate expects some increase over the coming years with growth of 2% in 2018, 10% in 2019 and 3% by 2020
- Investments are more volatile than operating costs.
- The operating costs, which are important for the activity in the region, are more stable. These were reduced by about 25% from top to bottom and are expected to increase 13% towards 2020

Petroleum activity on Norwegian Continental Shelf. BNOK (2018 NOK). Source: NPD



# Retail trade increasing in Norway by 2-4%

Highest growth in Oslo and growth is picking up in Rogaland





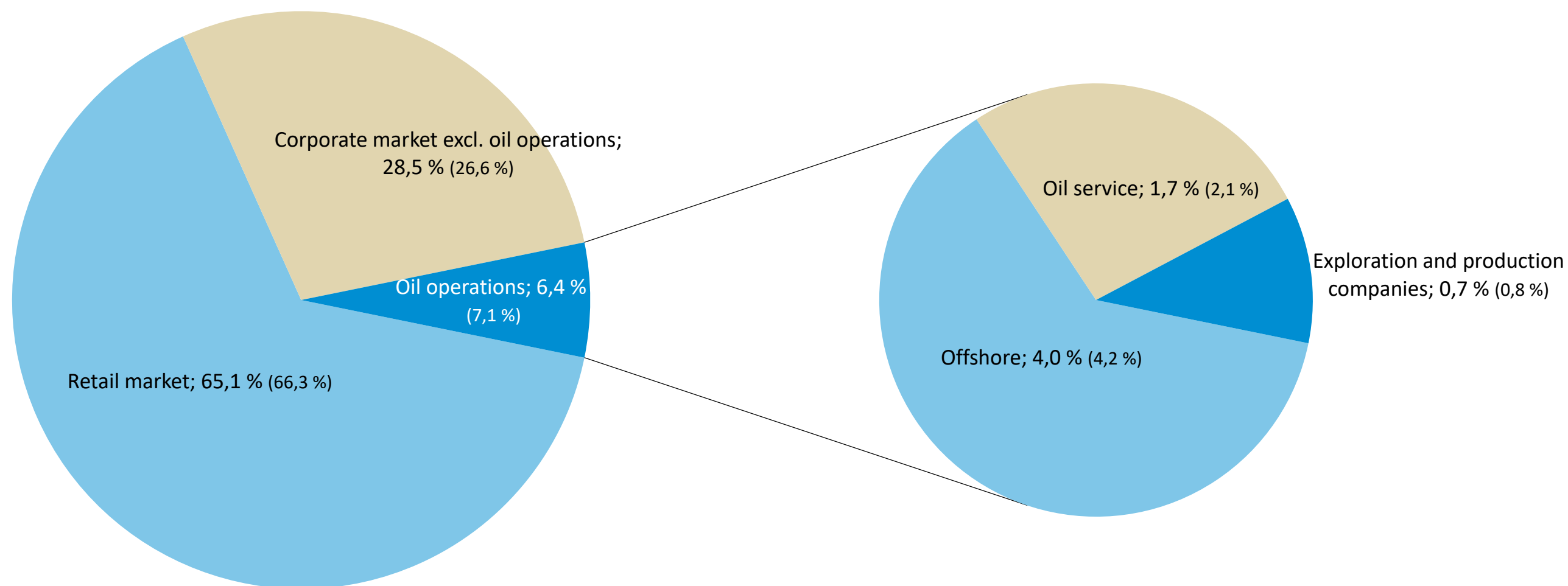
## APPENDIX

- 1) Macro
- 2) Oil related portfolio**
- 3) Risk
- 4) SpareBank 1 SR-Bank

# SpareBank 1 SR-Bank has a well diversified portfolio

6.4% (7.1%) of total EAD is related to oil operations

SpareBank 1 SR-Bank\* has total BNOK 215.9 (209.3) EAD per 30.06.2018      BNOK 13.9 (14.8) EAD is related to oil operations



EAD: Exposure at default

Figures as at 30.06.2018 . Figures in parentheses as at 31.12.2017

\*Include portfolio in covered bond company (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).

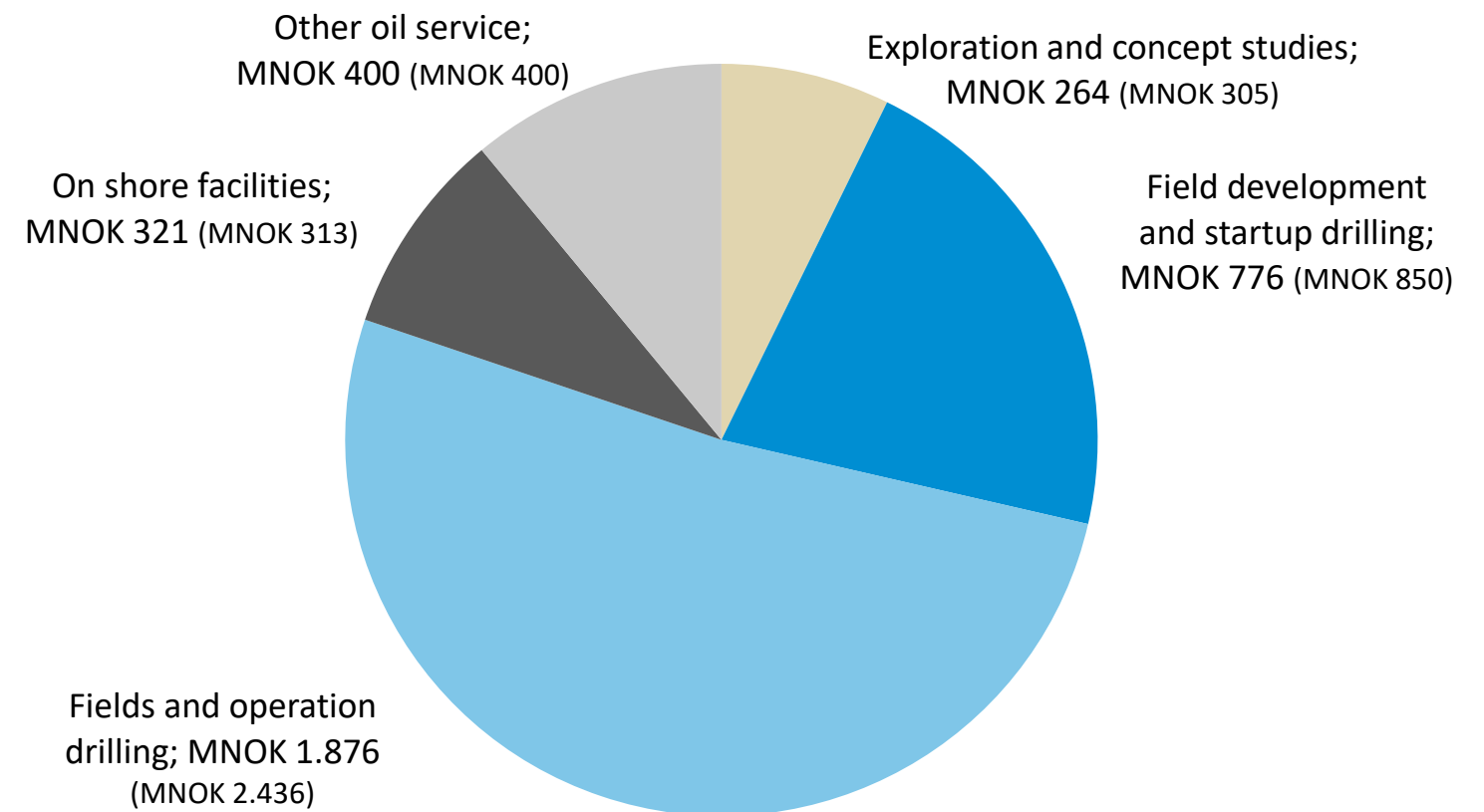
# Oil services - total NOK 3.6 billion

(NOK 4.3 billion as at 31.12.2017)

- Exploration and concept studies
  - EAD NOK 0.3 billion
  - Average weighted probability of default 2.7%
- Field development and start-up drilling
  - EAD NOK 0.8 billion
  - Average weighted probability of default 5.9%
- Operational fields and operational drilling
  - EAD NOK 1.9 billion
  - Average weighted probability of default 5.5%
- On shore facilities
  - EAD NOK 0.3 billion
  - Average weighted probability of default 4.0%
- Other oil services
  - EAD NOK 0.4 billion

## Oil services

- EAD NOK 3.6 *billion*, 1.7% of the bank's total EAD
- Average weighted probability of default for the oil services portfolio is 5.2%
- Funding of operating capital through current and fixed assets, as well as guarantees



