

A large graphic consisting of a white circle with a blue 'Q' inside, followed by a large blue '2'.

Quarterly presentation 2020

# 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.



- **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 17.9 Billion
- Total assets: NOK 278.7 Billion
- Total lending: NOK 218.6 Billion
- Total deposits: NOK 111.2 Billion
- No. of branches: 34
- Employees: 1.323

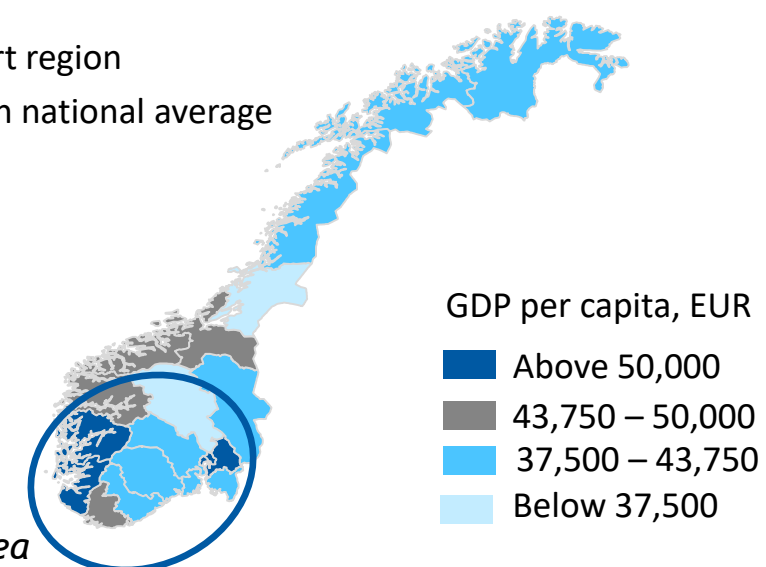


- **1839:** The first bank that today forms part of SpareBank 1 SR-Bank was established.
- **1976:** 24 savings banks merge to form Sparebanken Rogaland.
- **1994:** SR-Bank (Sparebanken Rogaland) lists its primary capital certificates on the Oslo Stock Exchange.
- **1996:** SR-Bank is one of the founders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

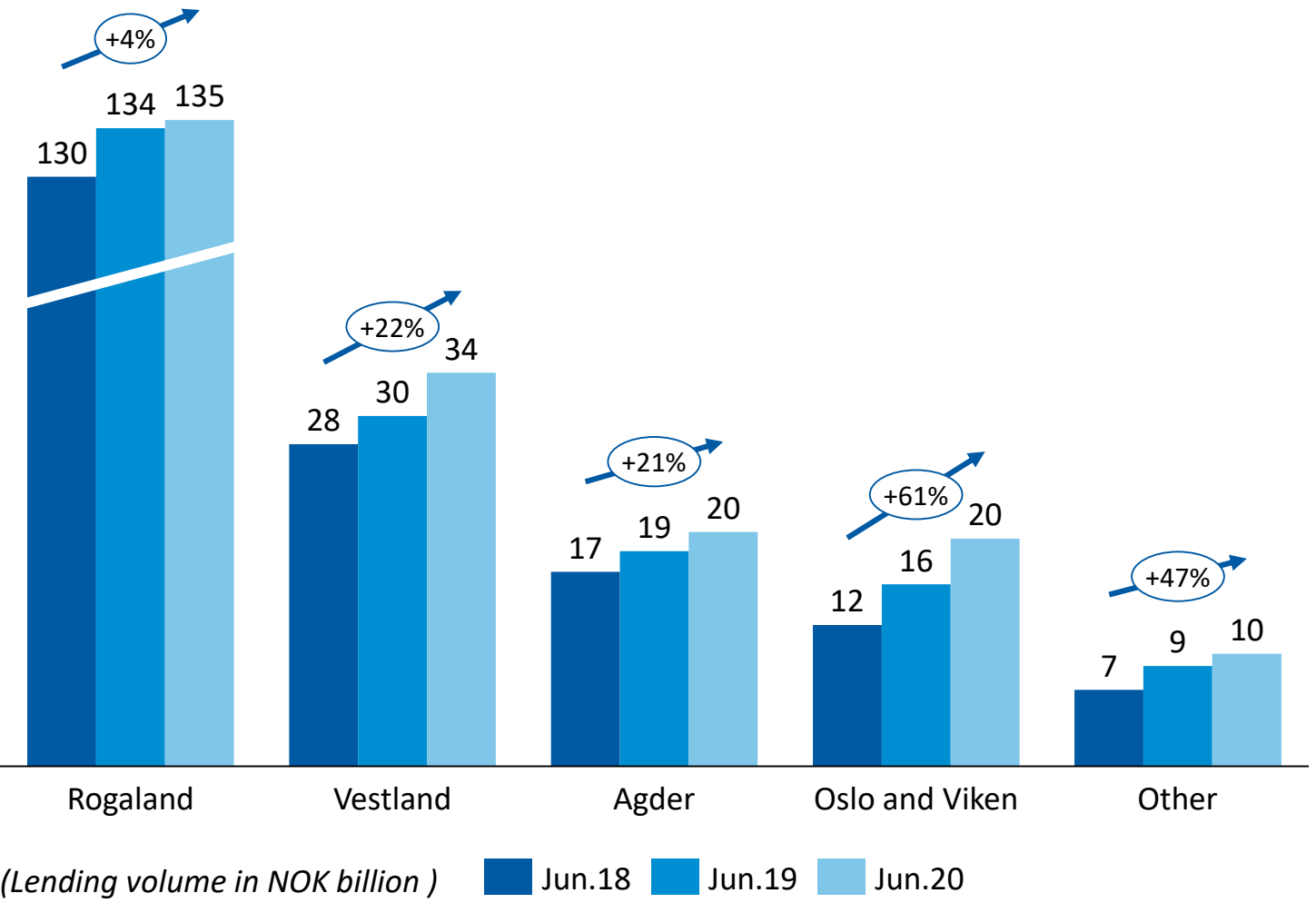
Source: Finans Norge (2018), Statistics Norway, Norges Bank.

	Banks	Market share
1	DnB Bank	27.2
2	Nordea Bank Norge (Swedish)	12.6
3	Danske Bank (Danish)	6.4
4	Handelsbanken (Swedish)	5.4
5	SpareBank 1 SR-Bank	4.3

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



# Digitalization and growth makes SR-Bank a finance group for the South of Norway



# SpareBank 1 SR-Bank ASA

Business divisions	Fully owned companies		Partly owned companies	
<b>Capital Market</b> Number of man-years: 24	<b>EiendomsMegler 1</b> Leading real estate broker Number of man-years: 192	<b>SR-Boligkreditt</b> Covered Bond Funding Number of man-years: 1	<b>BN Bank</b> (35.0%) Commercial bank located in Oslo and Trondheim	<b>SpareBank 1 Gruppen</b> (19.5%) Holding company for the SpareBank 1 - Alliance
<b>Retail Market</b> Number of man-years: 474	<b>SR-Forvaltning</b> Asset management Number of man-years: 14	<b>FinStart Nordic**</b> A start-up factory for new ideas Number of man-years: 19	<b>SpareBank 1 Boligkreditt</b> (2.2%) Covered bond company (mortgages)	<b>SpareBank 1 Næringskreditt</b> (15.6%) Covered bond company (commercial real estate)
<b>Corporate Market</b> Number of man-years: 154	<b>SpareBank 1 SR-Bank Forretningspartner*</b> Accounting and advisory Number of man-years: 142	<b>Monner</b> Digital loan-platform for small businesses Number of man-years: 16	<b>SpareBank 1 Kreditt</b> (17.7%) Credit card company located in Trondheim	<b>SpareBank 1 Betaling***</b> (19.8%) The company behind mobile payment solution
<b>Administration &amp; Support</b> Number of man-years: 287				

\*In June 2020, SpareBank 1 Regnskapshuset SR changed its name to SpareBank 1 SR-Bank Forretningspartner.

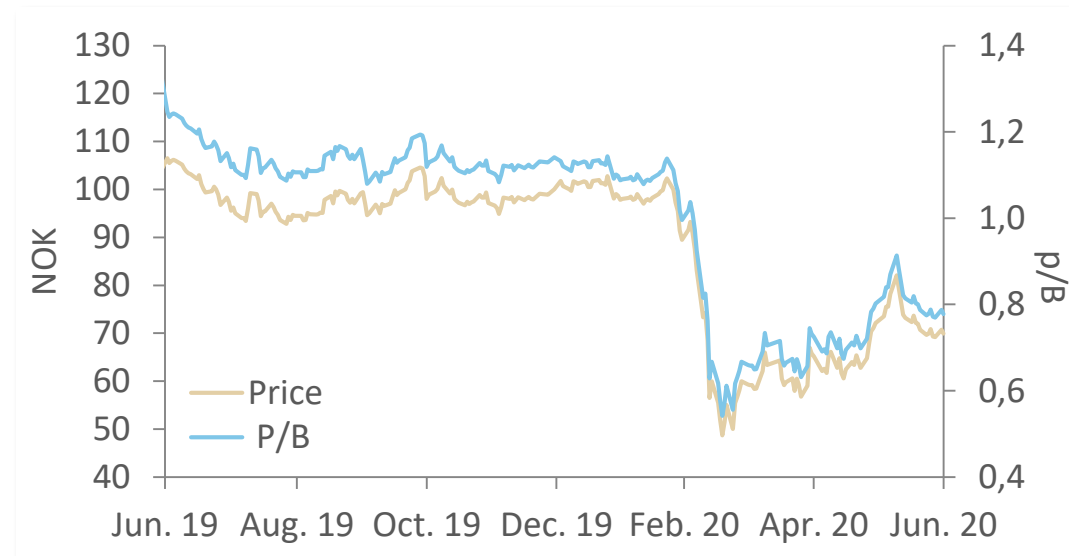
\*\* Number of man-years in FinStart Nordic includes man-years in subsidiaries.

\*\*\*Owns 22% in VBB AS.

# SRBANK share

- International ownership is 23.0% per 2. quarter 2020.
- Total market value at 2. quarter 2020 is NOK 17.9 billion.

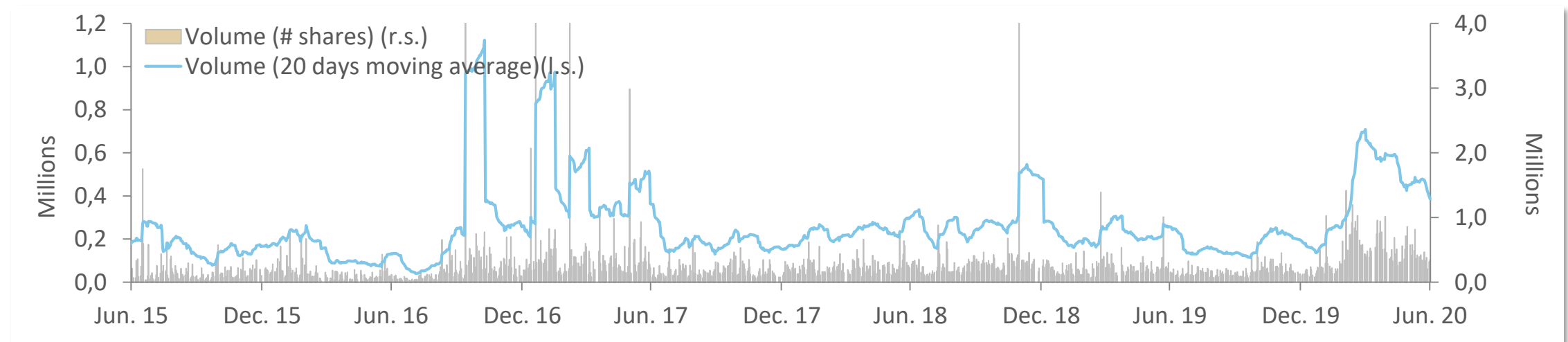
Development in Price/Book



Relativ share price development



Trading volume development



## 20 largest shareholders as at 30 June 2020

- Ownership interests as at 30 June 2020:
  - From Rogaland, Agder and Vestland: 44.1% (43.0%)
  - International: 23.0% (28.7%)
  - 10 largest: 51.3% (50.8%)
  - 20 largest: 58.5% (58.2%)
- Number of shareholders 30.06.2020: 13.140 (10.955)
- Employees owning 1.7% (1.5%) as at 30 June 2020

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
Folketrygdfondet		21.179.990	8,3%
Brown Brothers Harriman & Co, U.S.A.	Nominee	6.612.187	2,6%
State Street Bank and Trust Co, U.S.A.	Nominee	6.493.063	2,5%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Vpf Nordea Norge Verdi		4.986.465	1,9%
Danske Invest Norske Instit. II		3.722.929	1,5%
Odin Norge		3.423.133	1,3%
Pareto Aksje Norge		3.220.990	1,3%
JPMorgan Chase Bank N.A., U.S.A.	Nominee	2.898.345	1,1%
Clipper AS		2.211.000	0,9%
Verdipapirfondet Alfred Berg Gambak		2.131.707	0,8%
KLP Aksjenorge Indeks		1.970.814	0,8%
Verdipapirfondet Alfred Berg Norge		1.861.511	0,7%
Westco AS		1.799.187	0,7%
Arctic Funds plc, Irland		1.749.038	0,7%
State Street Bank and Trust Co, U.S.A.	Nominee	1.746.054	0,7%
Pareto Invest AS		1.727.360	0,7%
Forsvarets Personellservice		1.625.356	0,6%
Danske Invest Norske Aksjer Inst.		1.557.703	0,6%
<b>Top 5</b>		<b>112.931.128</b>	<b>44,2%</b>
<b>Top 10</b>		<b>131.182.990</b>	<b>51,3%</b>
<b>Top 20</b>		<b>149.562.720</b>	<b>58,5%</b>

Figures in parentheses as at 30.06.2019.



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# A result marked by good operations but high impairments

3.7%

**Return on equity after tax year-to-date 2020**

Pre-tax profit is NOK 513 million

37.9%

**Cost to income ratio year-to-date 2020**

12 months costs growth of -1.9%

**NOK 1.391 million**

**Impairments on gross lending and financial commitments  
year-to-date 2020**

Equivalent 1.29% of gross lending and financial commitments  
(annualized)

5.4%

**12 months lending growth**

Of which retail market 5.8% and corporate market 5.3%

8.3%

**12 months deposit growth**

Of which retail market 9.1% and corporate  
market (including capital market) 7.3%

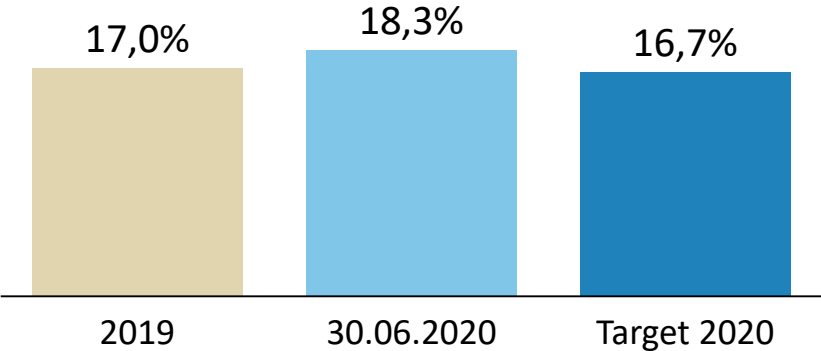
18.3%\*

**Common equity tier 1 capital ratio**

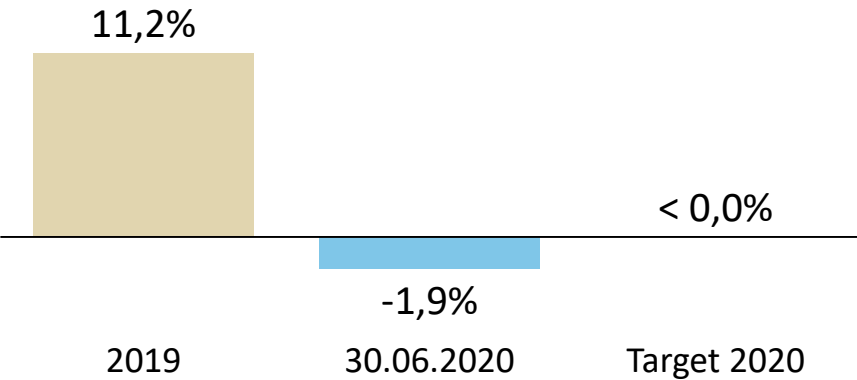
*\*On 23 April 2020, the annual general meeting approved the board's proposal that no dividend be paid out for 2019. At the same meeting, the board was authorised to make a decision about the distribution of a dividend, at some later point in time, of up to NOK 5.50 per share based on the bank's approved annual financial statements for 2019. The authorisation remains valid until the next ordinary general meeting in 2021.*