EAD: Exposure at default

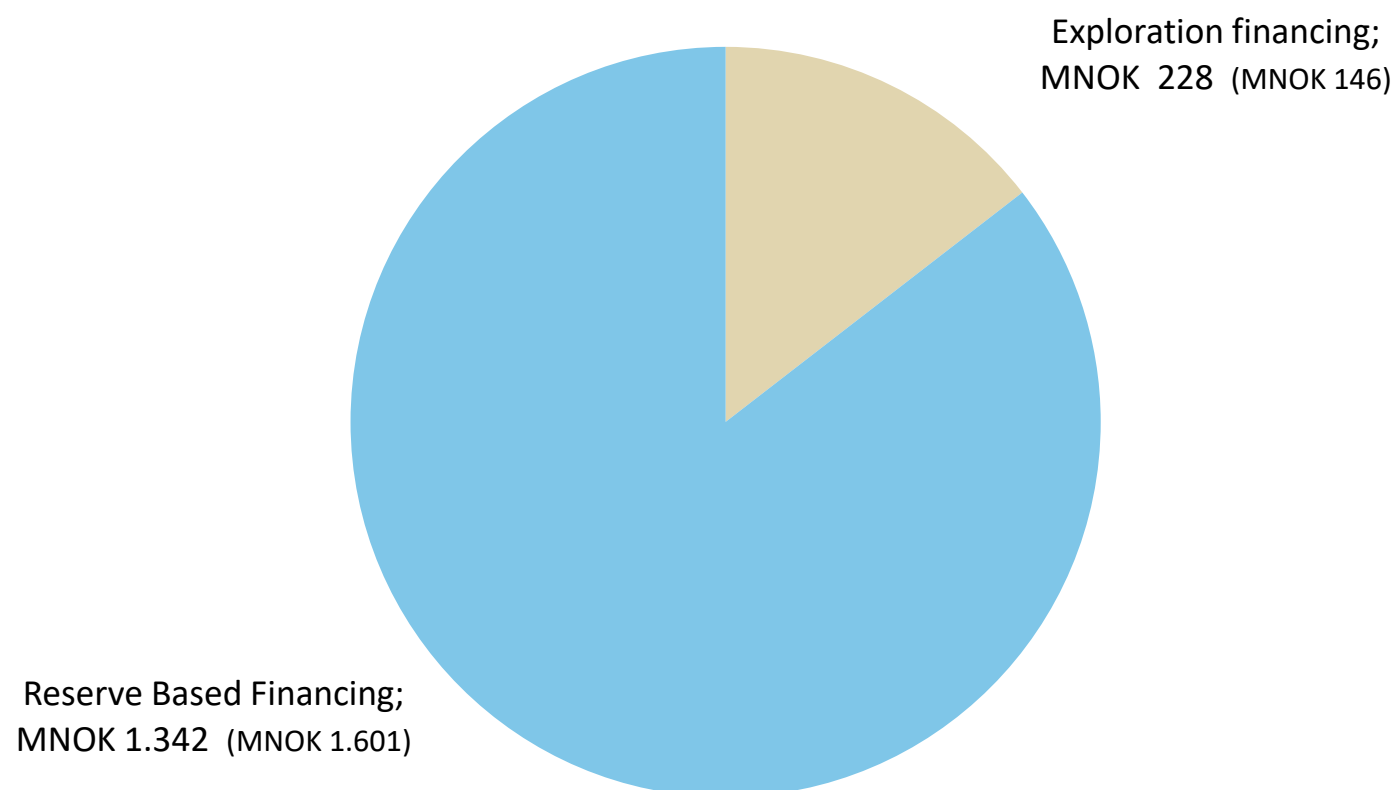
Figures as at 30.06.2018. Figures in parentheses as at 31.12.2017

# Oil and gas - total NOK 1.6 billion (NOK 1.7 billion as at 31.12.2017)

- Exploration financing
  - EAD NOK 0.2 billion
  - Average weighted probability of default 1.1%
  - Secured by a tax refund from the Norwegian State. No direct oil price risk
- Reserve based lending (RBL)
  - EAD NOK 1.3 billion
  - Average weighted probability of default 1.4%
  - 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 1.6 billion, 0.7% of the bank's total EAD
- Average weighted probability of default for the oil and gas portfolio is 1.4%
- Exposure primarily to companies with activities on the Norwegian continental shelf



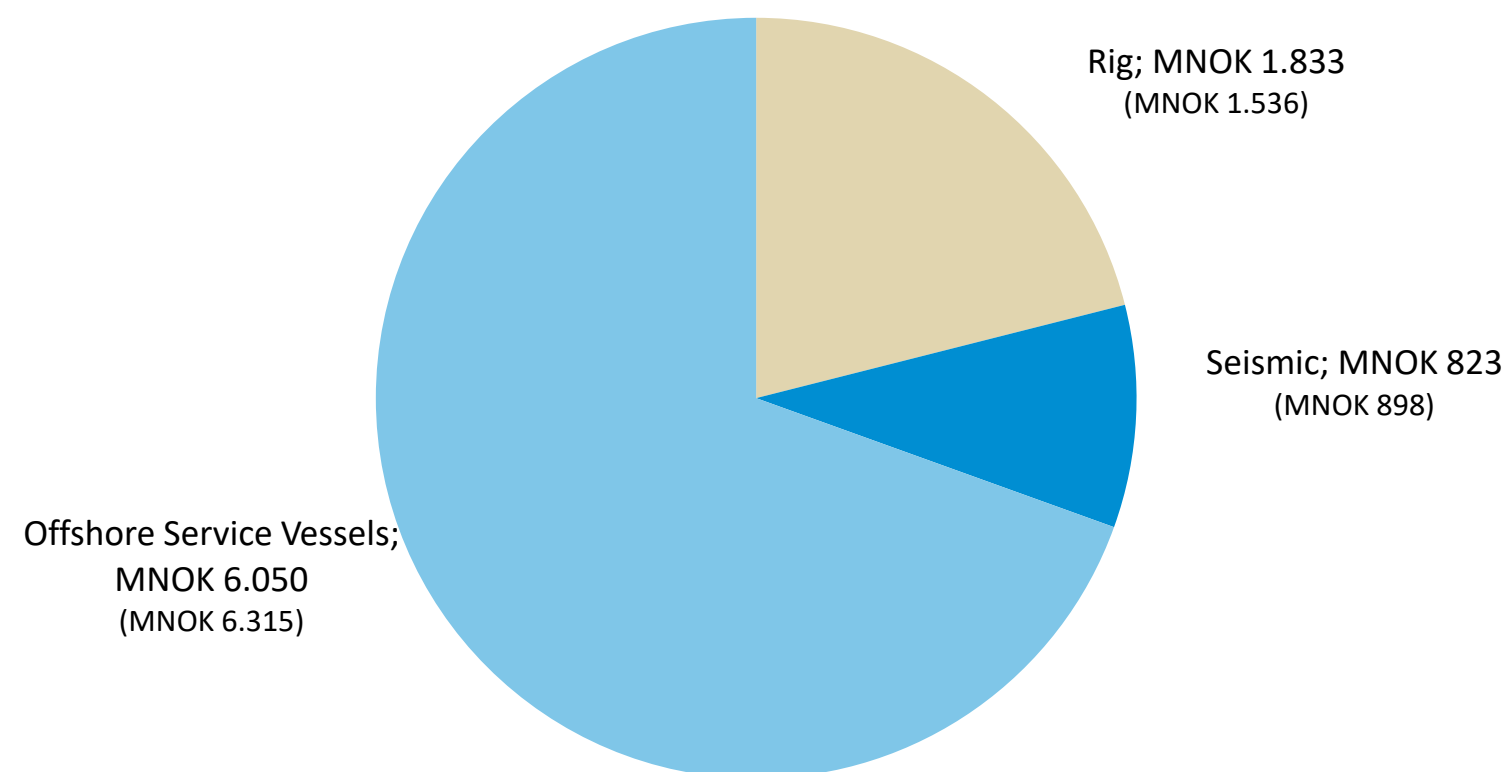
# Offshore - total NOK 8.7 billion

(NOK 8.7 billion as at 31.12.2017)

- Offshore Service Vessels
  - EAD NOK 6.1 billion, average weighted probability of default is 2.7%, weighted average age is 8.7 years, average weighted contract coverage for 2018 and 2019 of 65% and 35% respectively, average weighted LTV 96%, 84 vessels
- Rig
  - EAD NOK 1.8 billion, average weighted probability of default is 3.3%, weighted average age is 7.9 years, average weighted contract coverage for 2018 and 2019 of 73% and 61%, average weighted LTV 71%, 23 rigs
- Seismic vessels
  - EAD NOK 0.8 billion, average weighted probability 0.8%, weighted average age is 13.3 years, average weighted contract coverage for 2018 and 2019 of 63% and 63% respectively, average weighted LTV 100%, 7 vessels
  - Applies to ship financing, not seismic equipment

## Offshore

- EAD NOK 8.7 billion, 4.0% of the bank's total EAD
- Average weighted probability of default for the offshore portfolio is 2.6%
- Exposure primarily to industrial-oriented shipping companies with strong ownership and integrated organisation



EAD: Exposure at default

Figures as at 30.06.2018. Figures in parentheses as at 31.12.2017.

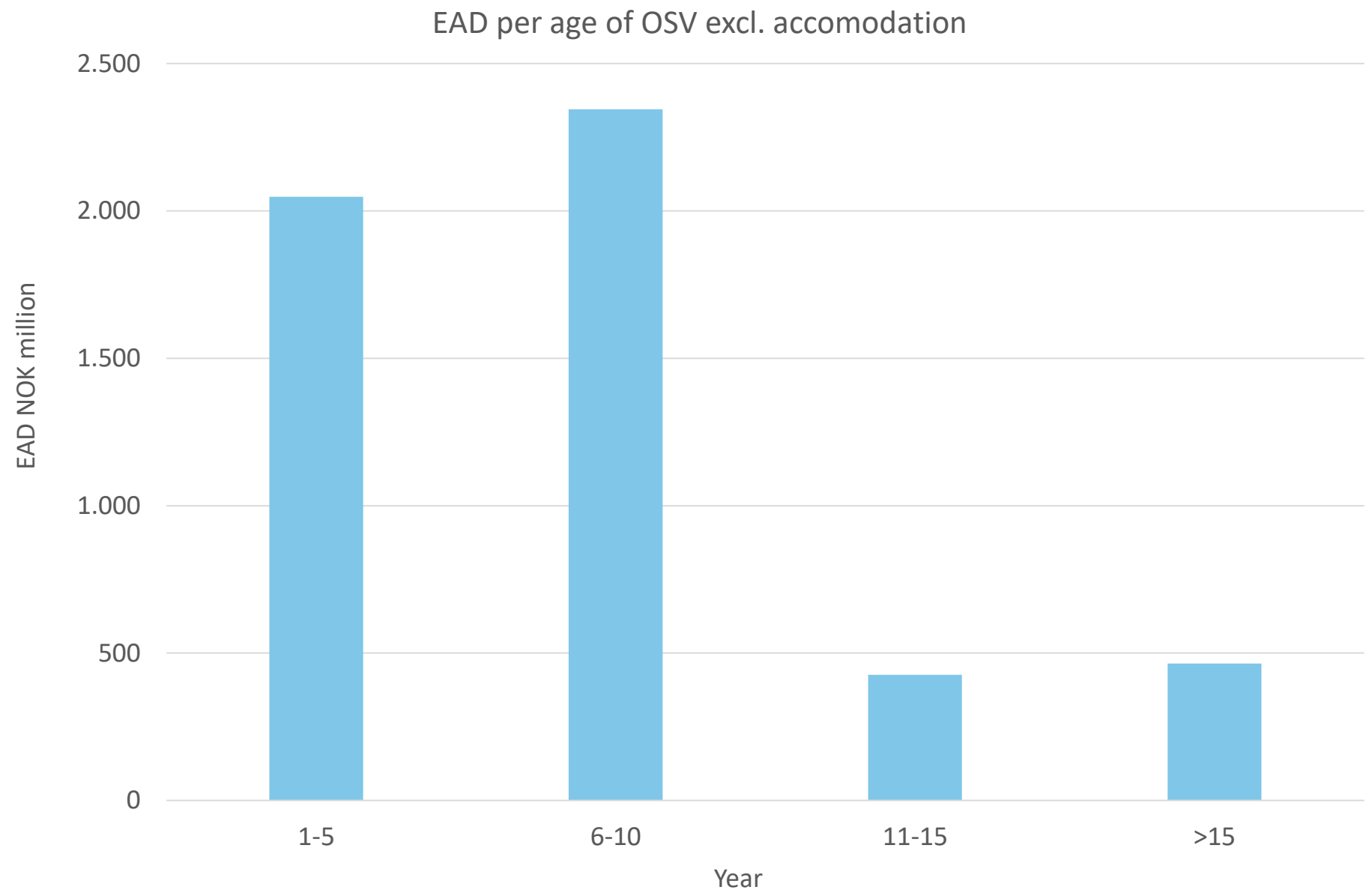
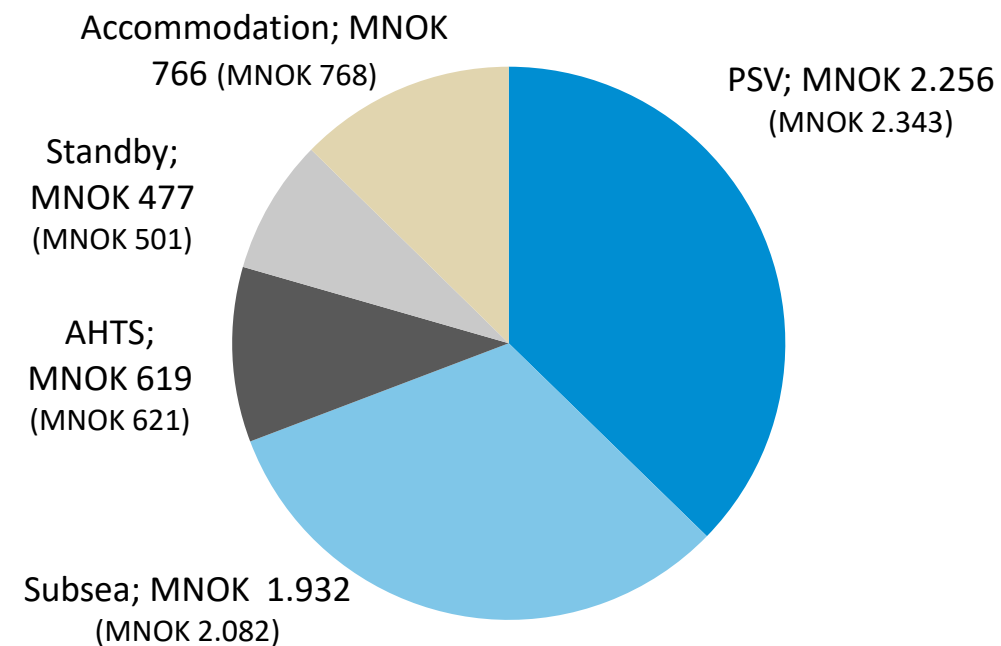
LTV: Loan to Value. Value estimates per 31.12.2017

# Offshore Service Vessels – total NOK 6.1 billion

(NOK 6.3 billion as at 31.12.2017)

## 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

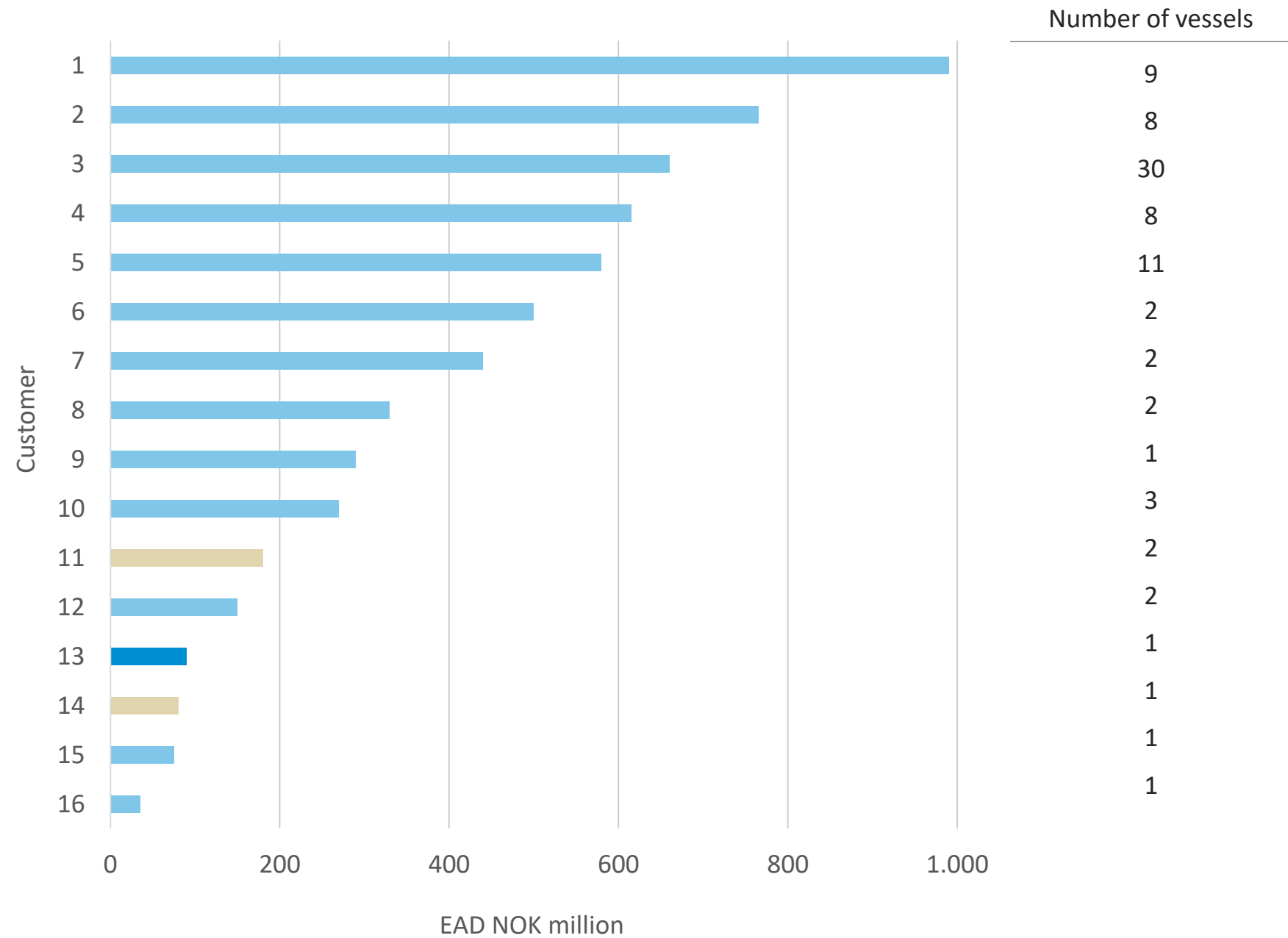


EAD: Exposure at default

Figures as at 30.06.2018. Figures in parentheses as at 31.12.2017.