# Key figures and financial targets for 2020

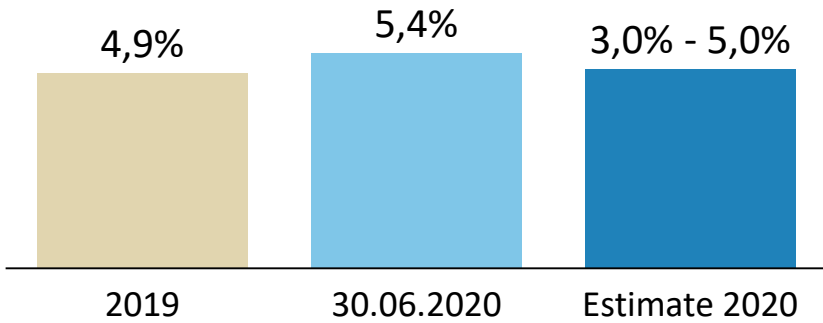
CET 1



Growth in costs

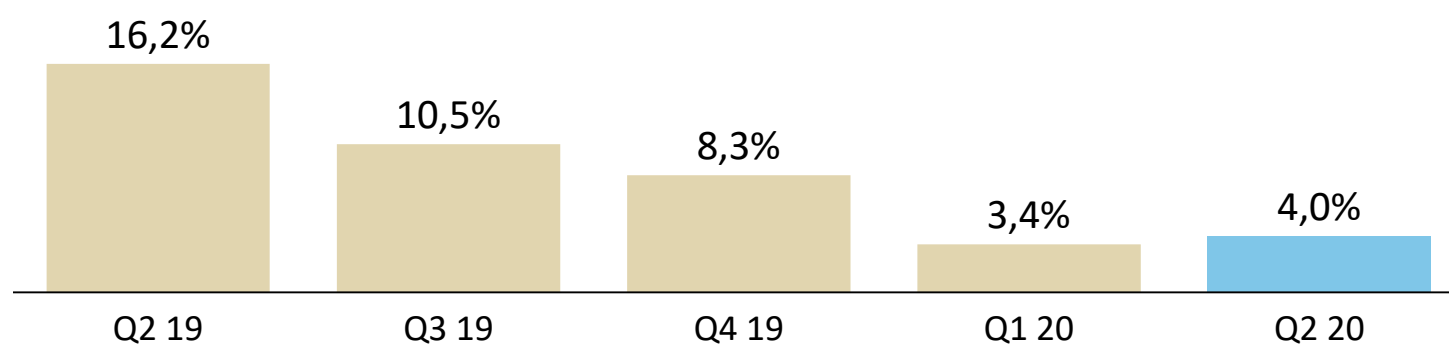


Growth in loans

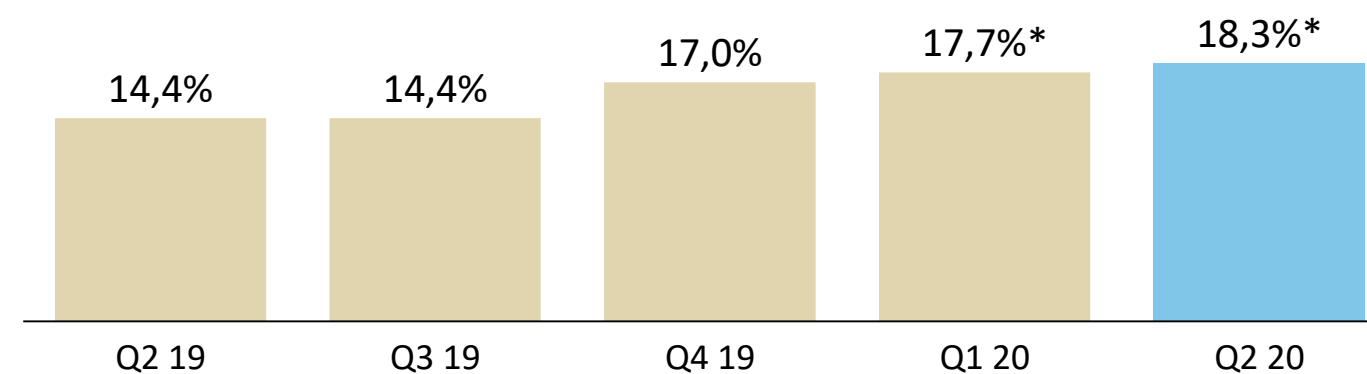


# Key figures – quarterly development

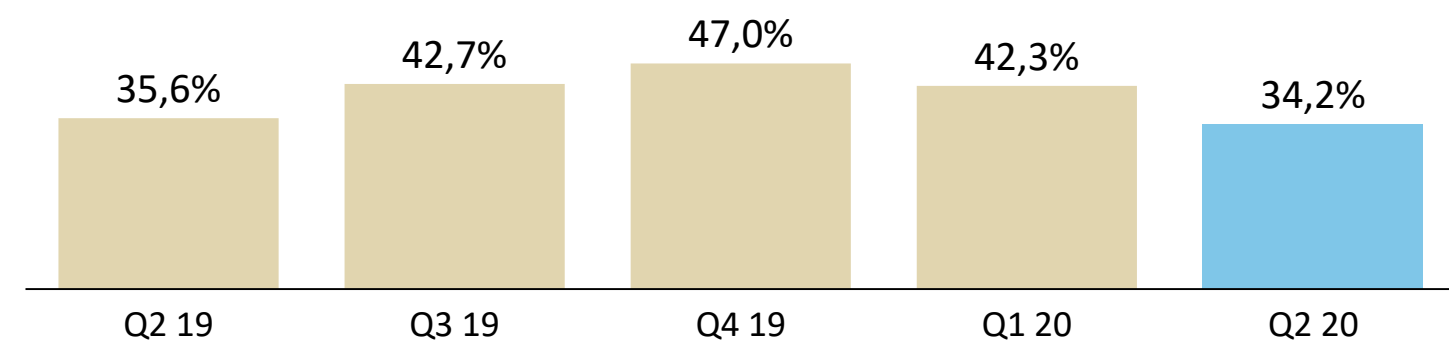
Return on equity



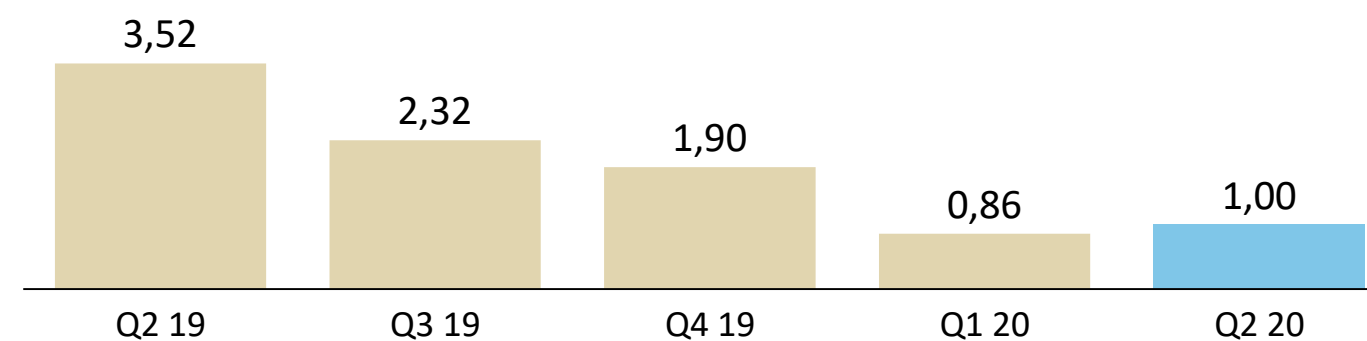
CET 1



Cost to income ratio



Earnings per share



\* On 23 April 2020, the annual general meeting approved the board's proposal that no dividend be paid out for 2019. At the same meeting, the board was authorised to make a decision about the distribution of a dividend, at some later point in time, of up to NOK 5.50 per share based on the bank's approved annual financial statements for 2019. The authorisation remains valid until the next ordinary general meeting in 2021.

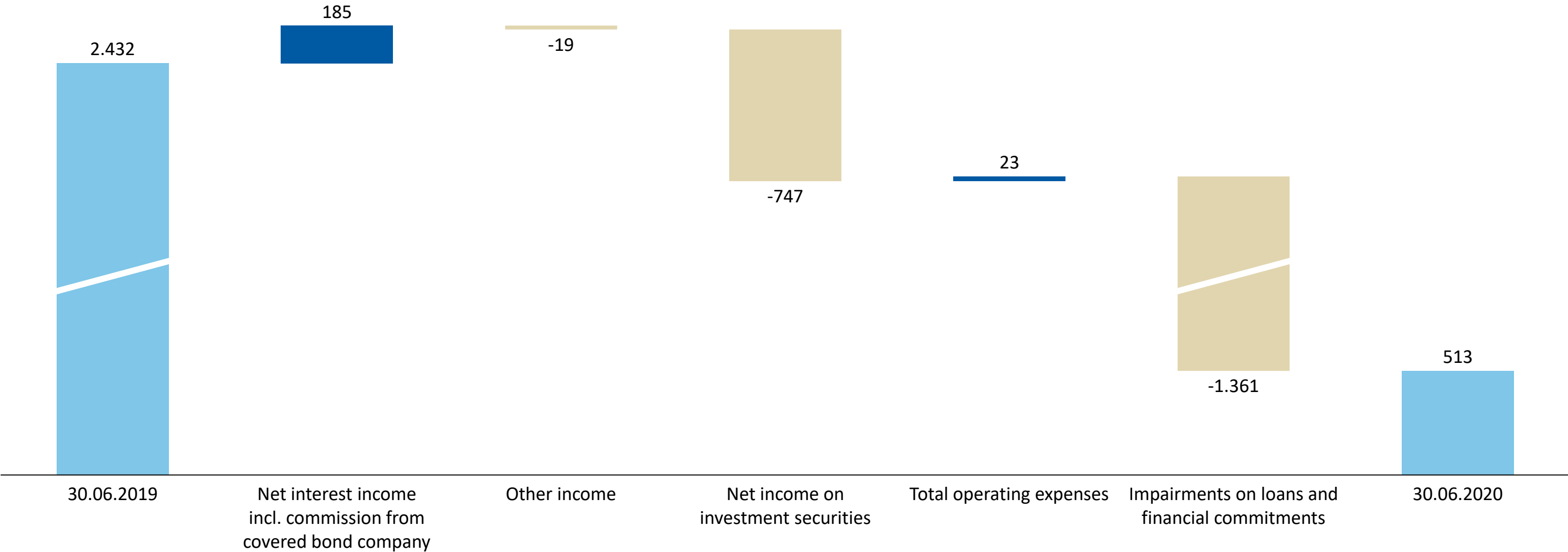
# Key figures

	30.06.2020	30.06.2019	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Return on equity after tax (%)	3,7	18,8	4,0	3,4	8,3	10,5	16,2
Net interest margin (%)	1,57	1,59	1,50	1,64	1,64	1,61	1,58
Impairments on loans in % of gross loans incl. covered bond company	1,29	0,03	1,53	1,05	0,26	0,13	-0,04
Loans and financial commitments in Stage 3 in % of gross loans and financial commitments incl. covered bond company	1,84	1,19	1,84	1,40	1,30	1,30	1,19
Cost to income ratio	37,9	32,5	34,2	42,3	47,0	42,7	35,6
Annual growth in loans to customers, gross incl. covered bond company (%)	5,4	7,3	5,4	5,3	4,9	6,8	7,3
Annual growth in deposit from customers (%)	8,3	-3,0	8,3	6,6	4,3	1,9	-3,0
Total assets (BNOK)	278,7	246,5	278,7	278,6	255,9	251,6	246,5
Portfolio of loans in covered bond company (BNOK)	4,2	8,9	4,2	4,2	4,2	6,3	8,9
Risk weighted assets (BNOK)	121,9	139,5	121,9	125,8	121,7	141,7	139,5
Liquidity Coverage Ratio (LCR) (%)	159	154	159	135	155	153	154
Earnings per share (NOK)	1,87	8,00	1,00	0,86	1,9	2,32	3,52
Book value per share (NOK)	91,32	85,44	91,32	90,55	89,90	87,60	85,44

# Income statement

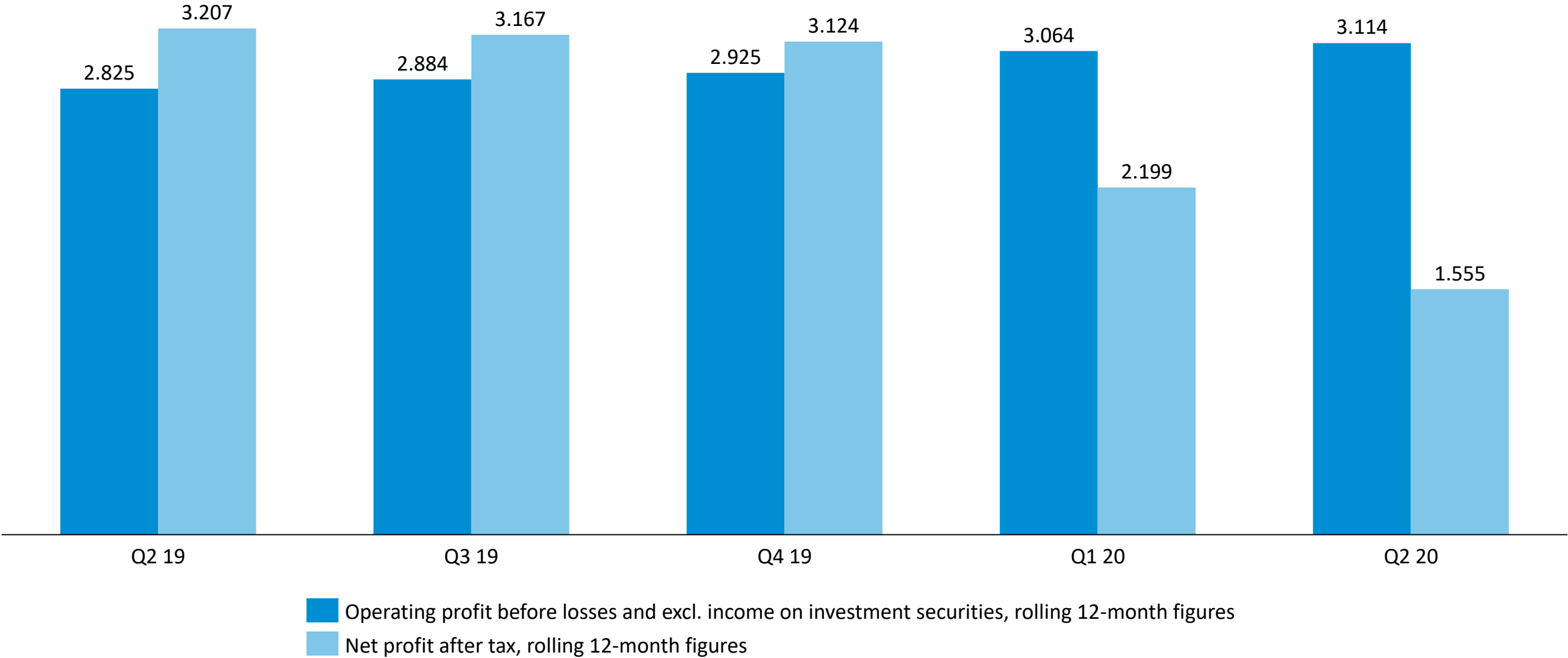
Group Income Statement (MNOK)	30.06.2020	30.06.2019	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net interest income	2.107	1.906	1.026	1.081	1.062	1.019	968
Net commission and other income	690	725	344	346	359	332	384
Net income on investment securities	269	1.016	297	-28	22	89	340
<b>Total income</b>	<b>3.066</b>	<b>3.647</b>	<b>1667</b>	<b>1.399</b>	<b>1.443</b>	<b>1.440</b>	<b>1.692</b>
<b>Total operating expenses</b>	<b>1.162</b>	<b>1.185</b>	<b>570</b>	<b>592</b>	<b>678</b>	<b>615</b>	<b>602</b>
Operating profit before impairments	1.904	2.462	1.097	807	765	825	1.090
Impairments on loans and financial commitments	1.391	30	831	560	139	66	-19
<b>Operating profit before tax</b>	<b>513</b>	<b>2.432</b>	<b>266</b>	<b>247</b>	<b>626</b>	<b>759</b>	<b>1.109</b>
Tax expense	36	386	10	26	141	166	209
<b>Net profit after tax</b>	<b>477</b>	<b>2.046</b>	<b>256</b>	<b>221</b>	<b>485</b>	<b>593</b>	<b>900</b>

# Change in profit 30.06.2019 – 30.06.2020



# Operating profit before losses and excl. income on investment securities

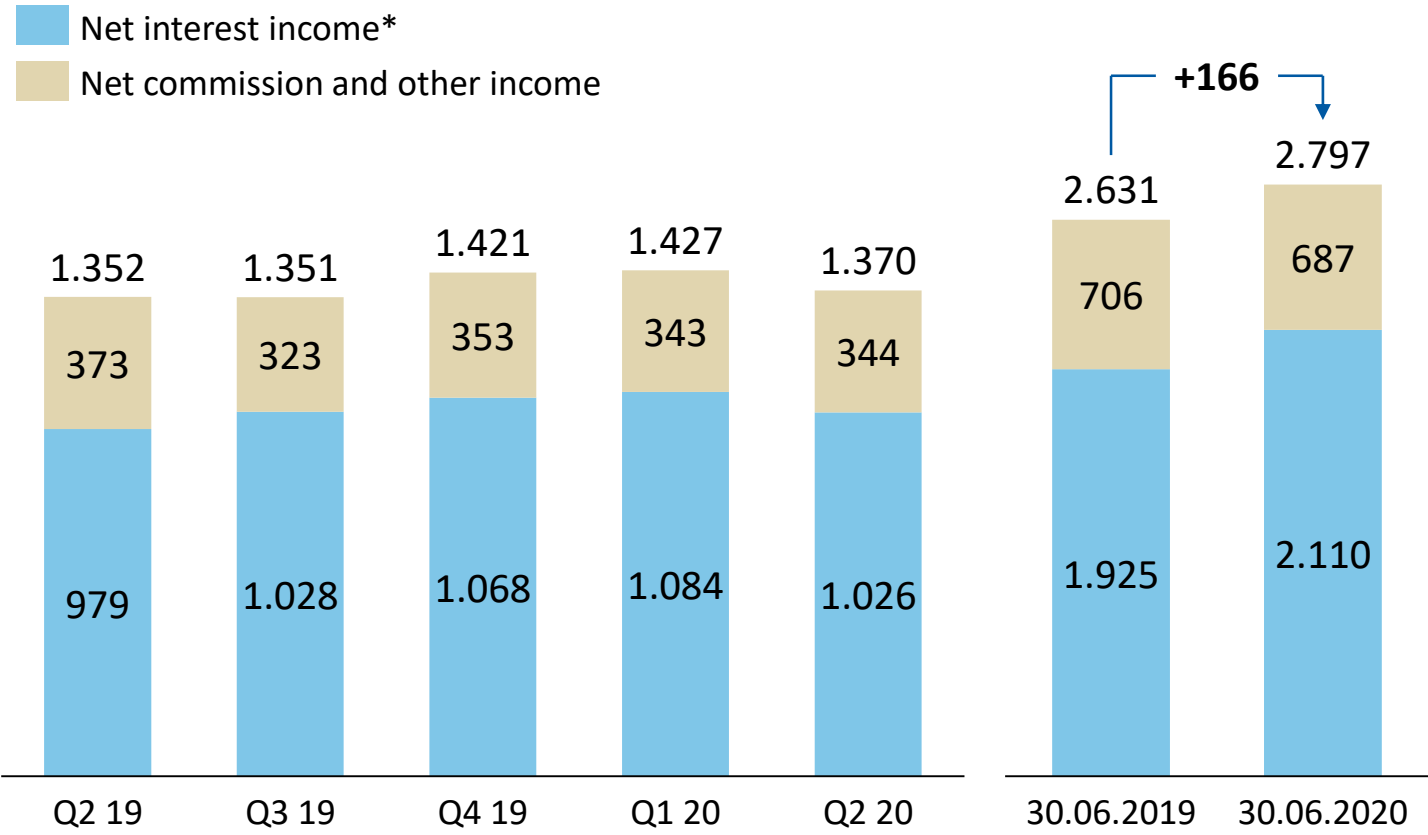
(Rolling 12-month figures)



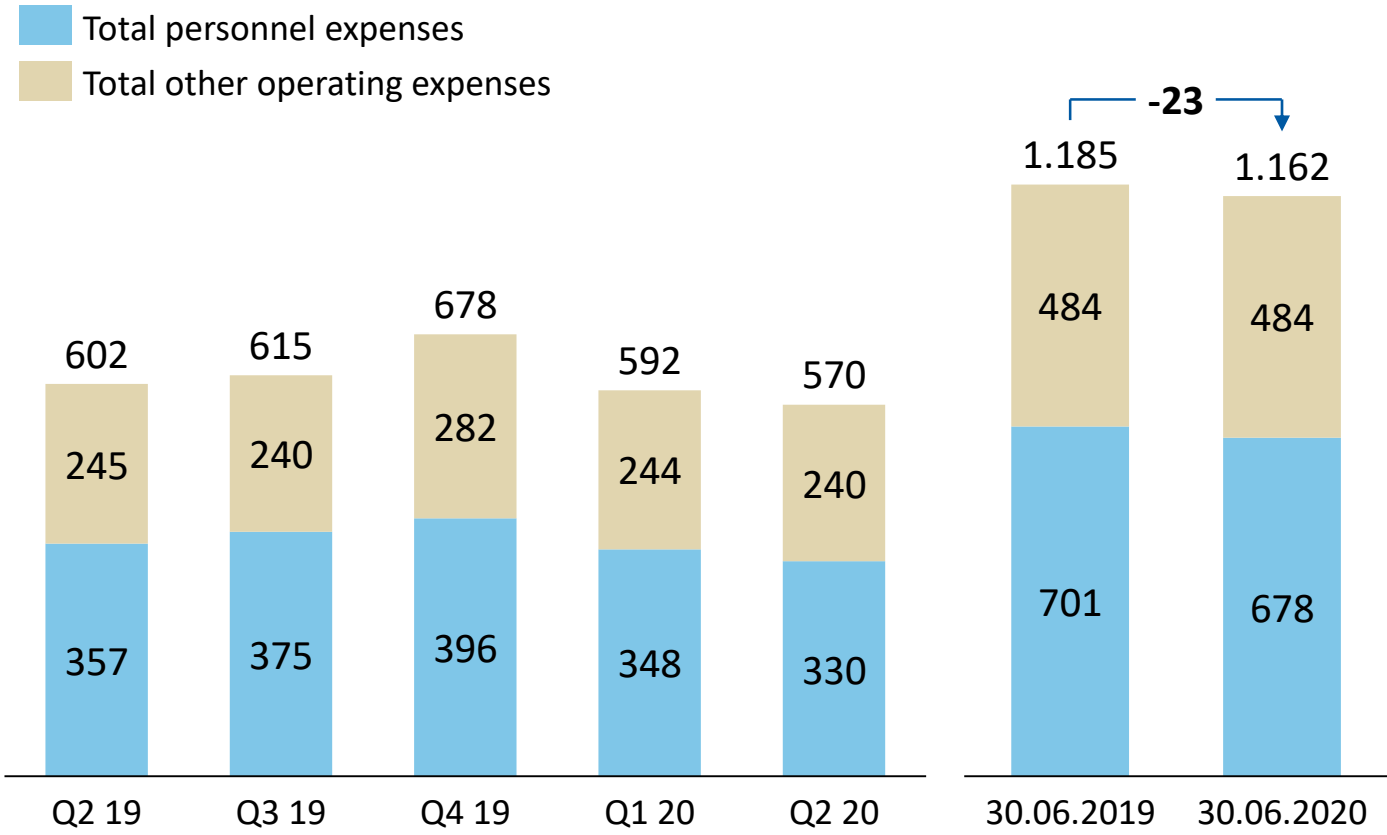


# Consolidated income and cost profile

## Income profile



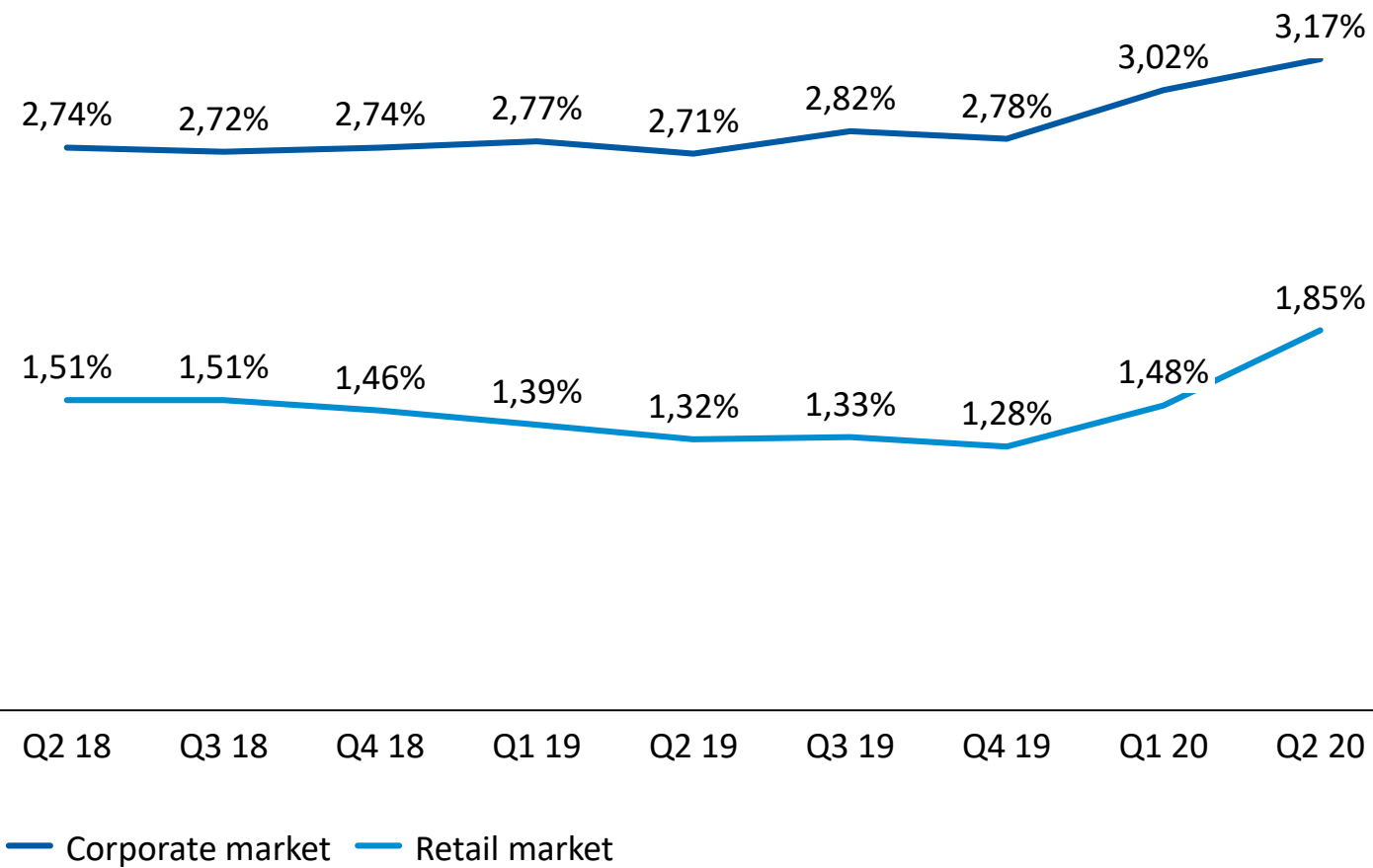
## Cost profile



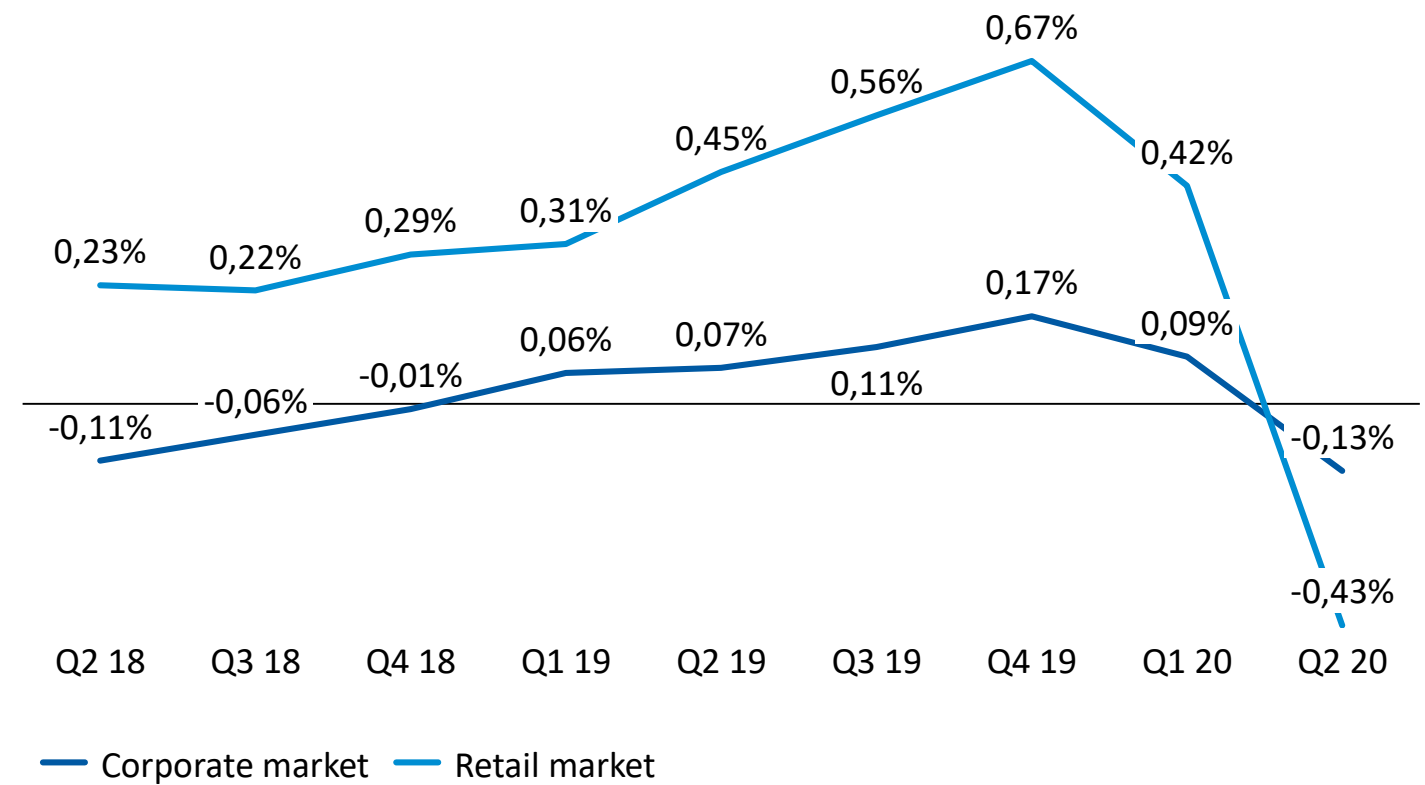
\*Income profile consists of net interest income, incl. commission income from covered bond companies, and net commission and other income excl. financial income.

# Lending and deposit margins

Lending margins\*



Deposit margins

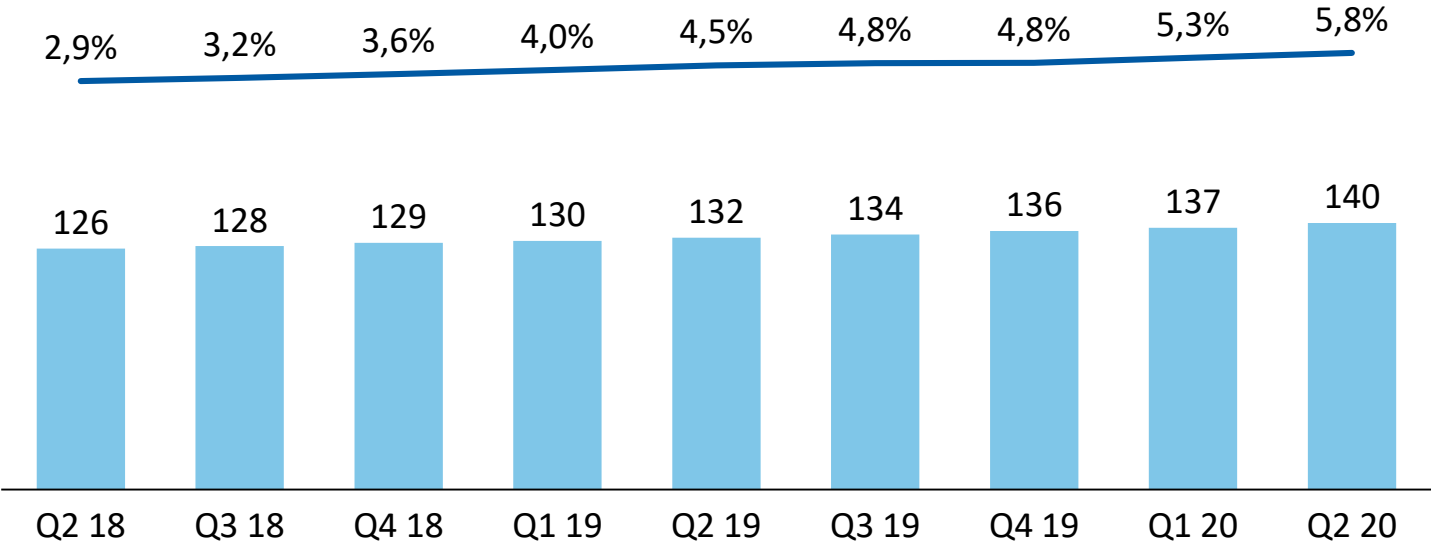


**Definition:** Average customer rate measured against 3-months NIBOR. The definition has been changed from second quarter of 2020 and the historical figures have been correspondingly restated.

\*Lending margins include loan portfolio in covered bond companies.

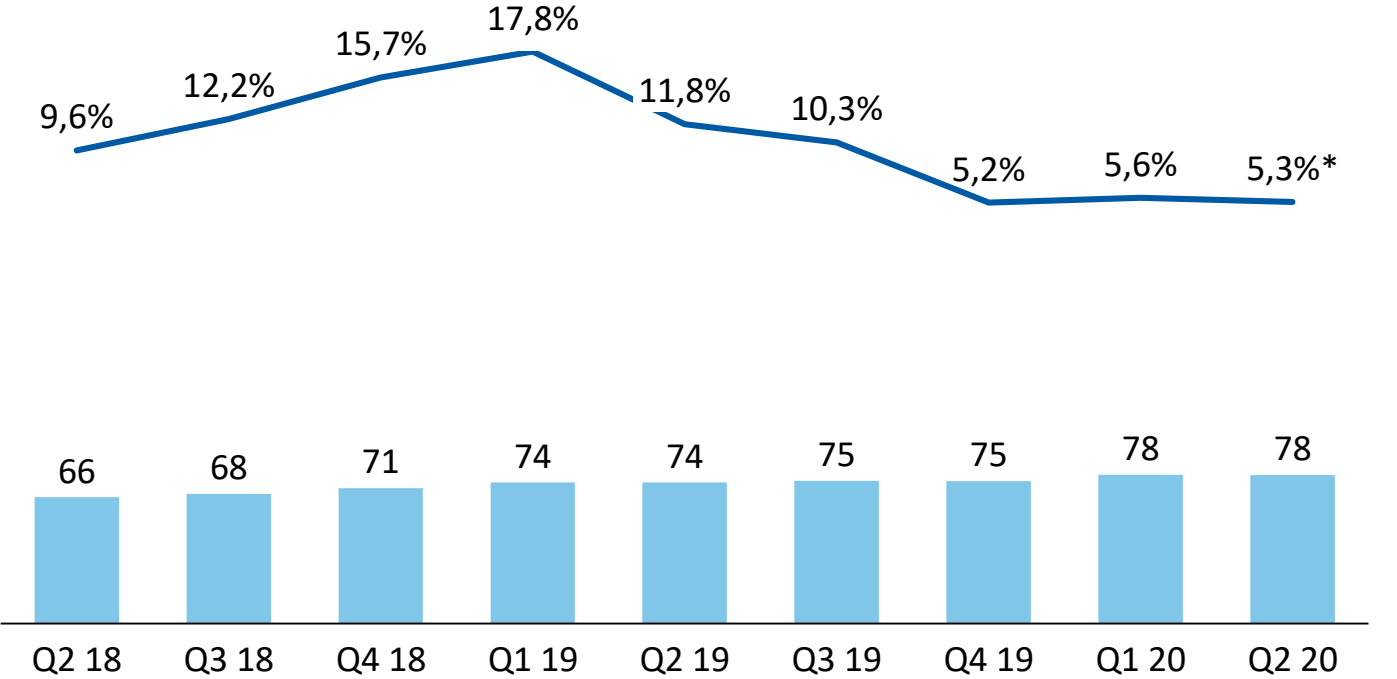
# Lending volume and 12 months growth

## Retail Market



■ Volume in NOK billion — Growth %

## Corporate Market (incl. Capital Market)

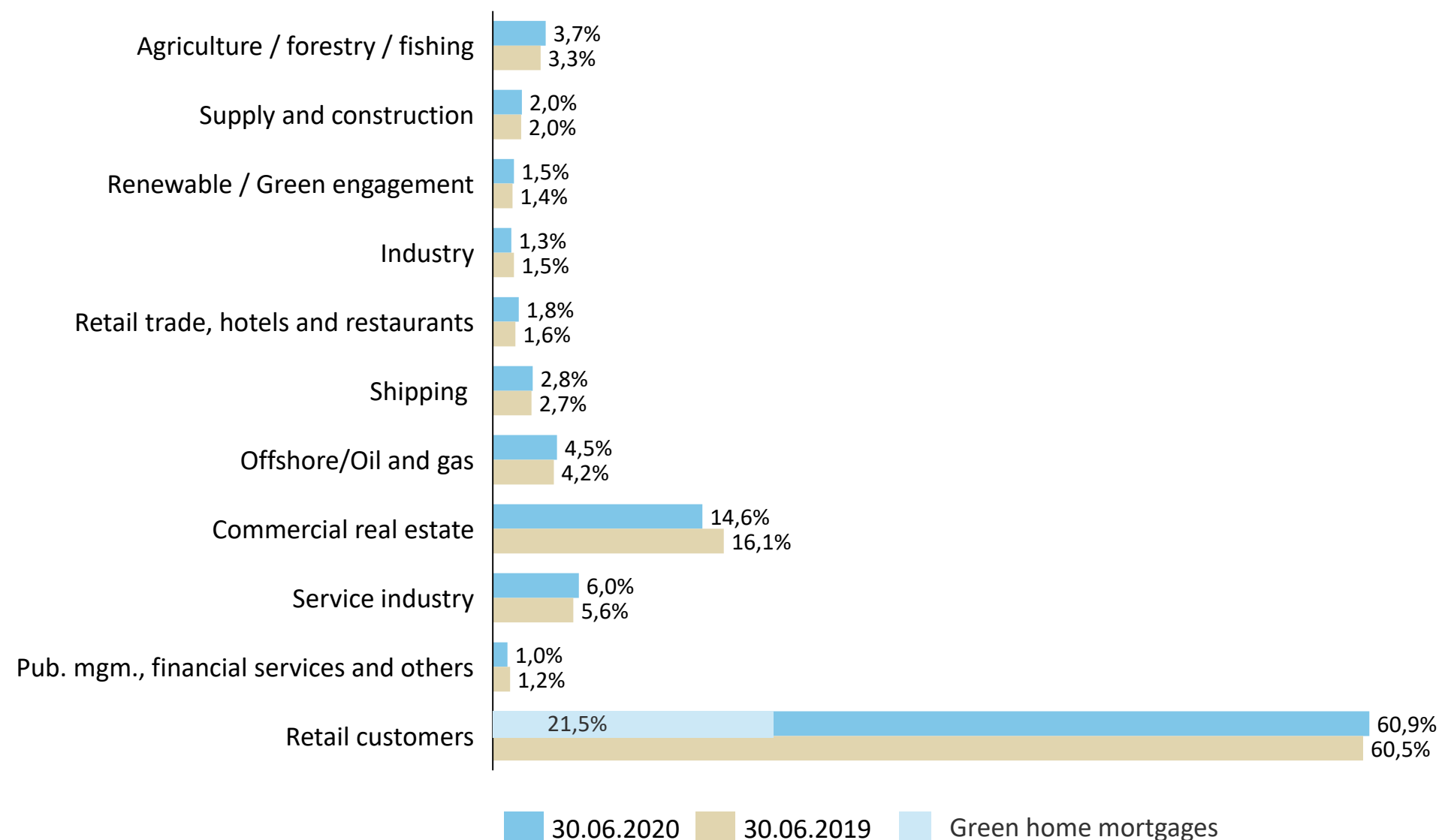


■ Volume in NOK billion — Growth %

Figures incl. loan portfolio in covered bond companies.  
 \*12 months lending growth in Corporate Market excluding currency effect is 3.7 %

# Loan portfolio as at 30.06.2020

- Gross loans (incl. covered bond company) as at 30 June 2020 is increased to NOK 218.6 billion from NOK 207.5 billion at the same time the year before.
- 12-month growth in loans of 5.4%.
- Loans to retail customers (incl. covered bond company) account for 60.9% of total loans. Of this SB1 Boligkreditt accounts for 1.9% and green home mortgages 21.5%.