# Offshore Service Vessels – largest customer group

- Well diversified portfolio. One commitment of NOK 1.0 billion, rest of NOK 770 or lower.
- Total EAD for the portfolio is NOK 6.1 billion of which;
  - NOK 5.7 billion consists of 13 restructured commitments
  - NOK 0.1 billion consists of 1 commitment under consideration
  - NOK 0.3 billion consists of 2 commitments where it is not required
- Financing of 84 vessels, all with 1. priority pledge

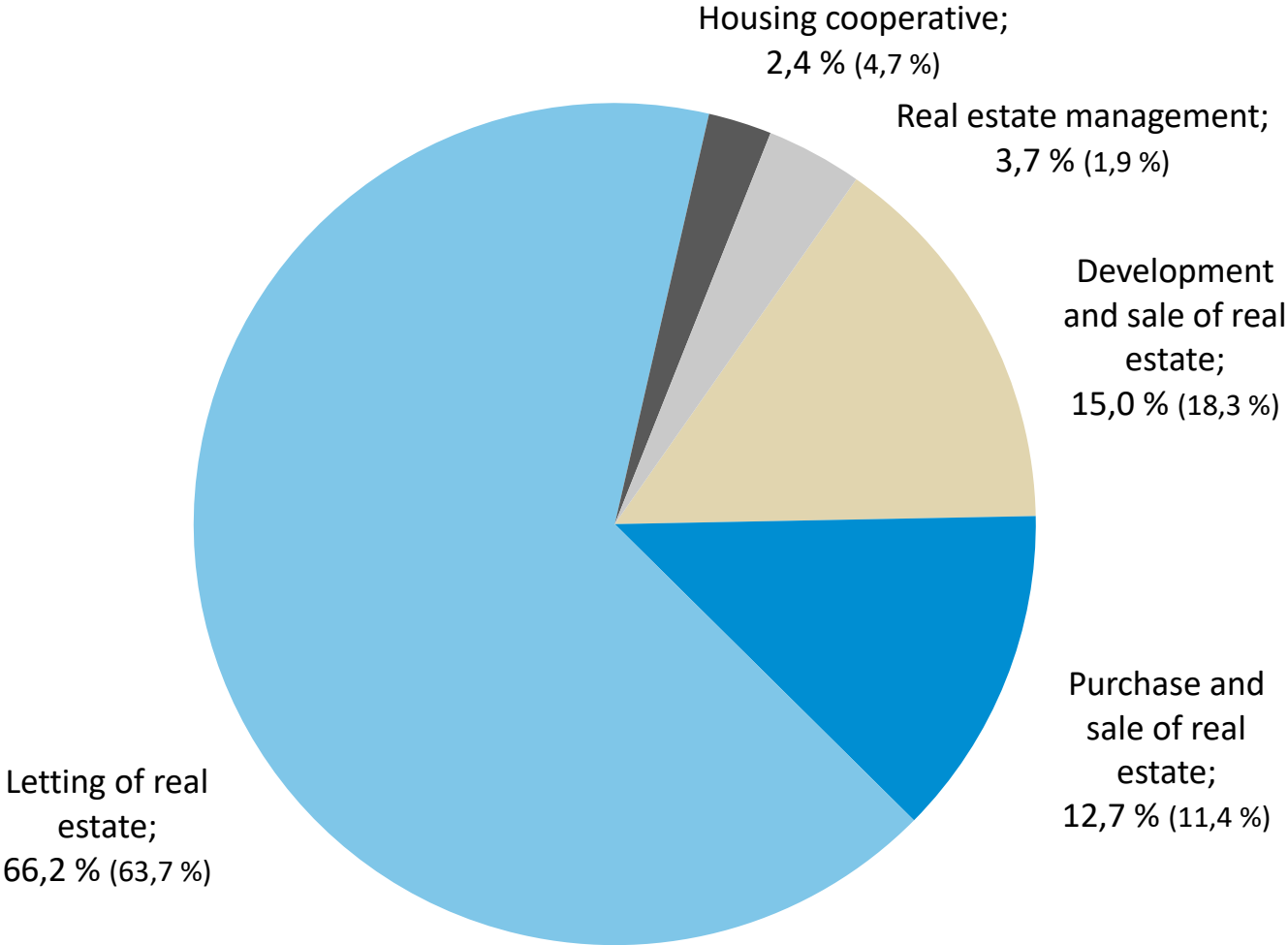


■ Restructured   
 ■ Under consideration   
 ■ Not required

# Lending to commercial property

## Lending to commercial property

- NOK 29.7 billion, 15.3% 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.



Sector allocation in accordance with the standard categories from Statistics Norway. Figures in parentheses as at 30.06.2017.



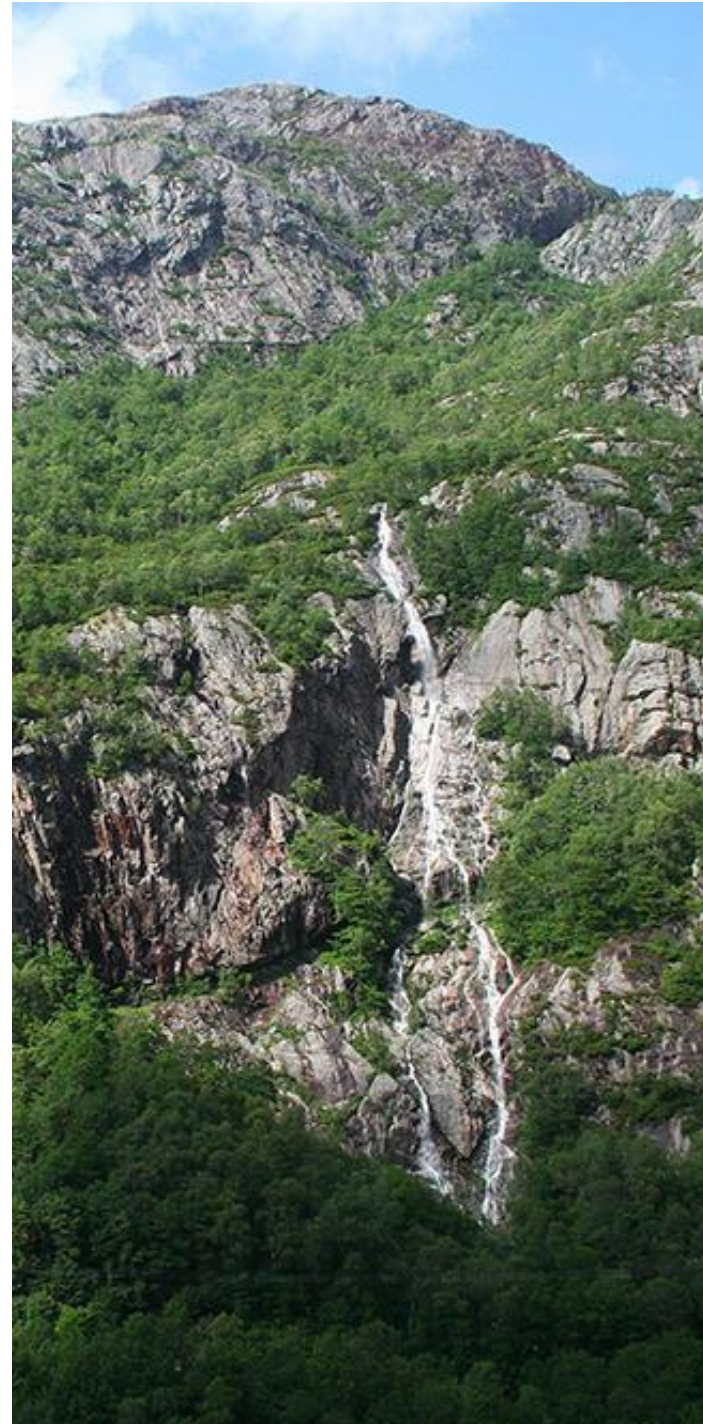
## APPENDIX

- 1) Macro
- 2) Oil related portfolio
- 3) Risk**
- 4) SpareBank 1 SR-Bank

**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**



- 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
  - The bank's primary market areas for credit exposure are Rogaland, the Agder counties and Hordaland as well as Oslo and Akershus within the person- and the large customer segment
- 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