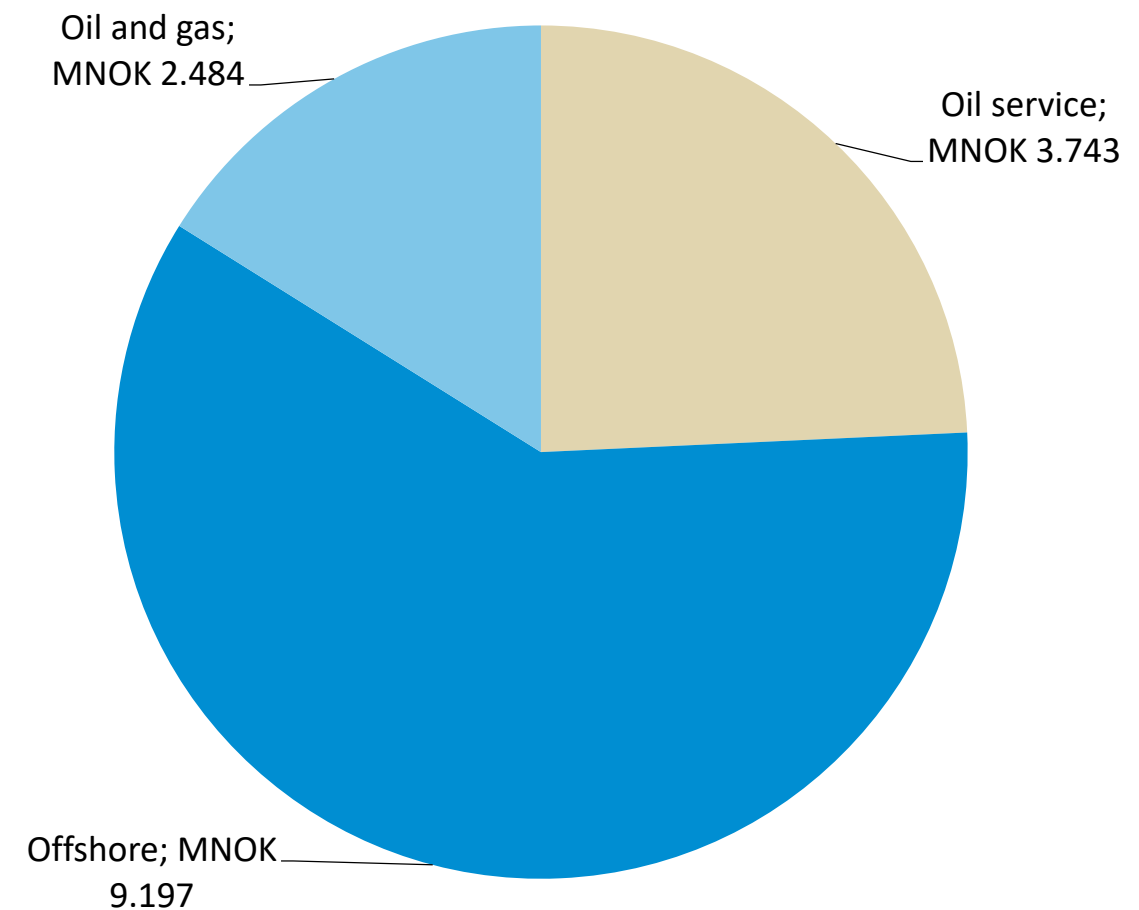


Loans before impairments, nominal amounts. Sector allocation in accordance with the standard categories from Statistics Norway.

# Lending to oil and offshore

6.4% (BNOK 15.4) of total EAD\* is related to oil operations

- Oil services
  - EAD NOK 3.7 billion, 1.6% of the bank's total EAD
  - Funding of operating capital through current and fixed assets, as well as guarantees
- Exploration and production companies
  - EAD NOK 2.5 billion, 1.0% of the bank's total EAD
  - Exposure primarily to companies with activities on the Norwegian continental shelf
- Offshore
  - EAD NOK 9.2 billion, 3.8% of the bank's total EAD
  - Exposure primarily to industrial-oriented shipping companies with integrated organization (Offshore service vessels, Rig and Seismic vessels)

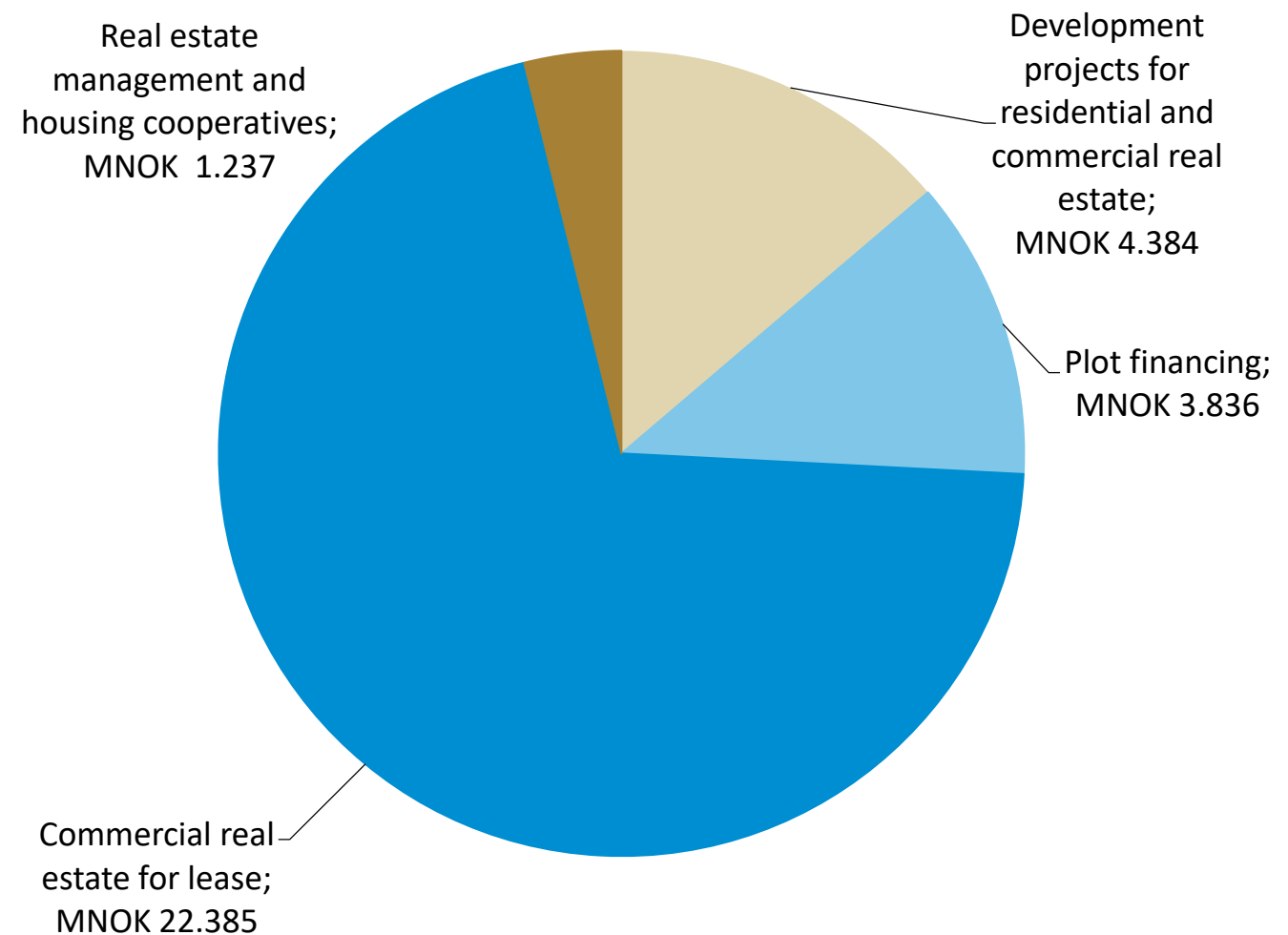


*EAD: Exposure at default*

# Lending to commercial real estate

13.3% (BNOK 31.8) of total EAD\* is related to commercial real estate

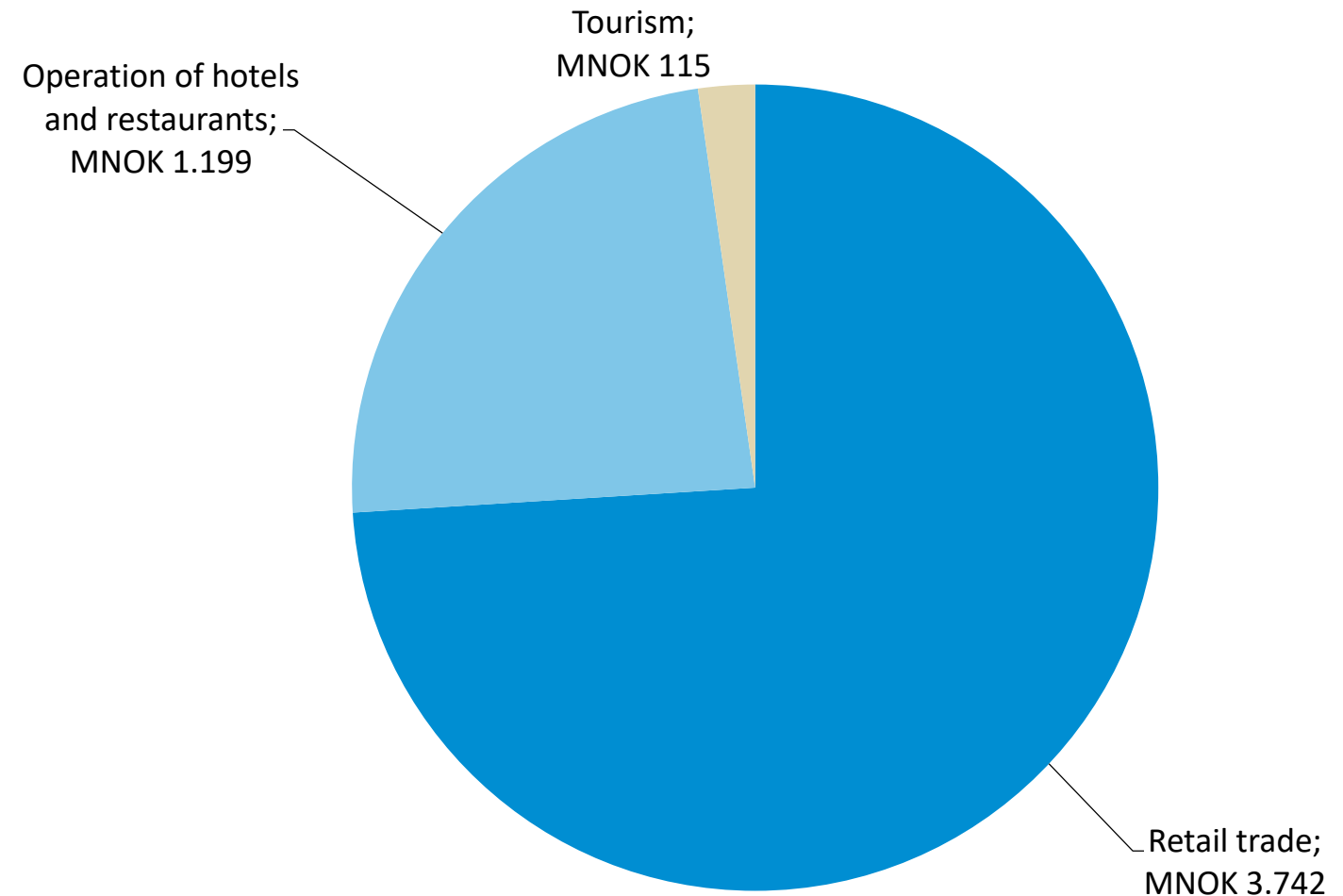
- Commercial real estate for lease
  - EAD NOK 22.4 billion, 9.3% of the bank's total EAD
  - The portfolio is characterised by lending to commercial properties for leasing with long-term contracts and financially solid tenants. The vacancy rate is limited.
  - Financing by type of premises:
    - 42% Office buildings, 26% Industrial buildings, 20% Retail stores and shopping malls, 10% Hotels, 2% Other
- Plot financing
  - EAD NOK 3.8 billion, 1.6% of the bank's total EAD
  - Average funding ratio is below 50%
- Development projects for residential and commercial real estate
  - EAD NOK 4.4 billion, 1.8% of the bank's total EAD
  - Minimum pre-sale requirement is 70%.
- Real estate management and housing cooperatives
  - EAD NOK 1.2 billion, 0.5% of the bank's total EAD



# Lending to retail trade, hotels and restaurants

2.1% (BNOK 5.1) of total EAD\* is related to retail trade, hotels and restaurants

- Retail trade
  - EAD NOK 3.7 billion, 1.6% of the bank's total EAD
- Operation of hotels and restaurants
  - EAD NOK 1.2 billion, 0.5% of the bank's total EAD
- Tourism
  - EAD NOK 0.1 billion, 0.05% of the bank's total EAD

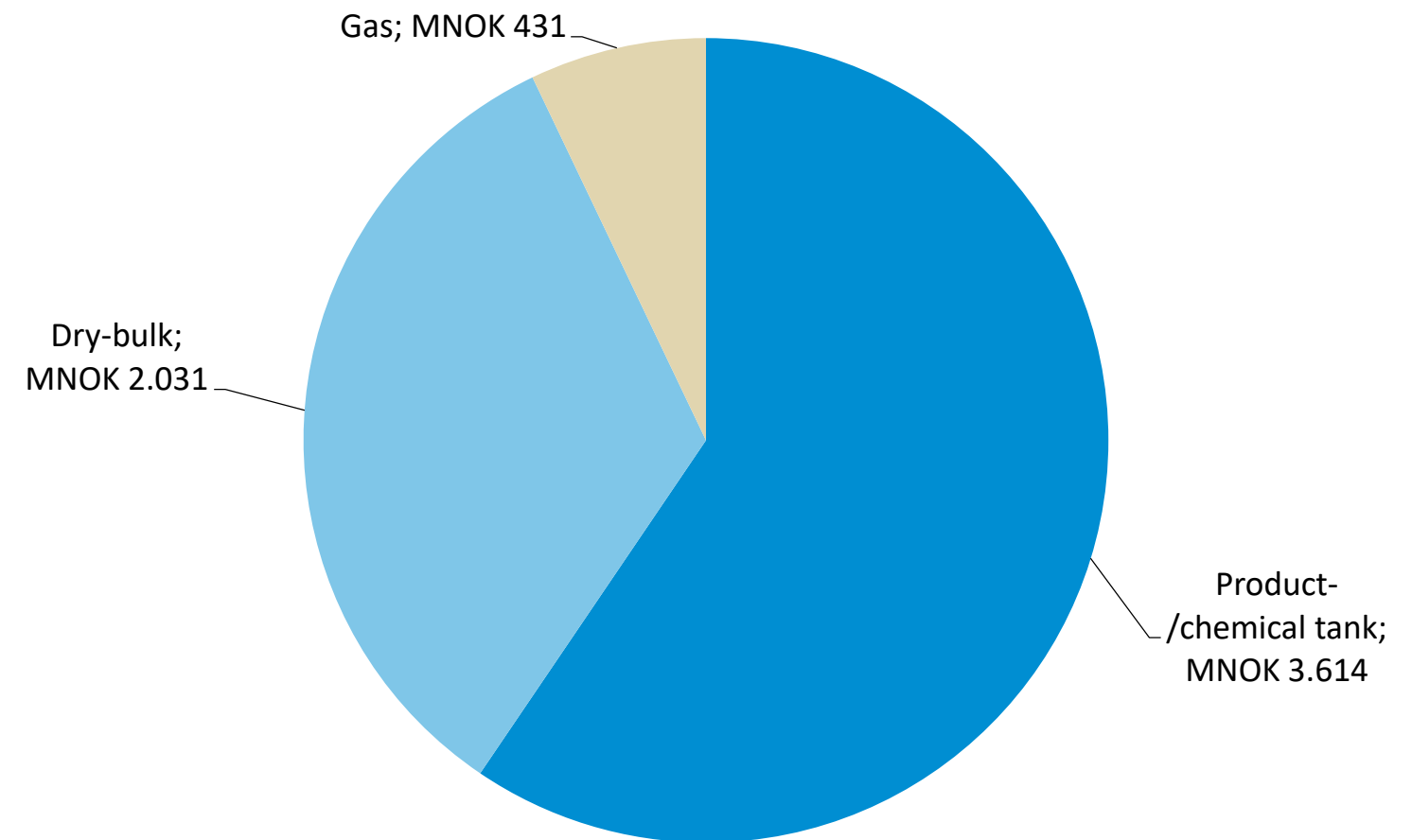


*EAD: Exposure at default*

# Lending to shipping

2.5% (BNOK 6.1) of total EAD\* is related to shipping

- Product- /chemical tank
  - EAD NOK 3.6 billion, 1.5% of the bank's total EAD
- Dry-bulk
  - EAD NOK 2.0 billion, 0.9% of the bank's total EAD
- Gas
  - EAD NOK 0.4 billion, 0.2% of the bank's total EAD



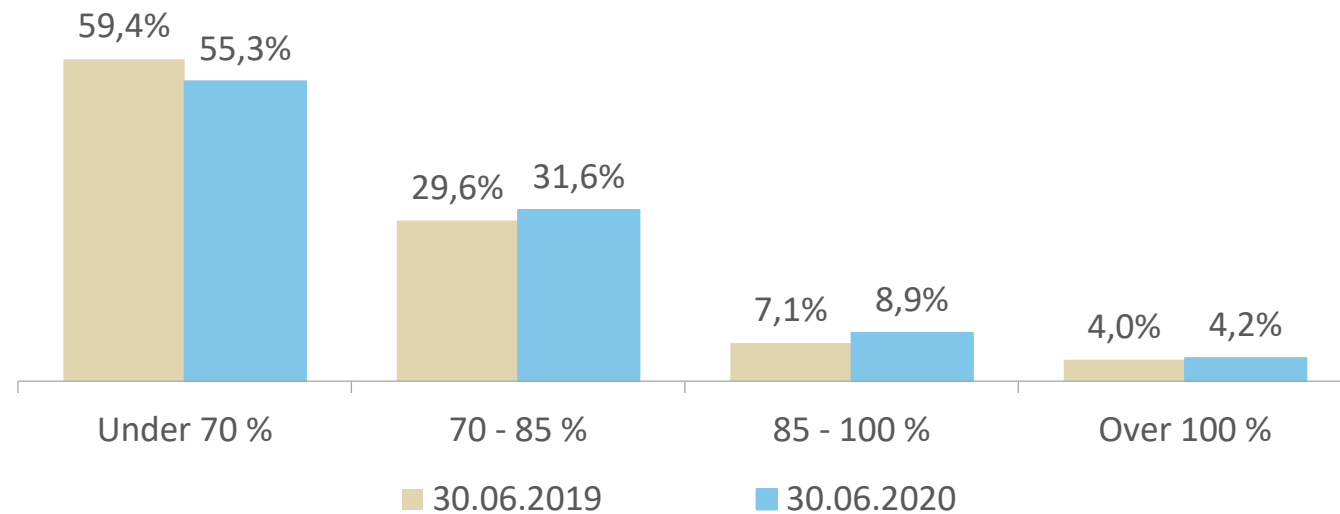
*EAD: Exposure at default*



# Loan to value ratio and RWA on home mortgage loans

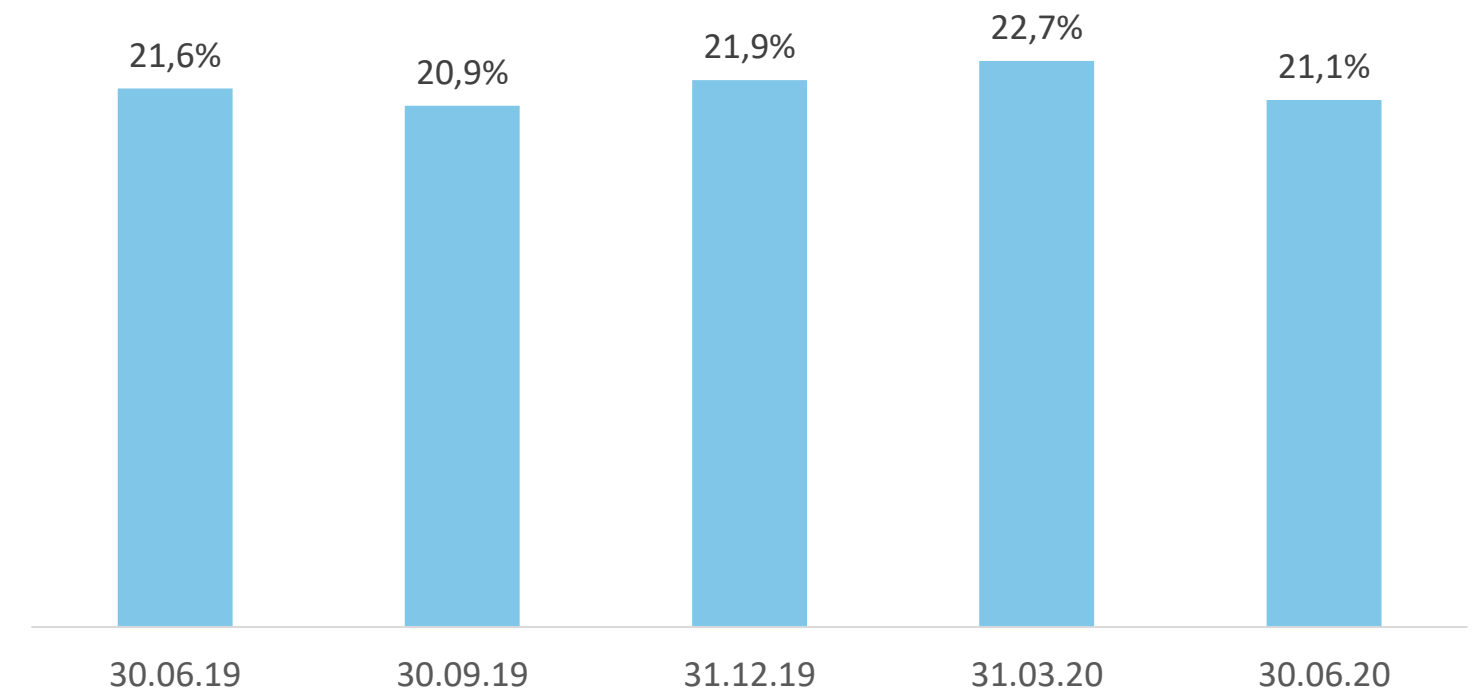
## Loan to value ratio on home mortgage loans

- The proportion of loans with a loan-to-value ratio of less than 85% is high.
  - 87% of the exposure is within 85% of the assessed value of collateral.



## RWA home mortgages

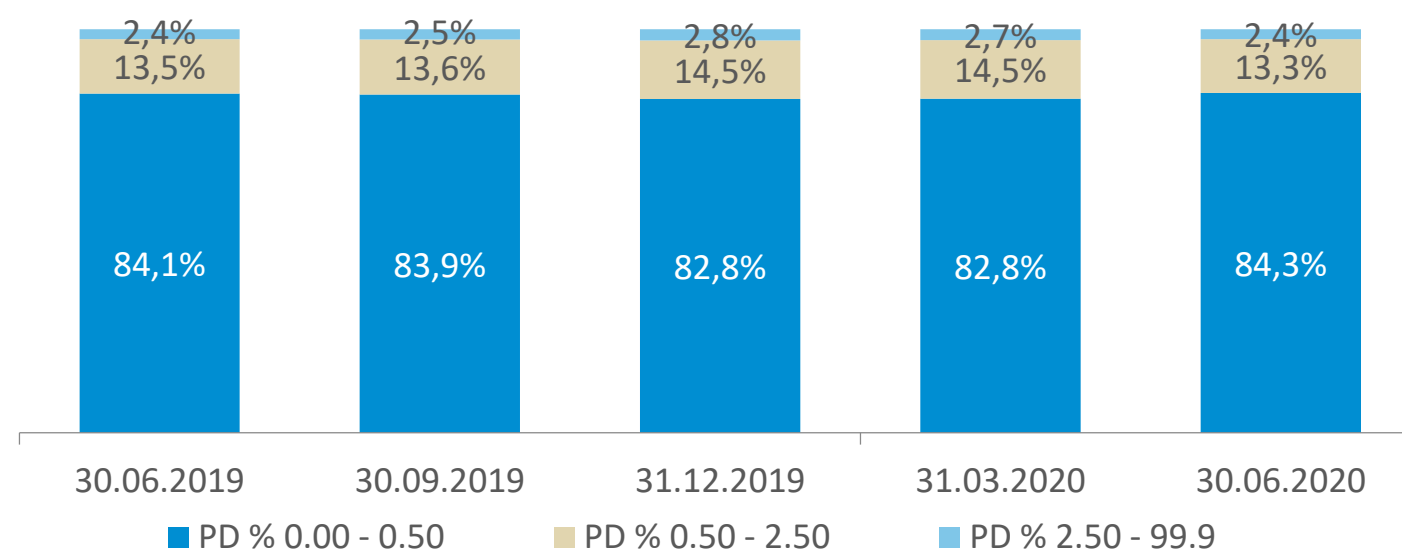
- RWA on home mortgages reflects a solid portfolio with a moderate loan-to-value ratio and low potential loss.



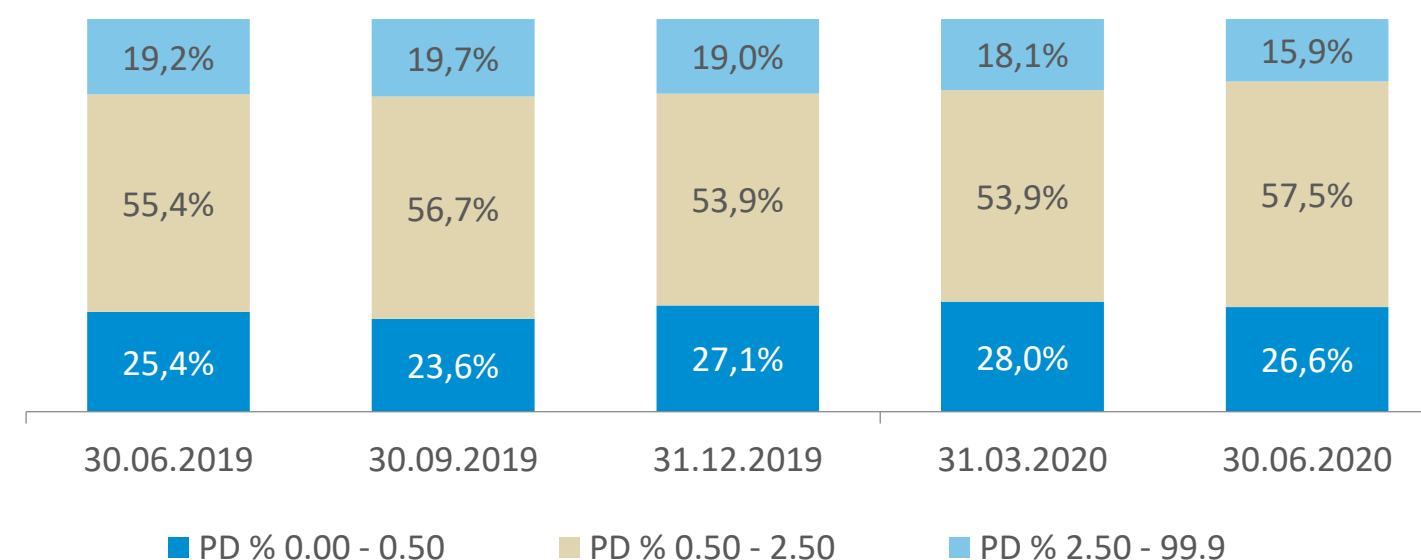
*In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.  
Home mortgages as defined in the Norwegian IRB framework; residential property must be at least 30% of a loan's security.  
The figures include the loan portfolio in the covered bond companies (SB1 Boligkreditt AS and SR-Boligkreditt AS).*

# Risk profile – Lending to the retail and corporate market

Retail market portfolio distributed by risk class



Corporate lending portfolio distributed by risk class



- The quality of the retail market portfolio is considered to be good and has low potential losses.
- 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.

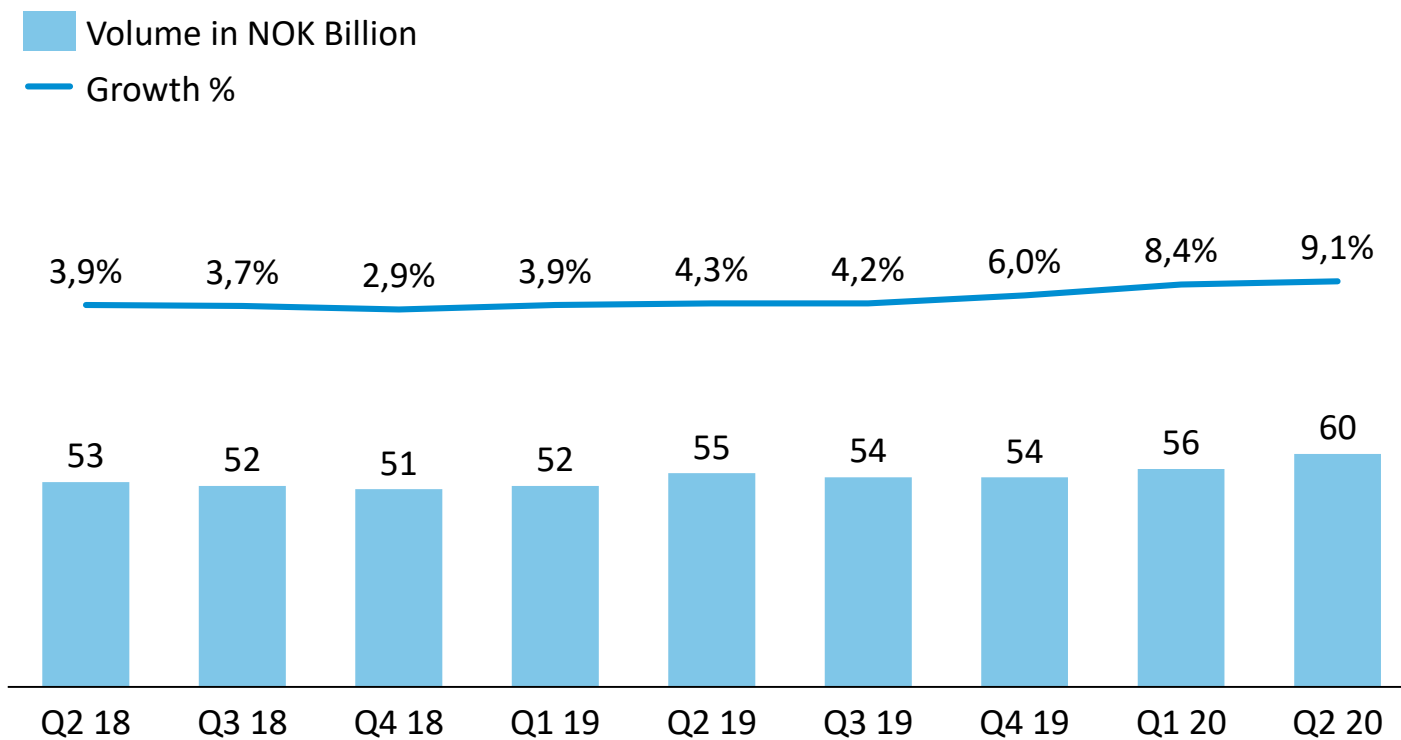
- The quality of the corporate market portfolio is good. Portfolio quality improved last year.
- There is a clearly defined framework that sets limit on what is funded and conditions for particular funding purposes. This ensures a robust portfolio.

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

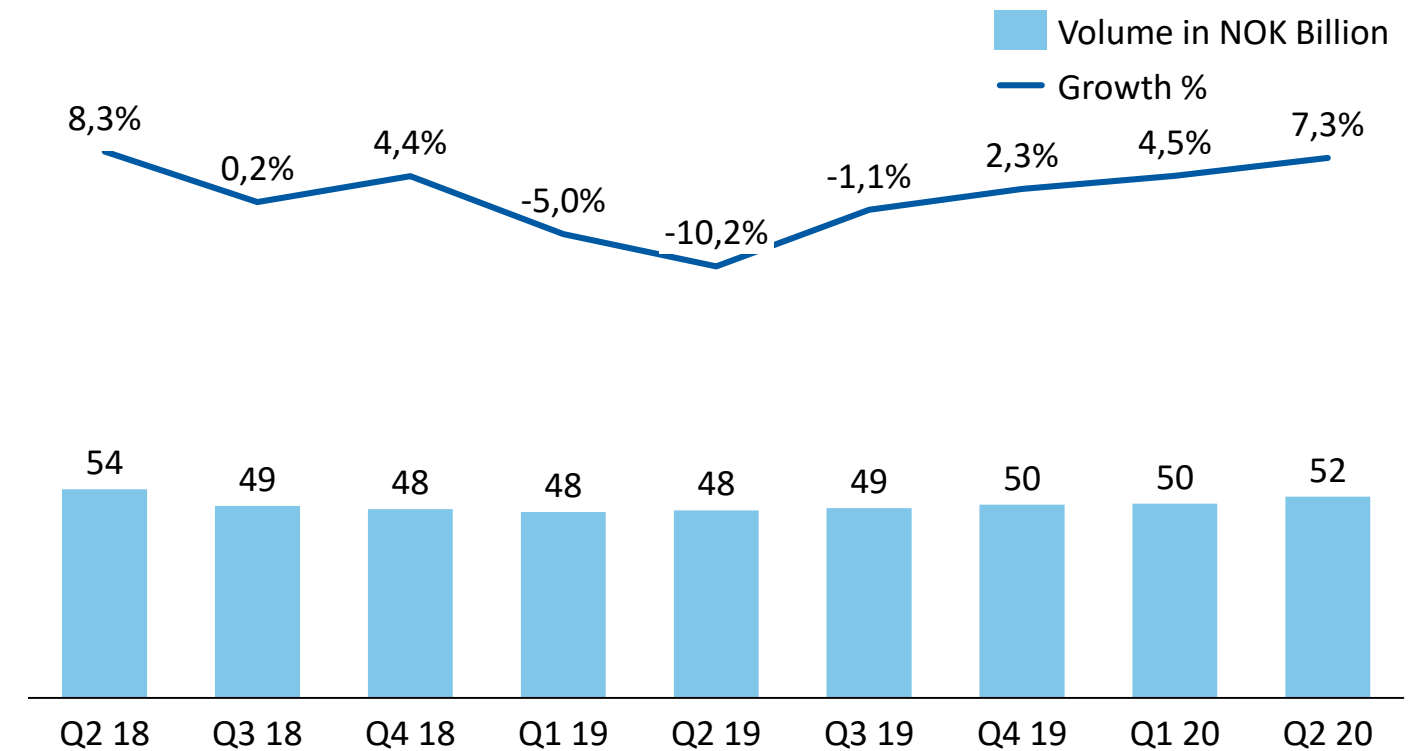
*The figures include the loan portfolio in the covered bond companies (SB1 Boligkreditt AS and SR-Boligkreditt AS).*

# Deposit volume and 12 month growth

## Retail Market



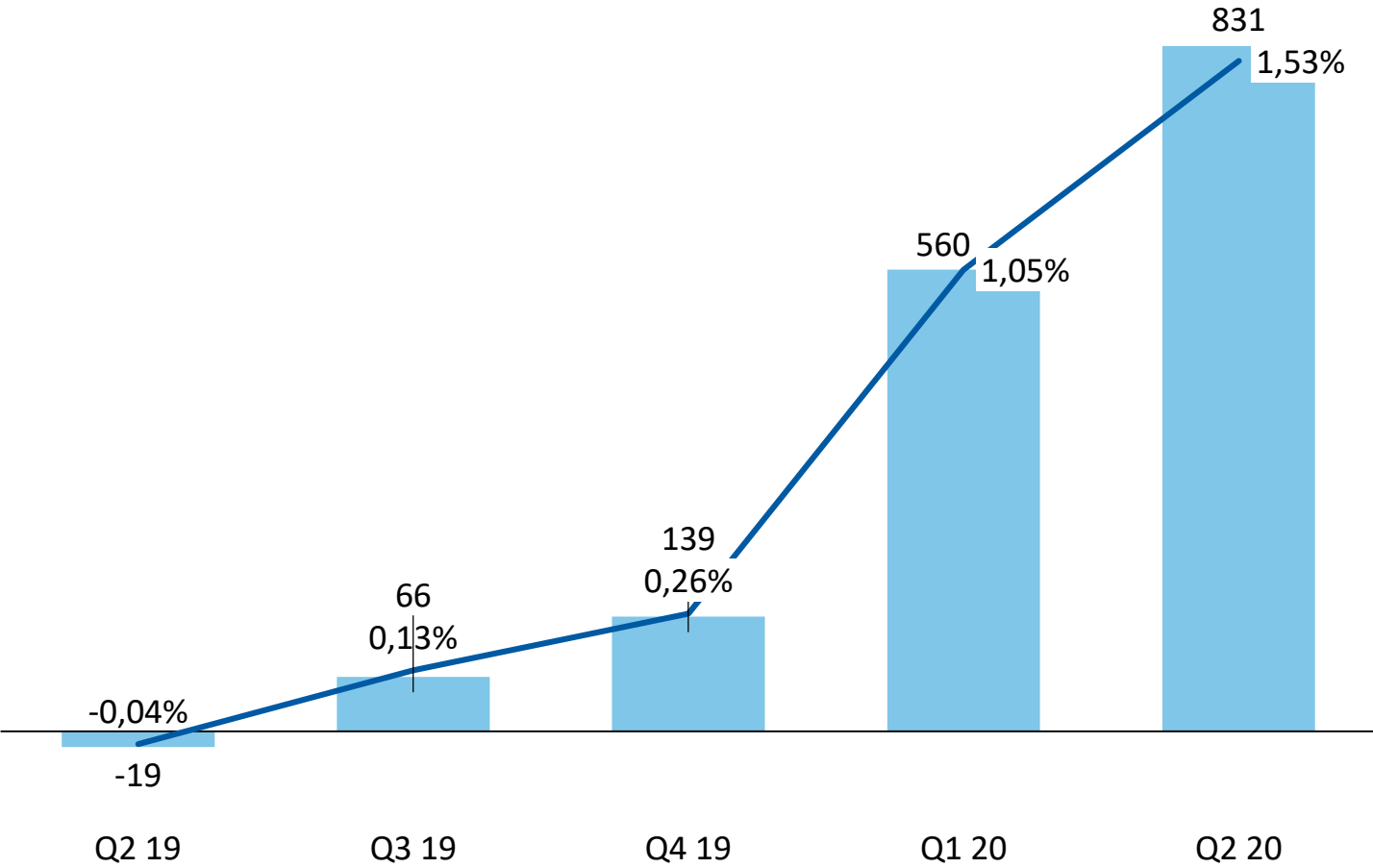
## Corporate Market (incl. Capital Market)



- In the last 12 months the total deposit volume has increased by NOK 8.5 billion to NOK 111.2 billion (8.3%).  
- Deposit growth is 9.4% excl. public sector.
- Volatility in deposit growth in the corporate market (incl. capital market) is mainly due to changes in deposit from public sector.