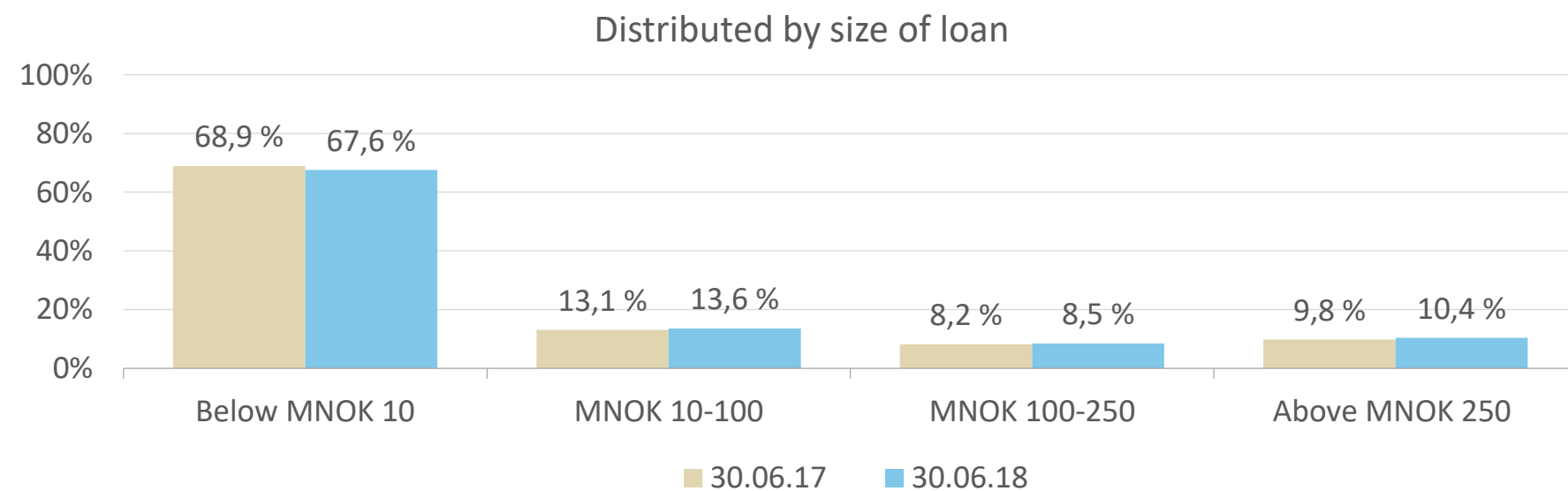
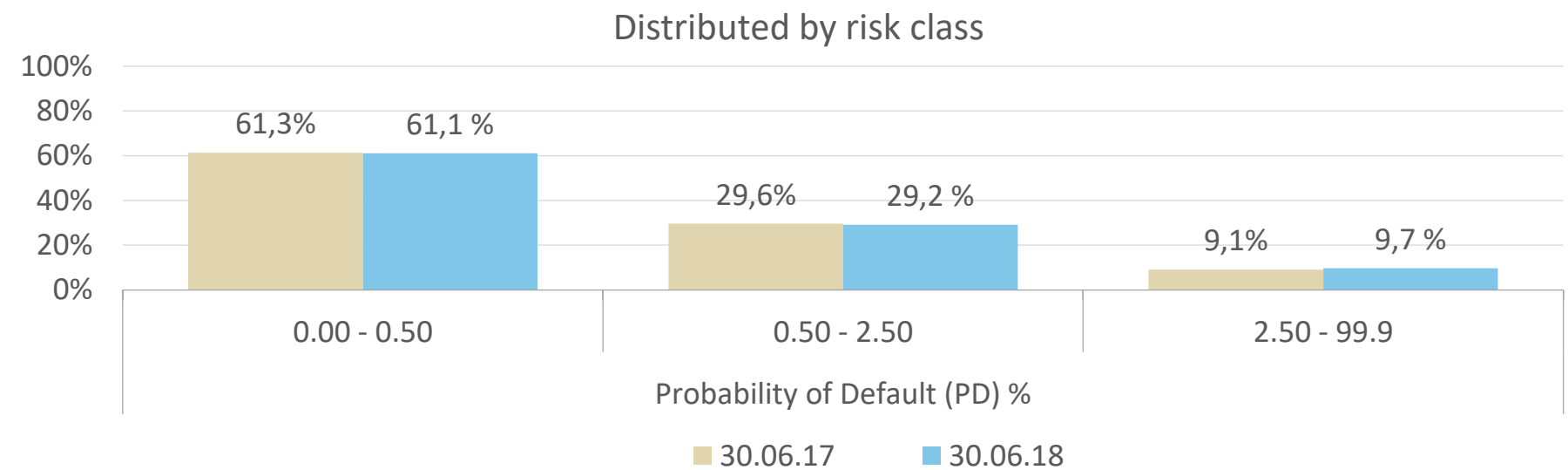


- The bank sets specific limits for the size of commitments as well as requirements concerning industry diversification
  - The maximum total exposure to an individual customer must be significantly lower than the regulatory requirements
  - The maximum unsecured exposure to an individual customer must 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



# Risk profile of the loan portfolio

- SpareBank 1 SR-Bank has a solid loan portfolio.
- 61.1% of the bank's loan exposure has a PD\* below 0.5%.
- Single loan exposures less than NOK 10 million aggregates 67.6% of total loan portfolio.
- Single loan exposures above NOK 250 million is 10.4% of total loan portfolio.

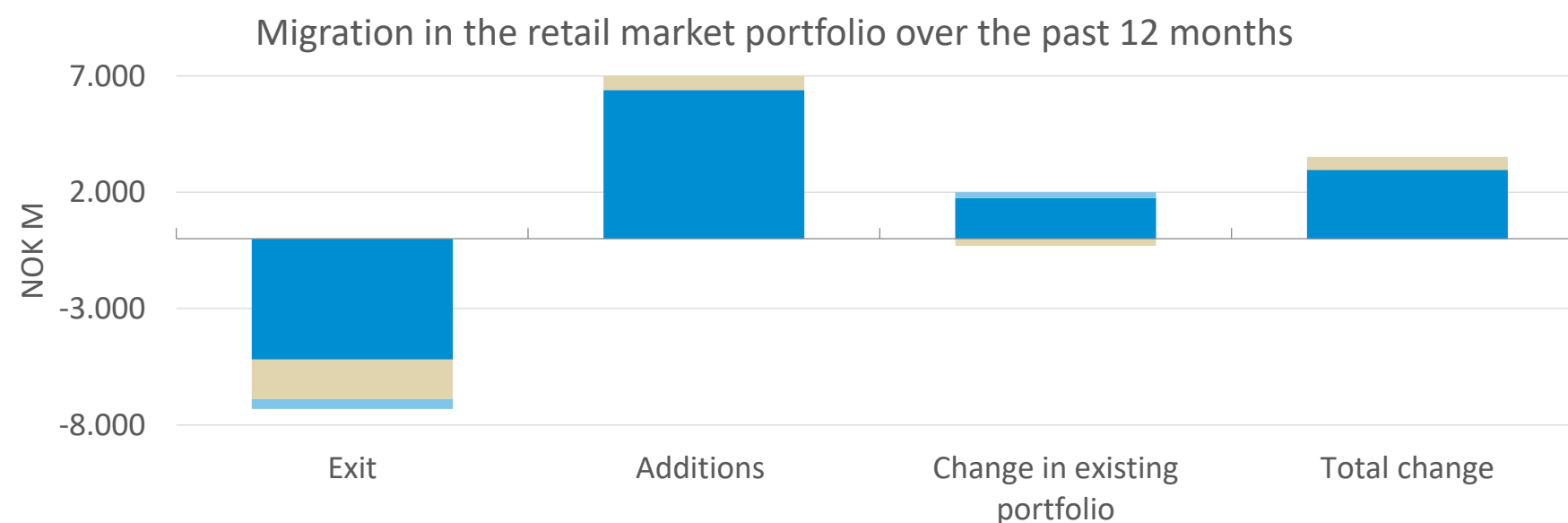
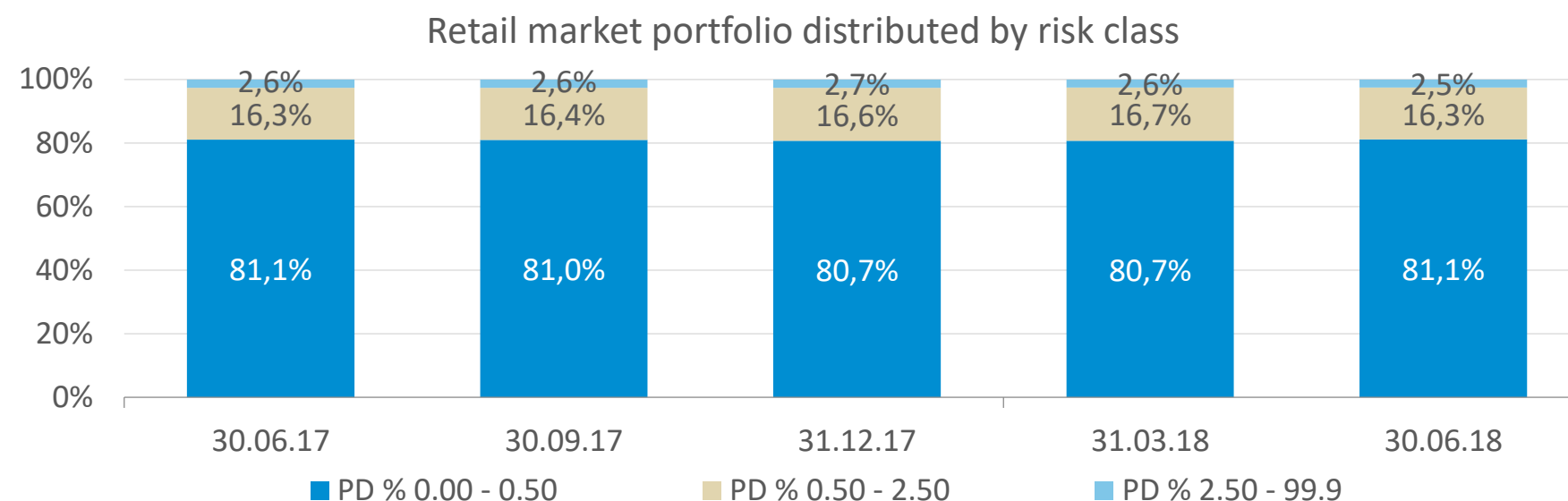