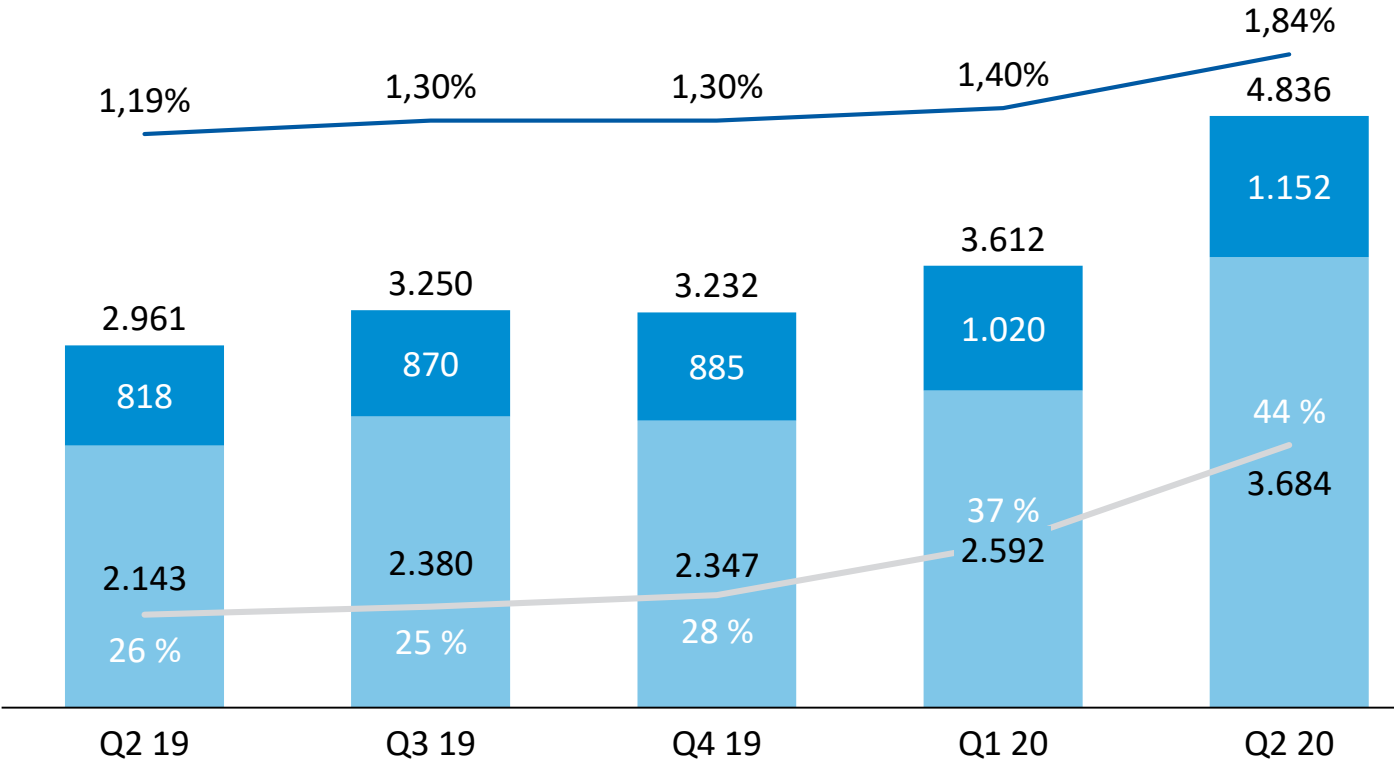
# Impairments on loans and financial commitments / Loans and financial commitments defined as Stage 3

Impairments on loans and financial commitments



■ Impairments on loans and financial commitments, MNOK  
 — Impairment in % of average gross loans incl. from covered bond company

Changes in gross loans and financial commitments defined as Stage 3



— Stage 3 in % of gross loans and financial commitments incl. covered bond company  
 ■ Loans in Stage 3, MNOK  
 ■ Financial commitments in Stage 3, MNOK  
 — Loss provisions as a share of gross commitments

# Impairments on loans and financial commitments

## Impairments on loans and financial commitments in the income statement (MNOK)

	30.06.2020	30.06.2019	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Corporate customers	1.315	8	771	544	121	82	-33
Retail customers	76	22	60	16	18	-16	14
<b>Total impairments</b>	<b>1.391</b>	<b>30</b>	<b>831</b>	<b>560</b>	<b>139</b>	<b>66</b>	<b>-19</b>

## Impairments on loans and financial commitments in the balance sheet (MNOK)

	30.06.2020	30.06.2019	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019
Corporate customers	2.695	1.224	2.695	1930	1.396	1.308	1.224
Retail customers	218	177	218	168	160	151	177
<b>Total impairments on loans and financial commitments</b>	<b>2.913</b>	<b>1.401</b>	<b>2.913</b>	<b>2098</b>	<b>1.556</b>	<b>1.459</b>	<b>1.401</b>

# Customer assistance status 2020

## Government guaranteed liquidity loans

- As at 4 June 2020, 327 liquidity loans totalling NOK 1.2 billion had been granted or were being processed
- 293 liquidity loans had been discounted, total volume NOK 0.9 billion

## Payment holidays


- Granted in Q1 2020: NOK 380 million and 566 customers
- Granted in Q2 2020: NOK 702 million and 388 customers

## Compensation scheme ("cash support")

- Support granted to SR-Bank customers: NOK 101 million as at 24 June 2020
- Number of SR-Bank customers who have received support: 1,129 customers

# Measures implemented within credit

Changes are being implemented that will reduce the risk premium and help improve the group's robustness in order to give it financial leeway in the event of crises. In order to reduce unsystematic risk the group has decided to make the general changes described below.

	<b>Volatile industries</b>	Reduce exposure in volatile industries by introducing more restrictions related to industries.
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<b>% KR</b>	<b>Large exposures</b>	Large exposures are a risk in themselves and both the maximum exposure limit and the permissible number of customers with exposure above a certain level will be reduced.
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The number of personnel assigned to manage credit exposure within offshore in the corporate market division has been temporarily increased in order to deal with the Covid-19 situation and the fall in oil prices.

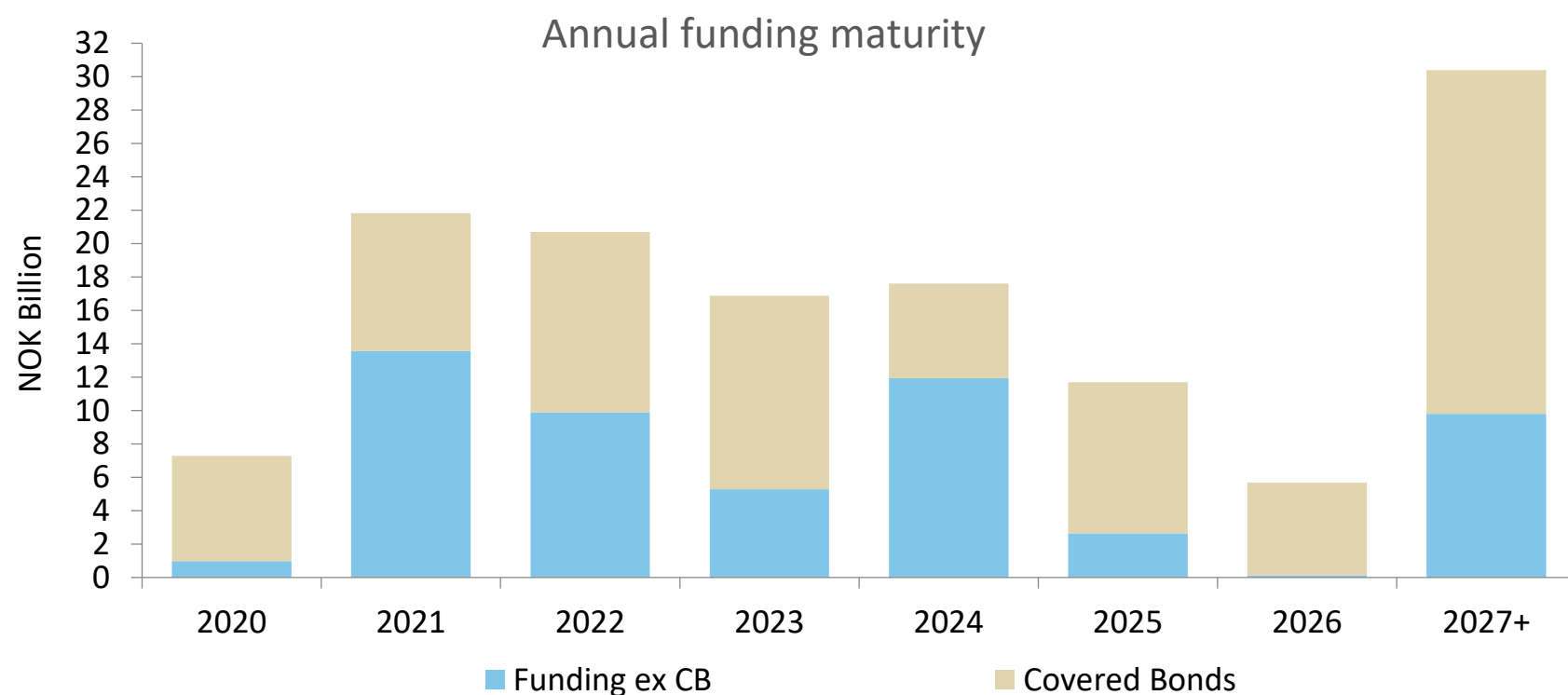
<b>!</b>	<b>Offshore</b>	Established a dedicated unit to handle the restructuring of offshore commitments.
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- Introduction to SpareBank 1 SR-Bank ASA
- Financials
- **Solvency and liquidity position**
- Appendix



# Funding

- NSFR\* 122%
- LCR\*\* 159%
- NOK 18.6 billion net refinancing need over the next 12 months
- Deposit to loans ratio 51.8%
- MREL requirement 31,4% which entails issuance of NOK 20 billion in senior non-preferred debt



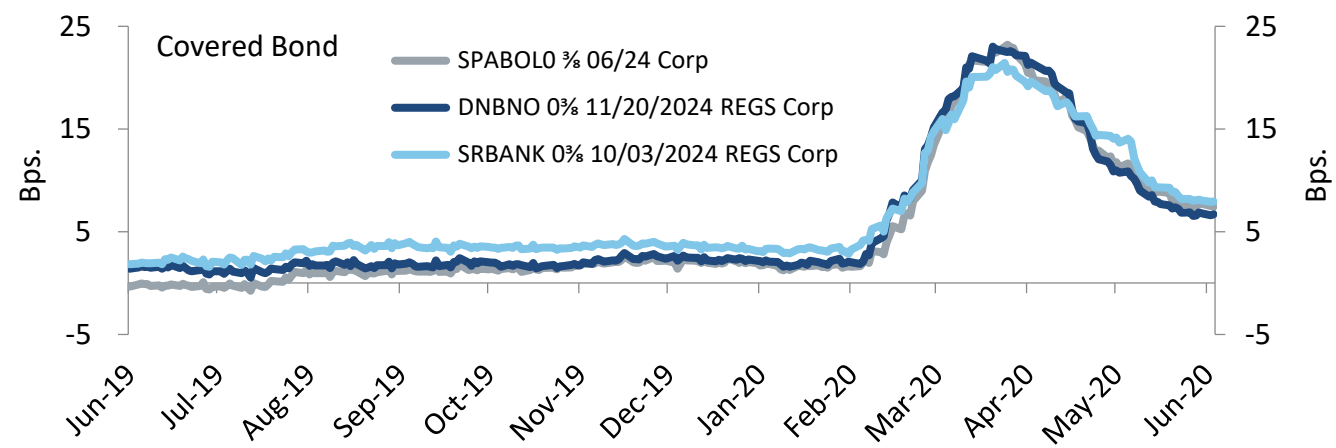
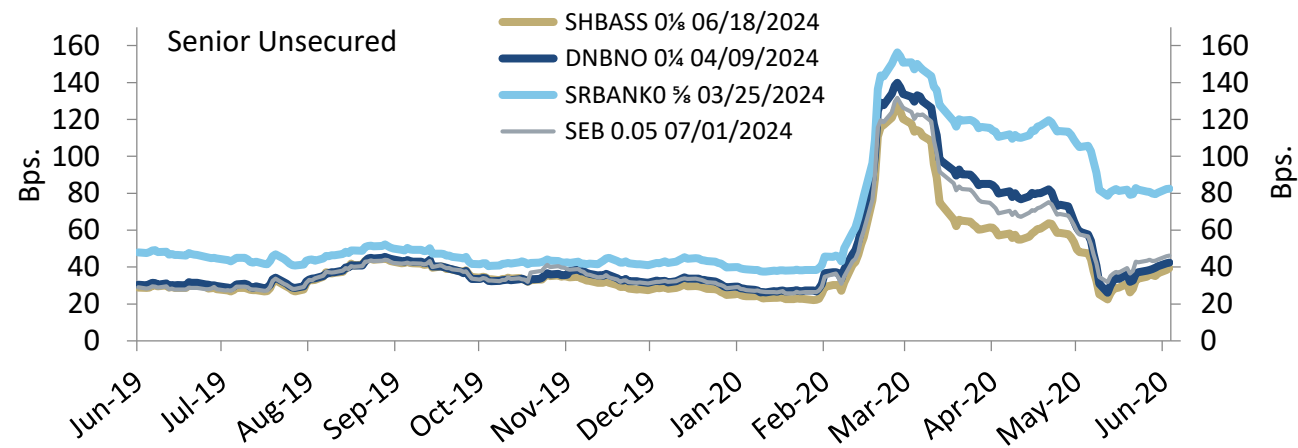
**SRBANK**  
**SPAREBANK 1 SR-BANK ASA**  
*(incorporated with limited liability in Norway)*  
**€10,000,000,000**  
**Euro Medium Term Note Programme**

**SR-Boligkreditt**  
**SR-BOLIGKREDITT AS**  
*(incorporated with limited liability in Norway)*  
**€10,000,000,000**  
**Euro Medium Term Covered Note Programme**

\*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.

\*\*High quality liquid assets divided by total net cash outflow in a 30-day, serious stress scenario.

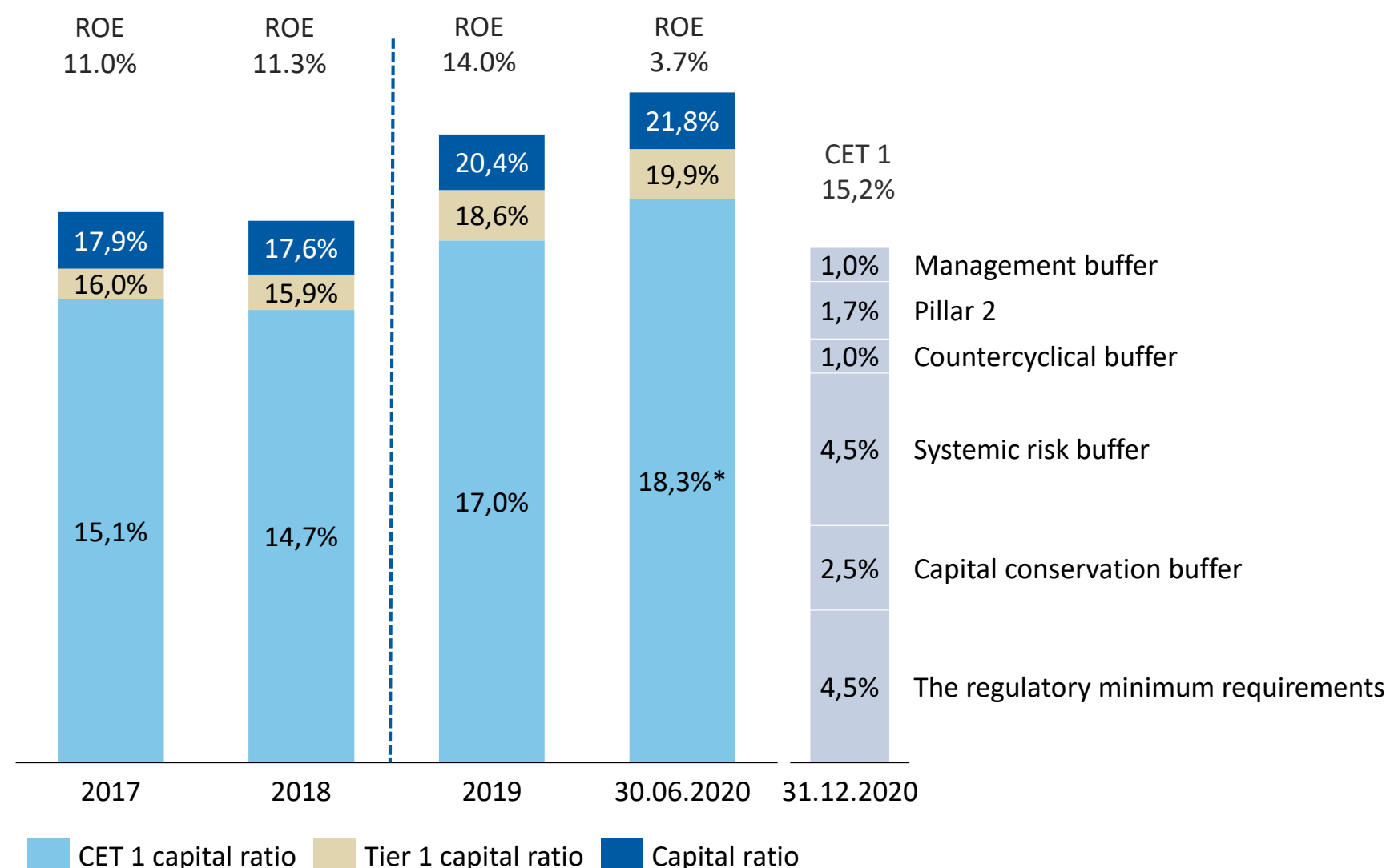
# An established borrower in the Euromarket



Issuer / Ticker	Coupon	Amount	Maturity	ISIN
SR-Bank / SRBANK	2,125%	EUR750mn	14-April-2021	XS1055536251
SR-Bank / SRBANK	0,375%	EUR500mn	10-February-2022	XS1516271290
SR-Bank / SRBANK	0,625%	EUR750mn	25-March-2024	XS1967582831
SR-BOL / SRBANK	0,500%	EUR500mn	28-September-2020	XS1297977115
SR-BOL / SRBANK	0,125%	EUR750mn	8-September-2021	XS1429577791
SR-BOL / SRBANK	0,750%	EUR600mn	18-January-2023	XS1344895450
SR-BOL / SRBANK	0,375%	EUR500mn	3-October-2024	XS1692489583
SR-BOL / SRBANK	0,750%	EUR750mn	17-October-2025	XS1894534343
SR-BOL / SRBANK	0,01%	EUR500mn	08-October-2026	XS2063288190
SR-BOL / SRBANK	0,01%	EUR750mn	26-June-2027	XS2194373077
SR-BOL / SRBANK	0,01%	EUR500mn	25-February-2030	XS2124046678
SR-BOL / SRBANK	2,500%	USD600mn	12-April-2022	XS1596016847
SR-BOL / SRBANK	Nibor3m +35	NOK5.000mm	10-September 2020	NO0010740152
SR-BOL / SRBANK	Nibor3m +29	NOK5.000mm	17-November 2022	NO0010841380
SR-BOL / SRBANK	Nibor3m +29	NOK5.000mm	29-May 2023	NO0010823255

# Solid capital ratio

- The EU's capital adequacy regulations (CRR/CRD IV) came into force on 31 December 2019. These entail, among other things, a reduction in the capital requirements for loans to small and medium-sized enterprises (SME) and the elimination of the so-called Basel I floor.
- The regulatory requirement is 12.7% after the countercyclical buffer was reduced from 2.5% to 1.0% in the first quarter of 2020. SpareBank 1 SR-Bank posted a CET 1 capital ratio of 18.3%.
- The systemic risk buffer will increase from 3.0% to 4.5% lifting the CET 1 requirement to 15.2% at 31 December 2020 incl. 1.0% management buffer.
- SpareBank 1 SR-Bank is not defined as a systemically important financial institution (SIFI).
- The leverage ratio was 7.8% as at 30 June 2020, well above the minimum requirement at 5.0%.



\*On 23 April 2020, the annual general meeting approved the board's proposal that no dividend be paid out for 2019. At the same meeting, the board was authorised to make a decision about the distribution of a dividend, at some later point in time, of up to NOK 5.50 per share based on the bank's approved annual financial statements for 2019. The authorisation remains valid until the next ordinary general meeting in 2021.

# Outlook

- Given both the low oil prices and the ongoing Covid-19 situation, uncertainty remains about how both the Norwegian and the global economy will develop, and the picture is changing continuously. In Norway, there has been a positive development in the last quarter.
- In the longer term, lower levels of investment and demand for loans are expected. The Norwegian state is particularly well-equipped to contribute financially and extensive measures aimed at both the private sector and business will mitigate the effects of the Covid-19 outbreak.
- Norges Bank has cut its policy rate by 1.50 percentage points in 2020 to 0.0% in May 2020. Such a large and rapid reduction in the policy rate has never been seen before in Norway. A stable policy rate is expected for the next year.
- The group's long-term target is a minimum return on equity of 12%, but as a consequence of the Covid-19 outbreak, return on equity in 2020 is estimated to be lower than the long-term target.
- The group's focus on digitalisation and automation, both internally and in relation to customers, has enabled almost all of the group's employees to work from home office recently. Customers have been looked after in an efficient and satisfactory manner.
- Given its solid financial position, the group is very well equipped to tackle crises and this will help to ensure that the SpareBank 1 SR-Bank Group remains a solid financial group after the Covid-19 outbreak ends as well.
- Geographic expansion, digitalization and growth will provide the basis for transforming from a regional savings bank to a bank for the whole of Southern Norway.

# APPENDIX

- 1) Macro
- 2) SpareBank 1 SR-Bank

# Key economic indicators

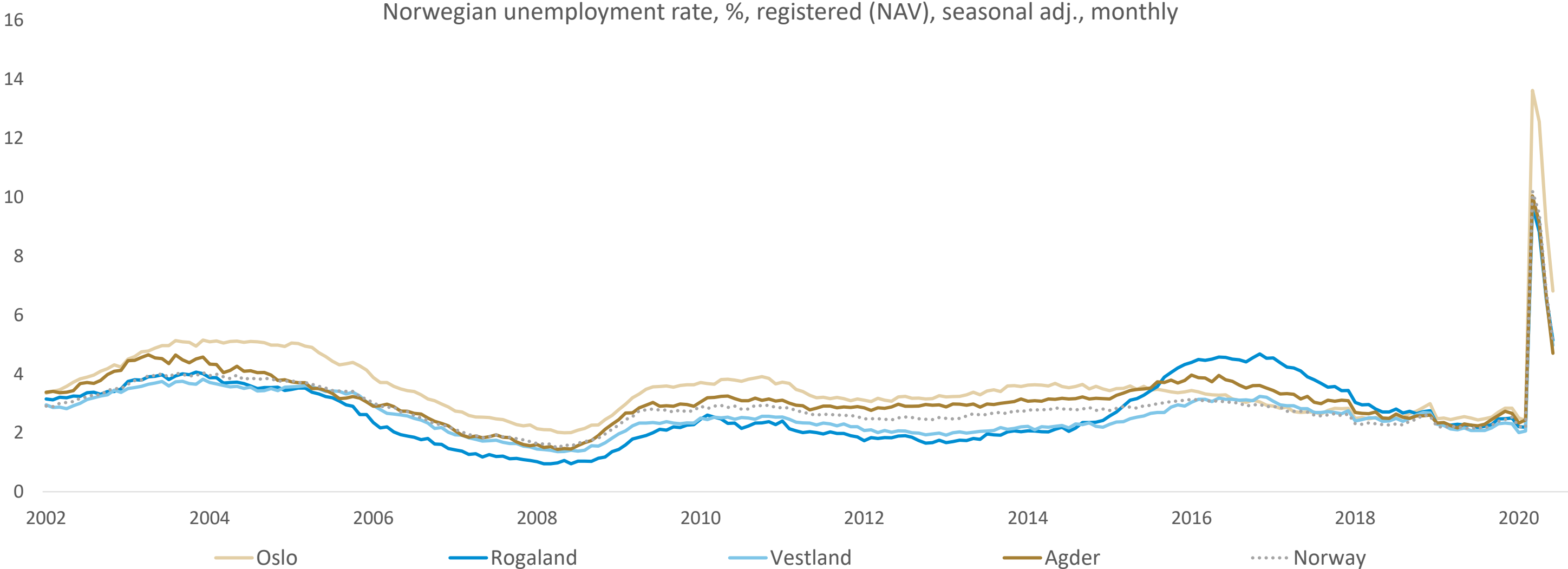


<b>Economic Indicators (%)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020P</b>	<b>2021P</b>	<b>2022P</b>	<b>2023P</b>
GDP mainland, annual change (%)	1,9	3,7	2,3	2,2	1,4	0,9	2,0	2,2	2,3	-3,9	4,3	3,2	2,1
Household consumption, annual change (%)	2,4	3,5	2,8	2,1	2,7	1,1	2,2	1,9	1,5	-6,0	6,6	4,4	2,3
Public consumption, annual change (%)	1,1	1,5	1,0	2,7	2,4	2,3	1,9	1,4	1,7	3,3	2,0	1,9	1,7
Investment mainland, annual change (%)	5,0	7,4	2,9	0,4	-0,2	9,0	6,8	3,0	4,3	-9,2	2,3	1,7	1,5
Investment public sector	1,1	-1,8	11,8	4,5	0,2	6,4	2,6	7,5	7,5	2,7	4,2	0,8	-0,8
Investment offshore oil and gas, annual change (%)	11,4	14,6	19,0	-1,8	-12,2	-16,0	-5,4	1,9	12,8	-3,5	-10,5	-1,5	-4,0
Oil price, USD/bbl. Actual	111	112	109	99	53,0	45,0	55,0	72,0	64,0	39,0			
Inflation rate (CPI) %	1,3	0,6	2,1	2,1	2,1	3,6	1,8	2,7	2,2	1,2	3,2	1,9	2,1
3 month NIBOR %	2,9	2,2	1,8	1,7	1,3	1,1	0,9	1,1	1,6	1,1	0,8	1,1	1,1
Mortgage rate %	3,6	3,9	4,0	3,9	3,2	2,6	2,6	2,7	3,0	2,4	1,9	2,0	2,3
Household savings ratio	5,8	6,9	7,2	7,7	9,8	6,9	6,6	5,9	8,0	12,5	7,4	5,5	5,0
Unemployment rate (registered at labour office)*	2,6	2,6	2,7	2,7	3,0	3,0	2,7	2,5	2,3	5,0	3,2	2,8	2,6
HH sector real disposable income, annual change (%)	4,3	4,4	4,0	2,3	5,4	-1,6	2,0	1,5	3,2	0,3	1,1	2,0	1,6
Current account surplus, share of GDP (%)	12,4	12,5	10,3	10,8	8,0	4,5	4,6	7,1	3,9	4,2	4,6	5,9	6,7
Sovereign Wealth Fund, share of mainland-GDP (%). Actual	150	160	190	230	270	270	290	290	310	330			

Sources: Statistics Norway (5 June 2020), Thomson Reuters Datastream and \*Central Bank of Norway (18 June 2020).

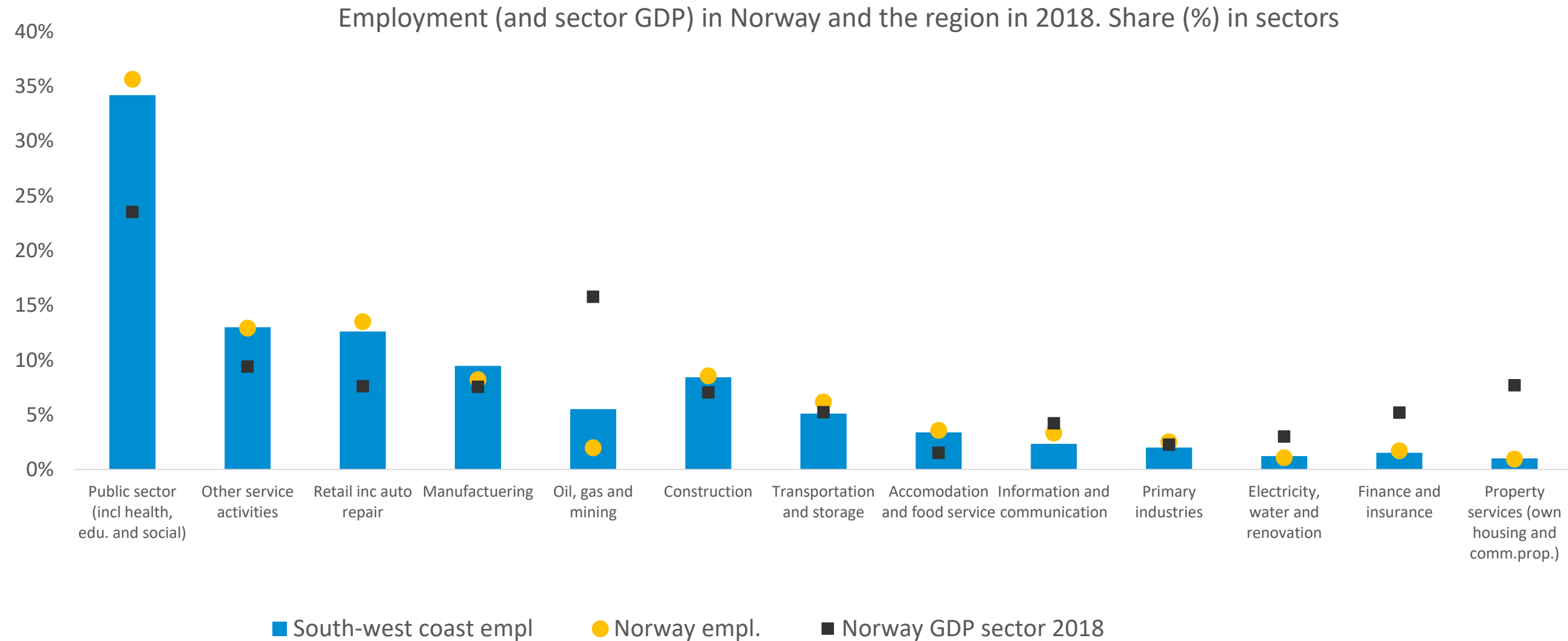
# Increased unemployment (NAV) as a result of Covid-19, but reduction last quarter

Fully unemployed increased from 2% to 10%. Since then, it has fallen to 5%. Still highest in Oslo.



Kilde: NAV og SSB.

# Employment (and GDP) by sector



Source: Statistics Norway.

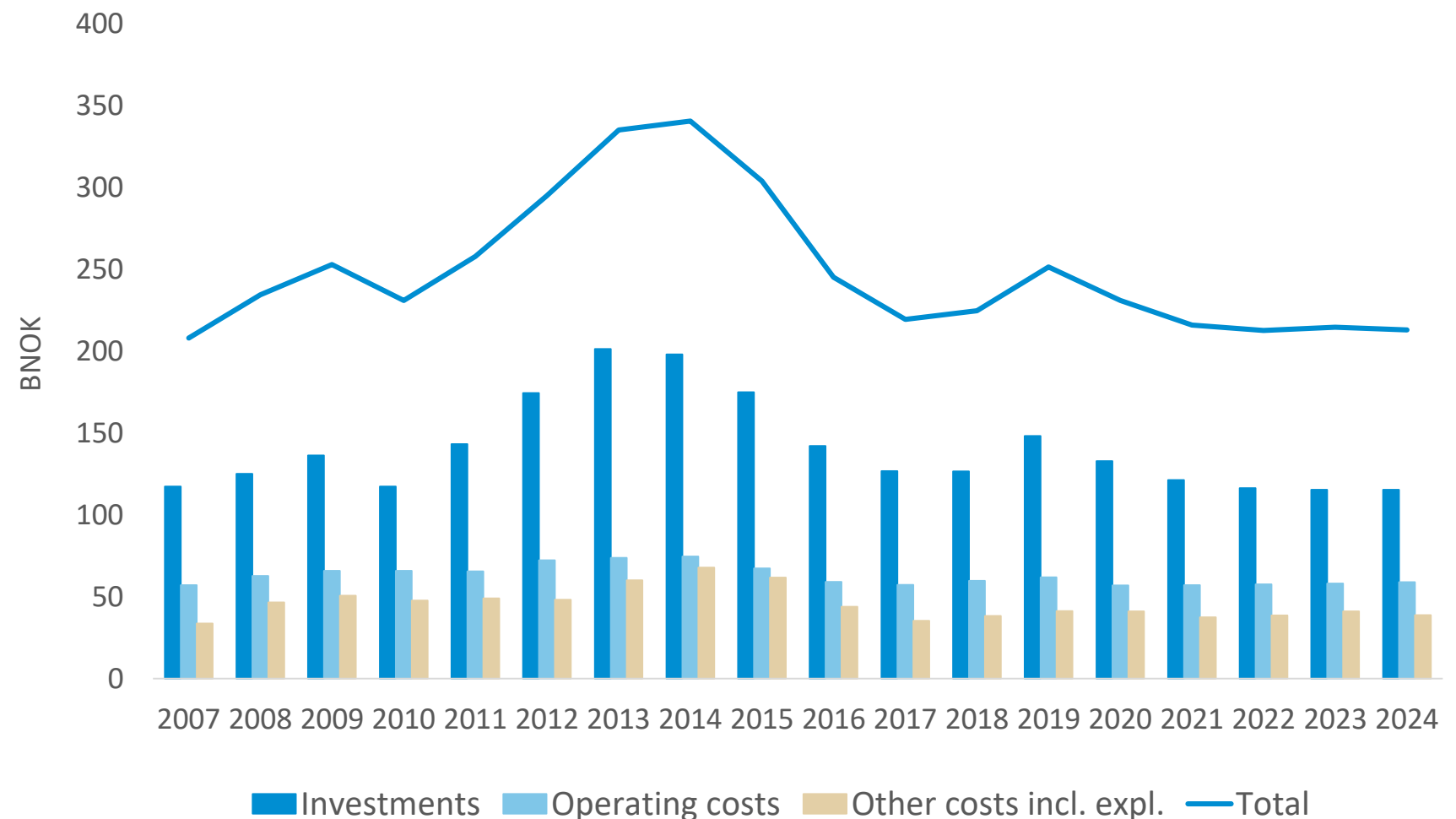


# Lower petroleum prices and increased uncertainty dampen 2020 activity

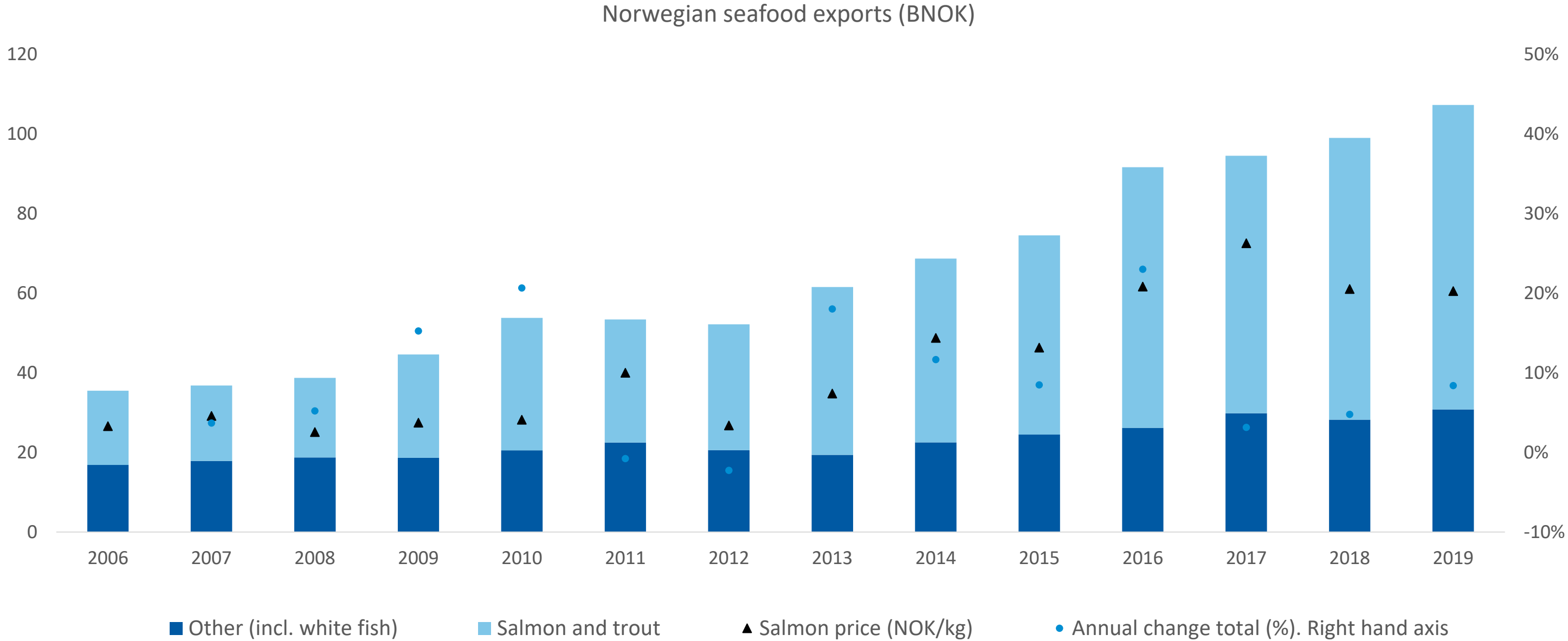
Still uncertain how much petroleum activity in 2020 will be affected by Covid-19, but it will probably fall somewhat

- Overall activity on the Norwegian Continental Shelf (NCS) had a marked increase for many years up to 2014. Activity increased over 60% from 2007 to 2014.
- Activity fell markedly in 2015 and 2016 and somewhat less in 2017. Thereafter, there was some upturn in 2018 and even more strongly in 2019.
- At the beginning of 2020, some increase in petroleum activity was expected in 2020. Covid-19 affects the outlook, but there is still considerable uncertainty about how much. Lower petroleum prices and increased uncertainty about the outlook dampen activity. At the same time, measures have been adopted in Norway to stimulate activity and this raises the prospect. Overall, there will probably be somewhat lower activity in 2020 than in 2019. The NPD expects a decline of 8% in 2020. Furthermore, the NPD expects a decline of 7% in 2021 and then more sideways development.

Petroleum activity on Norwegian Continental Shelf. BNOK (2020 NOK).  
As of 12 May 2020. Source: NPD

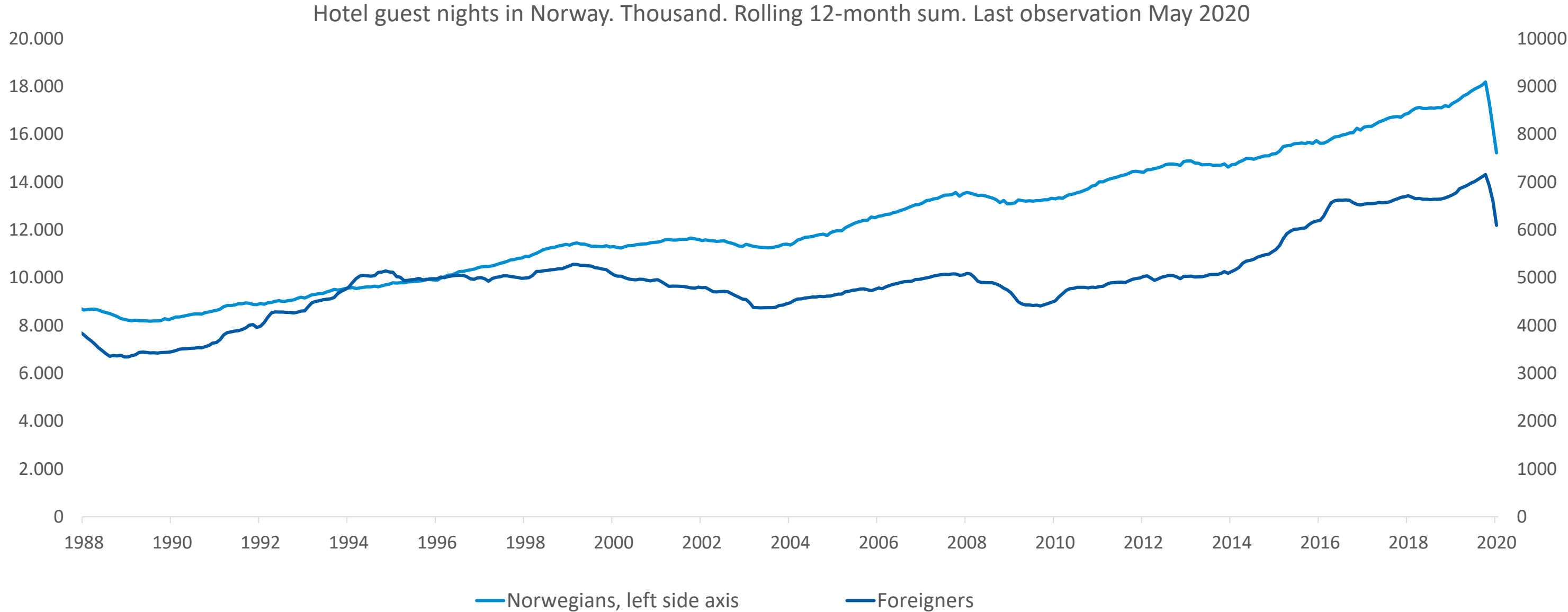


# Norwegian seafood exports doubled since 2012



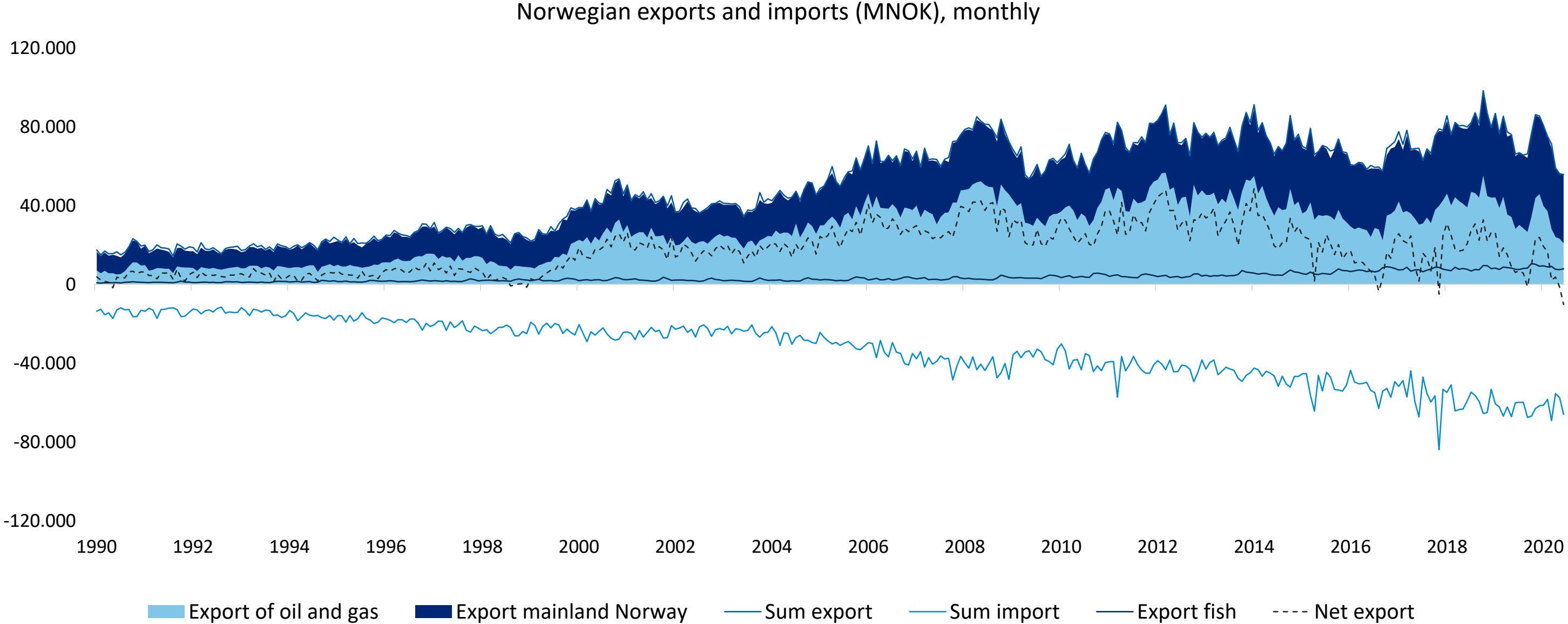
Source: Norwegian Seafood Council.