\*Probability of default (PD) through a full cycle of loss.

The figures include the loan portfolio in the covered bond companies (SpareBank 1 Næringskreditt AS, SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).

# 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 % is 81.1 % 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.

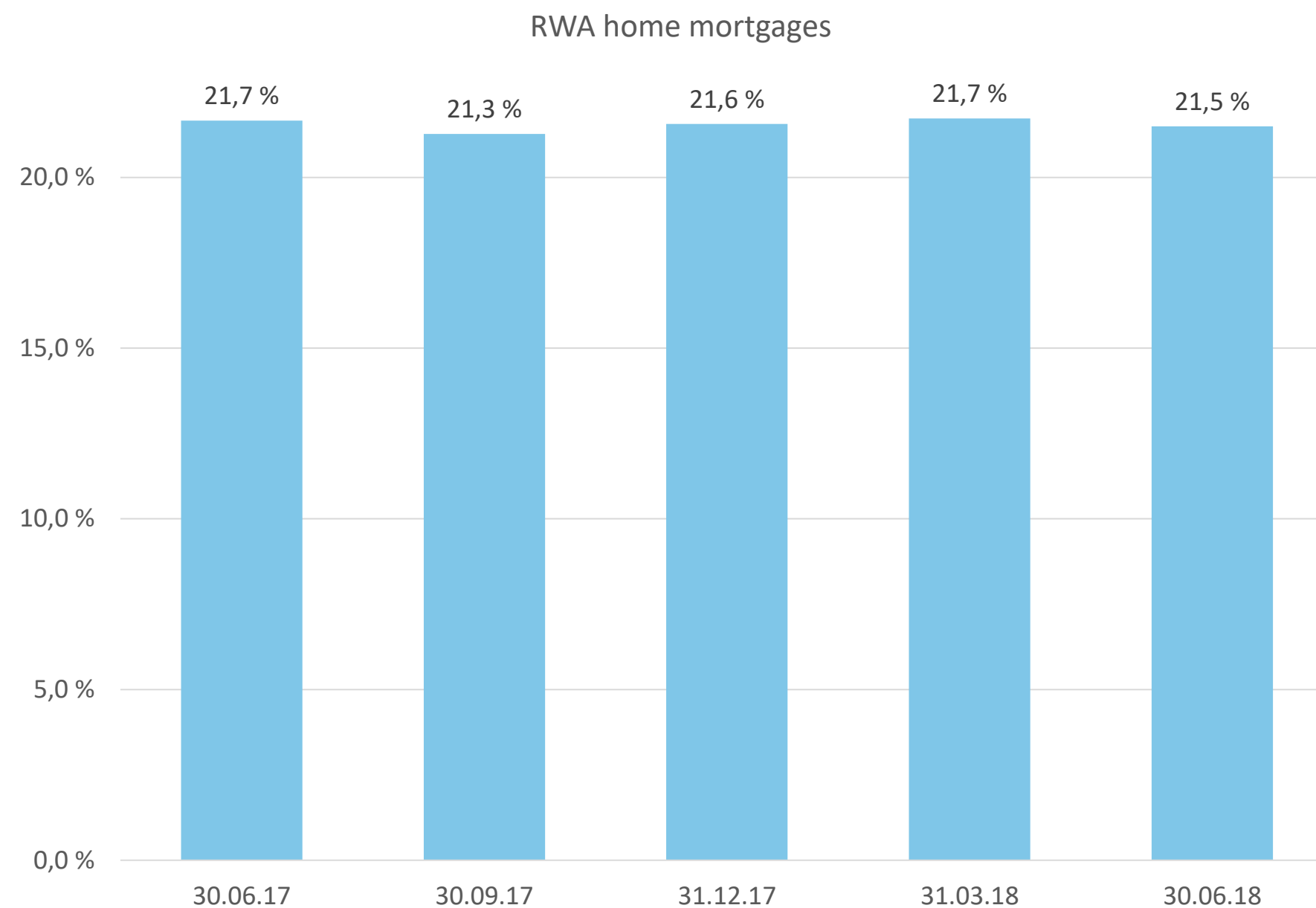


\*Probability of default (PD) through a full cycle of loss.

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

# RWA home mortgages

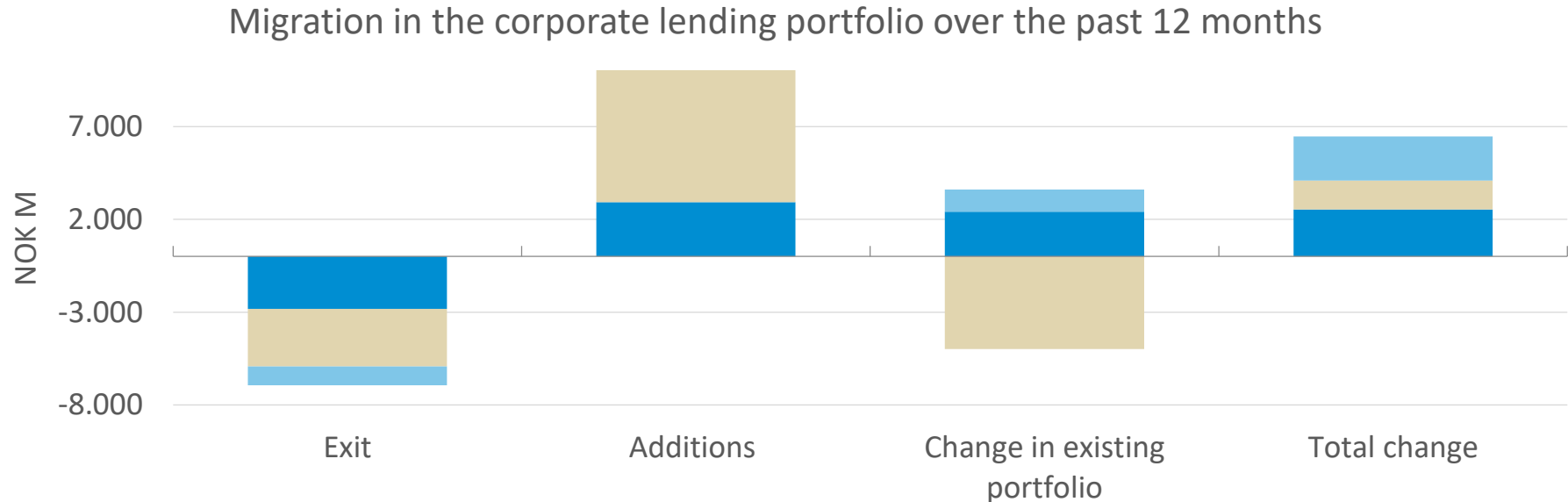
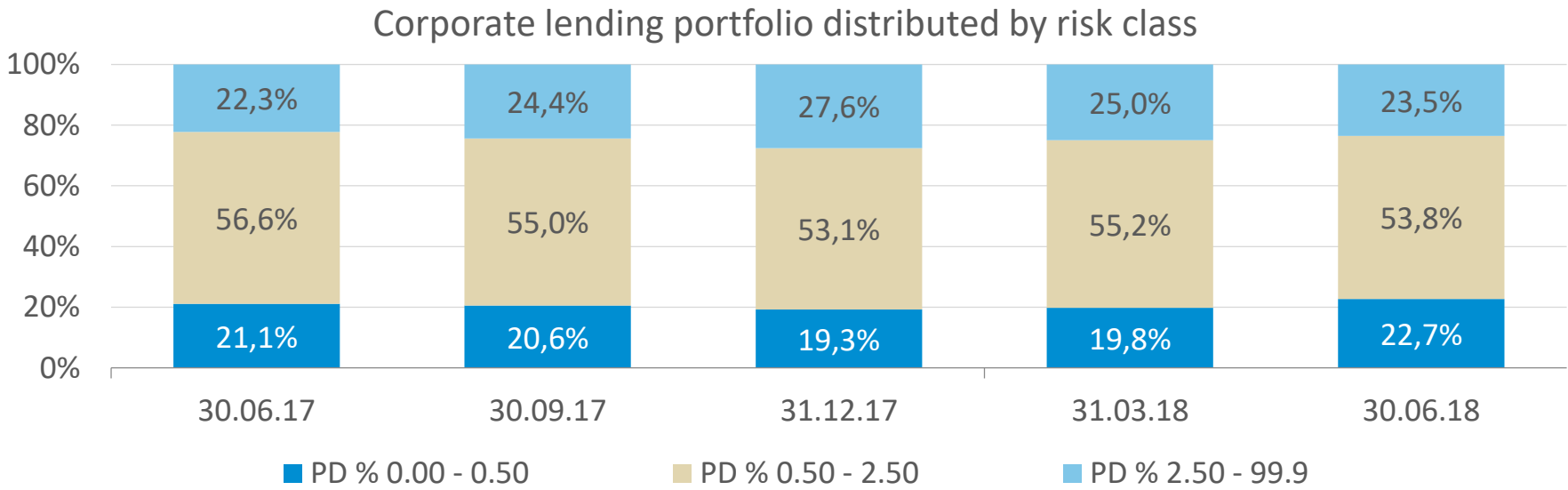
- RWA on home mortgages reflects a solid and stable portfolio.



Home mortgages as defined in the Norwegian IRB framework; residential property must make up at least 30 % of a loan's security.  
The figures include the loan portfolio in the covered bond companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).

# Risk profile – Corporate lending

- The quality of the corporate market portfolio is good. There is a clearly defined framework that sets limit on what is funded and conditions for particular funding purposes. This ensures a robust portfolio.
- The share of costumers with PD\* below 0.5 % is at 22.7 %.



\*Probability of default (PD) through a full cycle of loss.  
 The figures include the loan portfolio in the covered bond company SpareBank 1 Næringskreditt AS.



## APPENDIX

- 1) Macro
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- 4) **SpareBank 1 SR-Bank**

# SpareBank 1 SR-Bank ASA

## Divisions of SpareBank 1 SR-Bank ASA

### Capital Markets

Number of man-years: 24

### Retail Market

Number of man-years: 455

### Corporate Market

Number of man-years: 155

### Administration & Support

Number of man-years: 278

## Fully owned companies

### EiendomsMegler 1

Leading real estate broker  
Number of man-years: 202

### SpareBank 1 SR-Forvaltning

Asset management  
Number of man-years: 13

### SpareBank 1 Regnskapshuset SR

Accounting and advisory  
Number of man-years: 99

### SR-Boligkreditt

Covered Bond Funding  
Number of man-years: 1

### FinStart Nordic

The company will be a start-up factory for new ideas  
Number of man-years: 3

## Partly owned companies

### BN Bank

(23.5%)  
Commercial bank located in Oslo and Trondheim

### SpareBank 1 Boligkreditt

(8.0%)  
Covered bond company (mortgages)

### SpareBank 1 Kredittkort

(17.9%)  
Credit card company located in Trondheim

### SpareBank 1 Gruppen

(19.5%)  
Holding company for the SpareBank 1 - Alliance

### SpareBank 1 Næringskreditt

(19.2%)  
Covered bond company (commercial real estate)

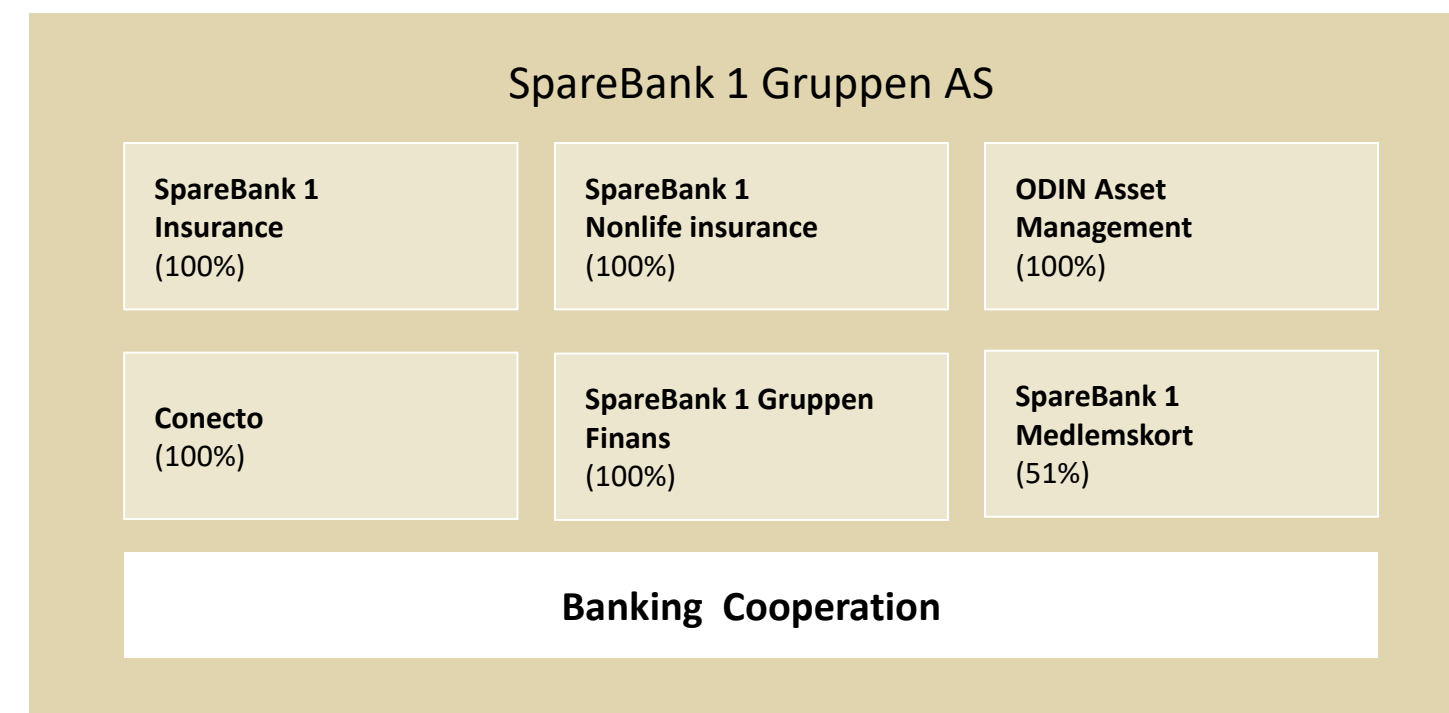
### SpareBank 1 Betaling\*

(19.7%)  
The company behind mobile payment solution  
\*Owner 25% in VIPPS AS

# SpareBank 1 Alliansen



Products, commissions, dividends ↑ ↓ Sales, loan portfolios, capital



## Owners of the alliance

All credit decisions are made at the local banks

Economies of scale related to expenses, IT solutions, marketing and branding

# Our vision: the customer's first choice

## Objectives

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

## 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 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.

## Financial goals

- Return on equity of 11% after tax in 2018. The longer term (2020) target is a minimum of 12%.
- Top 50% return on equity and cost/income in a Nordic benchmark

## Strategic focus

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

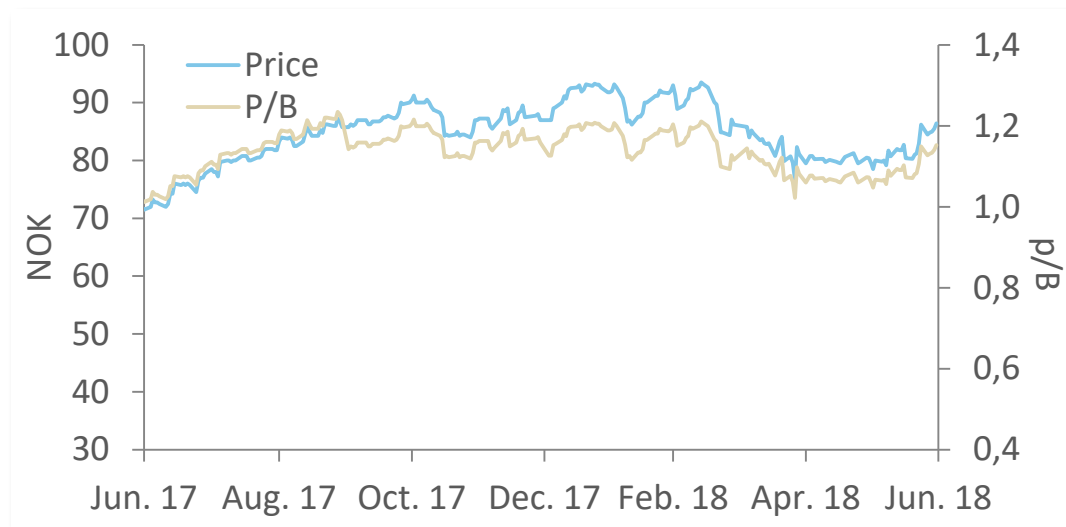
# Balance sheet

Balance sheet (MNOK)	30.06.2018	30.06.2017
Cash and balances with central banks	711	747
Balances with credit institutions	4.279	8.335
Net loans to customers	177.586	163.703
Certificates, bonds and other fixed-income securities	29.468	28.451
Financial derivatives	4.096	5.354
Shares, ownership stakes and other securities	748	528
Business available for sale	0	22
Investment in associates	3.886	4.277
Other	3.180	1.462
<b>Total assets</b>	<b>223.954</b>	<b>212.879</b>
Balances with credit institutions	2.375	2.805
Deposits from customers	105.824	99.758
Listed debt securities	87.407	83.222
Financial derivatives	2.640	3.622
Other liabilities	2.631	1.633
Additional Tier 1 and Tier 2 capital instruments	3.169	3.105
<b>Total liabilities</b>	<b>204.046</b>	<b>194.145</b>
<b>Total equity</b>	<b>19.908</b>	<b>18.734</b>
<b>Total liabilities and equity</b>	<b>223.954</b>	<b>212.879</b>

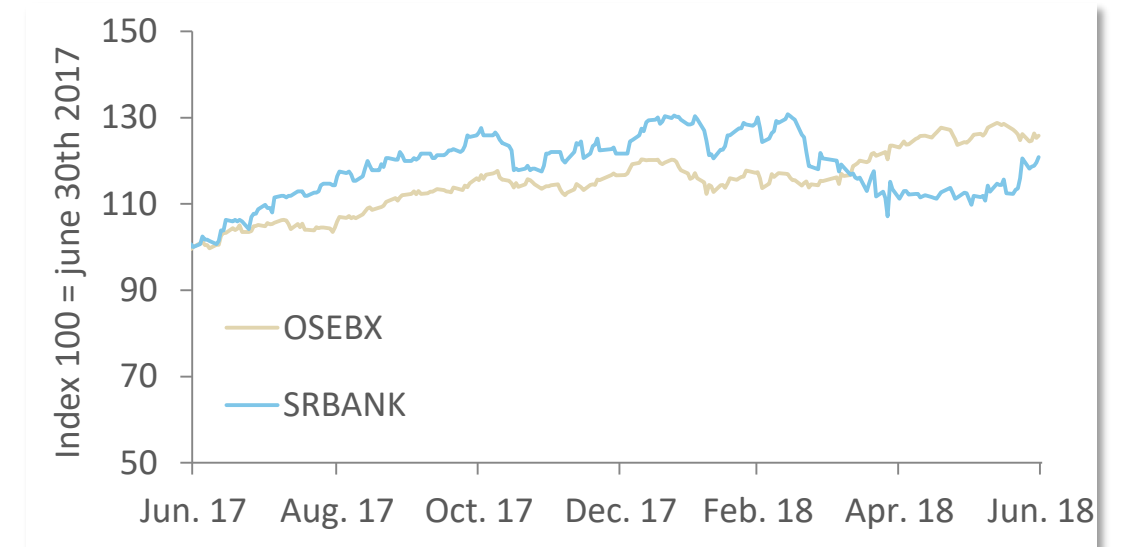
# SRBANK share

- International ownership is 23.1 % per 2. quarter 2018.
- Total market value at 2. quarter 2018 is NOK 22.1 billion.

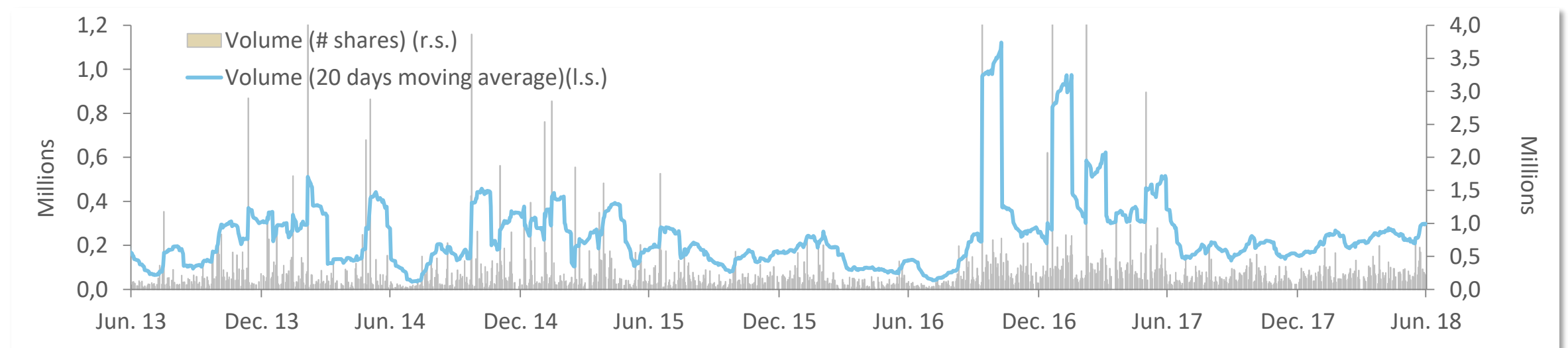
Development in Price/Book



Relativ share price development



Trading volume development



## 20 largest shareholders as at June 2018

- Ownership interests:
  - From Rogaland, Agder-counties and Hordaland: 44.7% (46.2%)
  - International: 23.1% (20.7%)
  - 10 largest: 50.7% (48.0%)
  - 20 largest: 57.8% (55.1%)
- Number of shareholders 30.06.2018: 10 997 (10 579)
- Employees owning 1.6% (1.7%)

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
Folketrygdfondet		18.326.329	7,2%
State Street Bank and Trust Co, U.S.A.	Nominee	10.111.983	4,0%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Vpf Nordea Norge Verdi		5.957.547	2,3%
Verdipapirfondet DNB Norge (IV)		3.616.570	1,4%
Danske Invest Norske Instit. II		3.611.038	1,4%
State Street Bank and Trust Co, U.S.A.	Nominee	3.463.861	1,4%
Odin Norge		3.406.393	1,3%
Clipper AS		2.565.000	1,0%
Pareto Aksje Norge		2.534.197	1,0%
JPMorgan Chase Bank N.A., U.S.A.	Nominee	2.232.497	0,9%
Danske Invest Norske Aksjer Inst.		1.956.094	0,8%
KAS Bank NV, Nederland	Nominee	1.794.273	0,7%
Westco AS		1.697.987	0,7%
KLP Aksjenorge Indeks		1.681.428	0,7%
Pareto AS		1.640.867	0,6%
Vpf Nordea Norge Avkastning		1.634.120	0,6%
Morgan Stanley & Co, U.K.	Nominee	1.524.654	0,6%
Forsvarets Personellservice		1.513.556	0,6%
Top 5		113.041.747	44,2%
Top 10		129.704.609	50,7%
Top 20		147.914.282	57,8%

# SR-Bank pr 30.06.2018

	30.06.2018	2017	2016	2015	2014	2013
Share price	86,40	87,00	60,75	39,30	52,50	60,25
Stock value (MNOK)	22.097	22.250	15.537	10.051	13.427	15.409
Book value per share, NOK (group)	77,28	77,24	71,54	66,14	60,28	55,00
Earnings per share	4,44	8,16	6,87	6,83	8,20	7,28
Dividend per share	n.a.	4,25	2,25	1,50	2,00	1,60
P/E	9,73	10,66	8,84	5,75	6,40	8,28
P/BV (group)	1,12	1,13	0,85	0,59	0,87	1,10

Number of shares issued 255.8 million

Trading volume in Q2 2018: 6.1 % (8.6 %)

On 1 June 2017, the SR-Bank share was included in the Oslo Stock Exchange's main index





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