# Norwegian hotels – guest nights by foreign and domestic



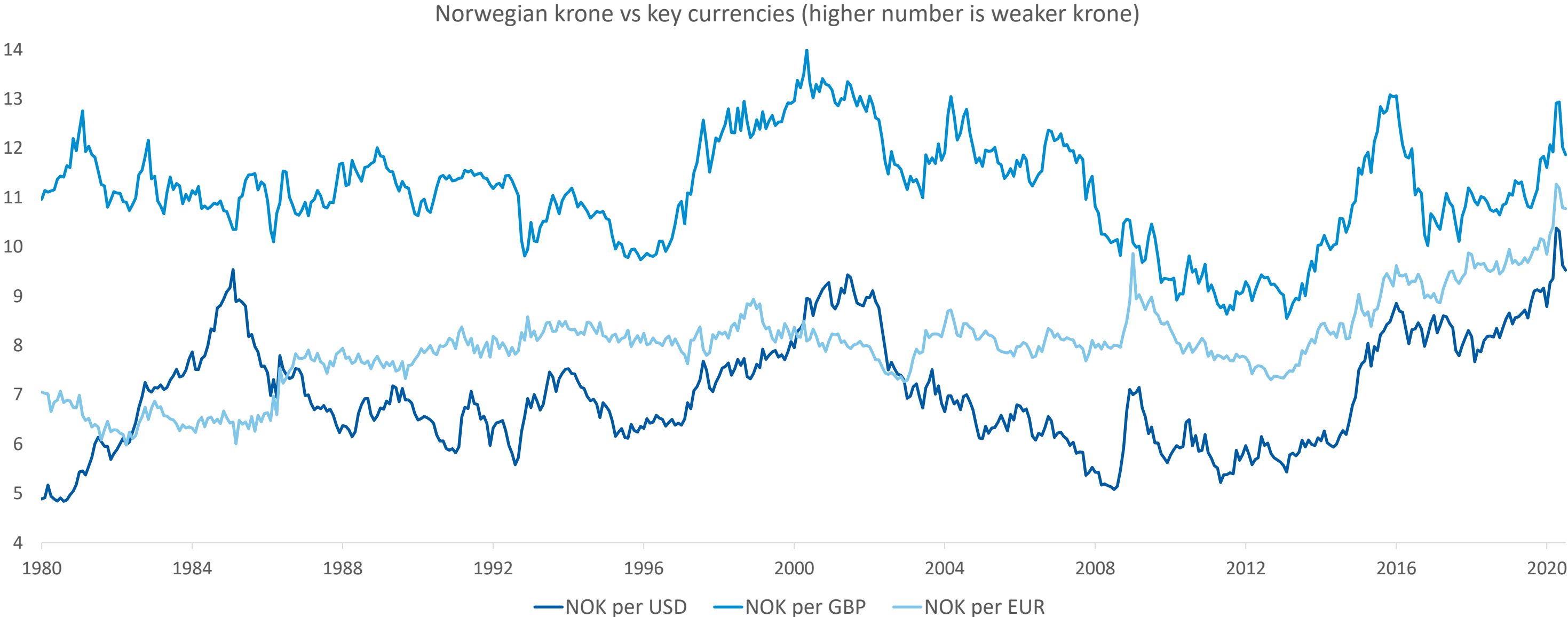
Source: Statistics Norway.

# Norwegian exports and imports



Source: Thomson Reuters Datastream and SpareBank 1 SR-Bank.

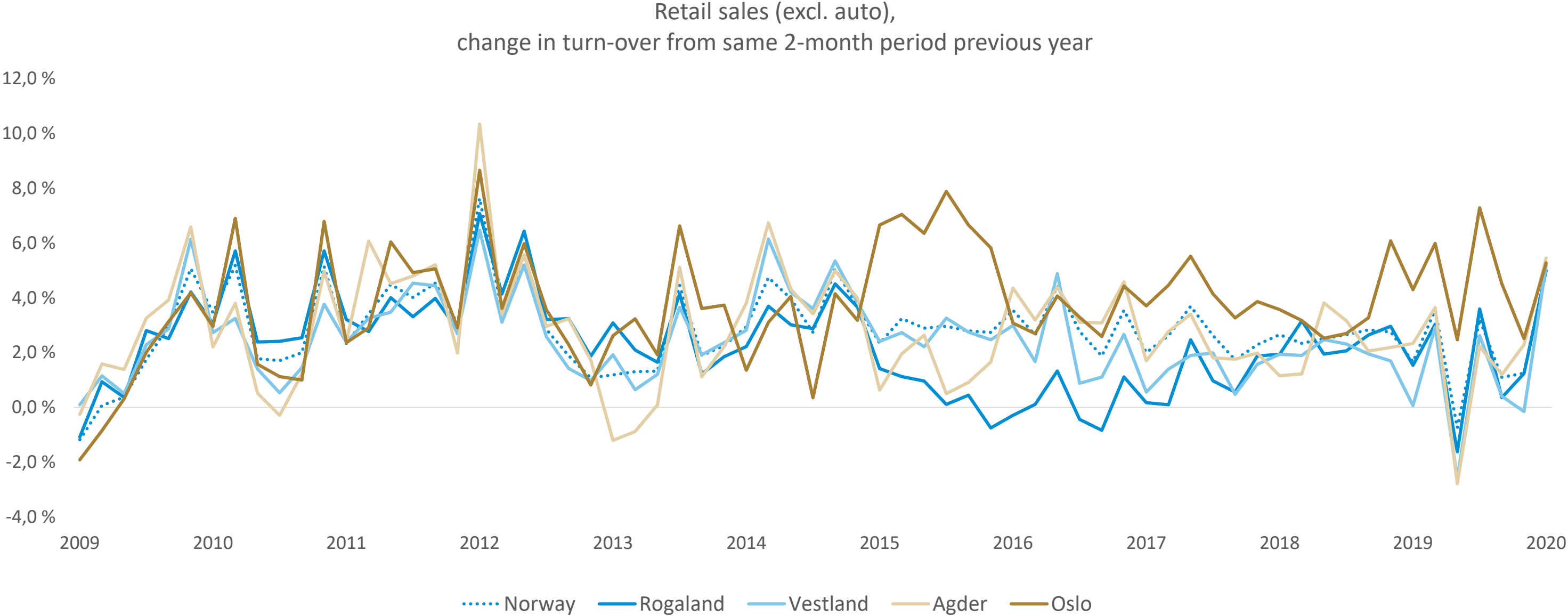
# Norwegian krone vs key currencies



Source: Thomson Reuters Datastream and SpareBank 1 SR-Bank.

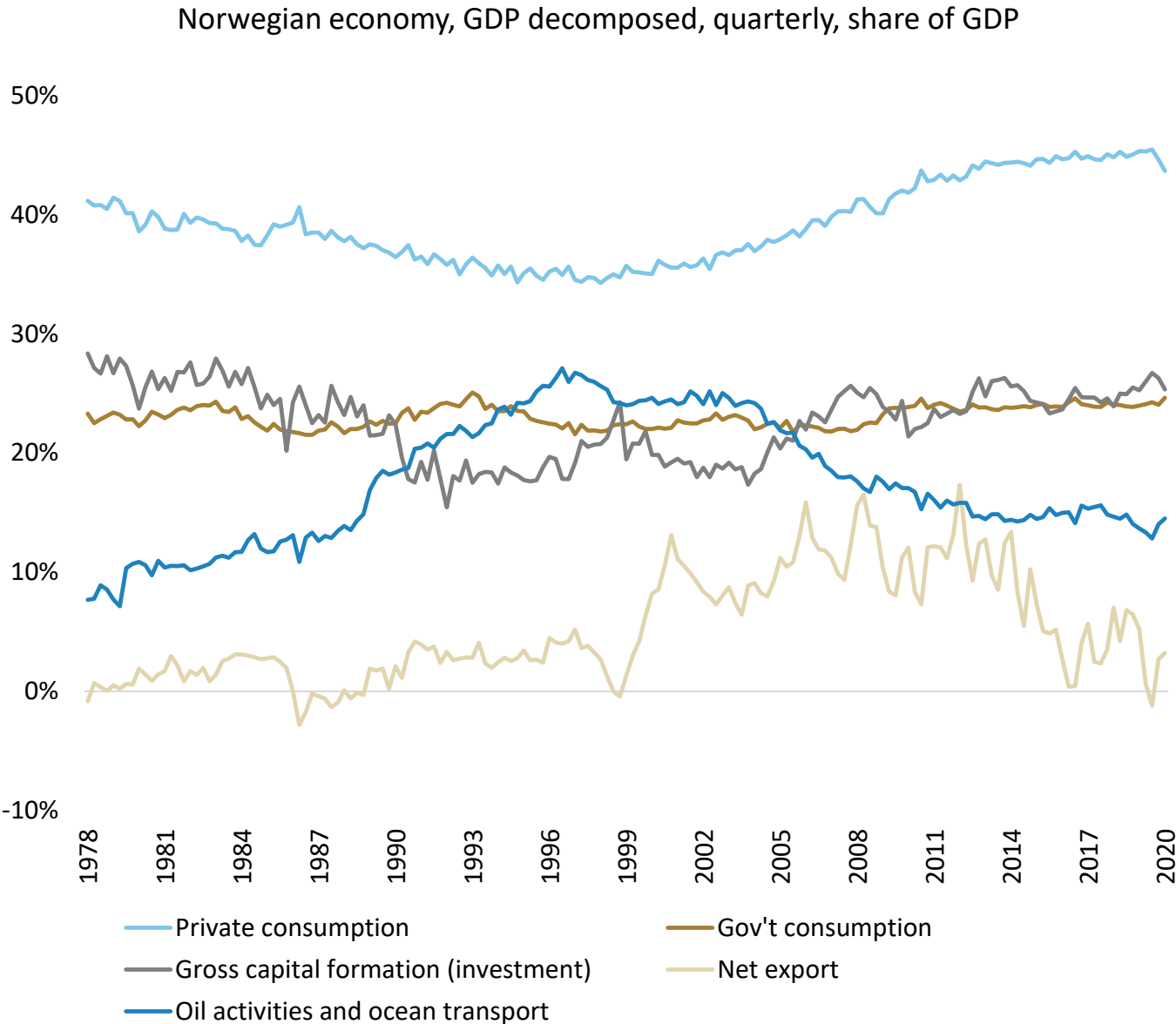
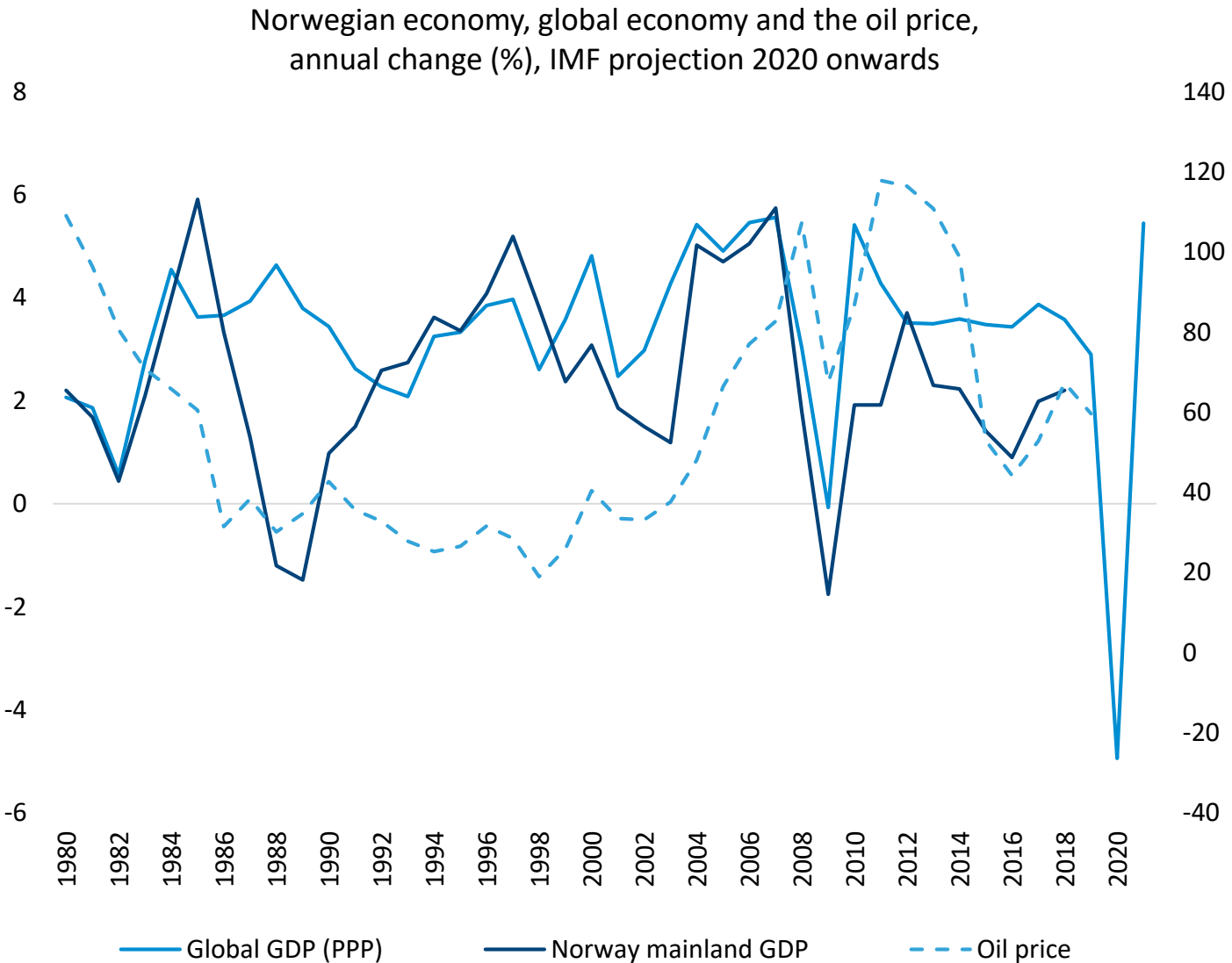
# Retail trade in Norway increased in 2019 and Covid-19 impacts 2020

Covid-19 has had a big impact. Groceries increased a lot in the beginning. Gradually, other goods have also increased



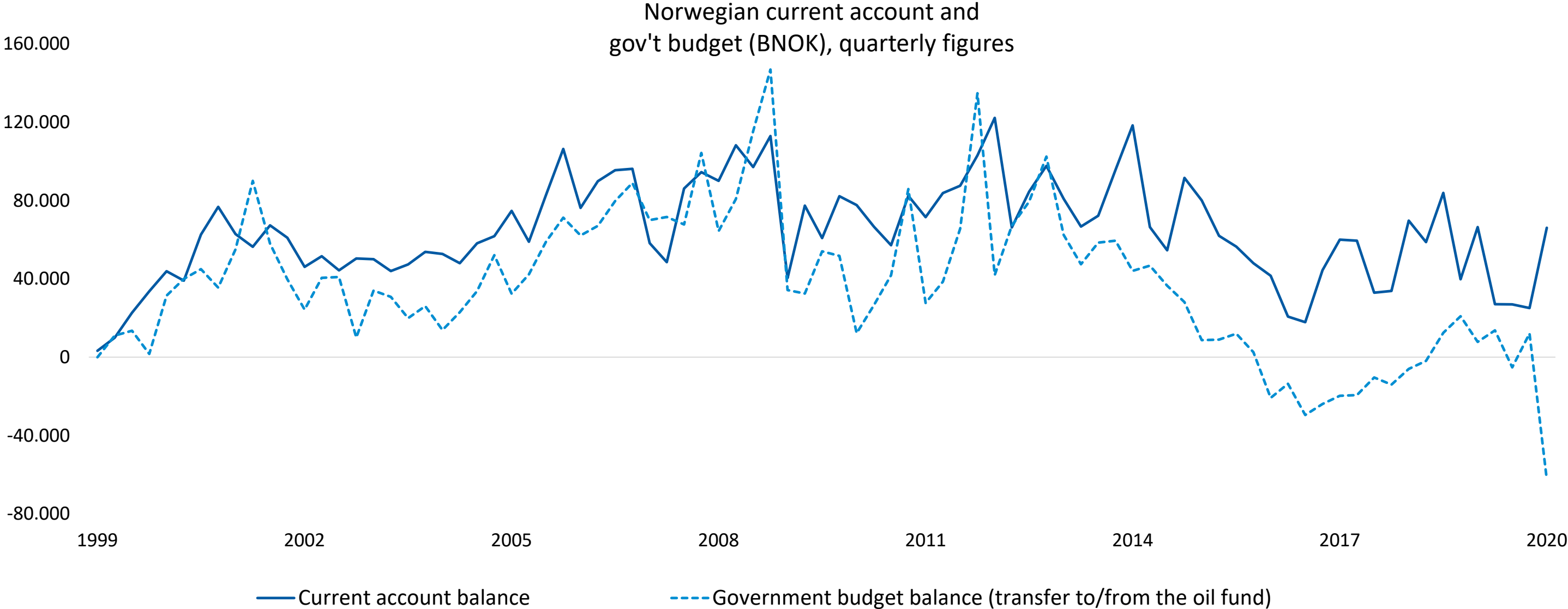
Source: SSB.

# Norwegian Economy – GDP



Source: Thomson Reuters Datastream and SpareBank 1 SR-Bank.

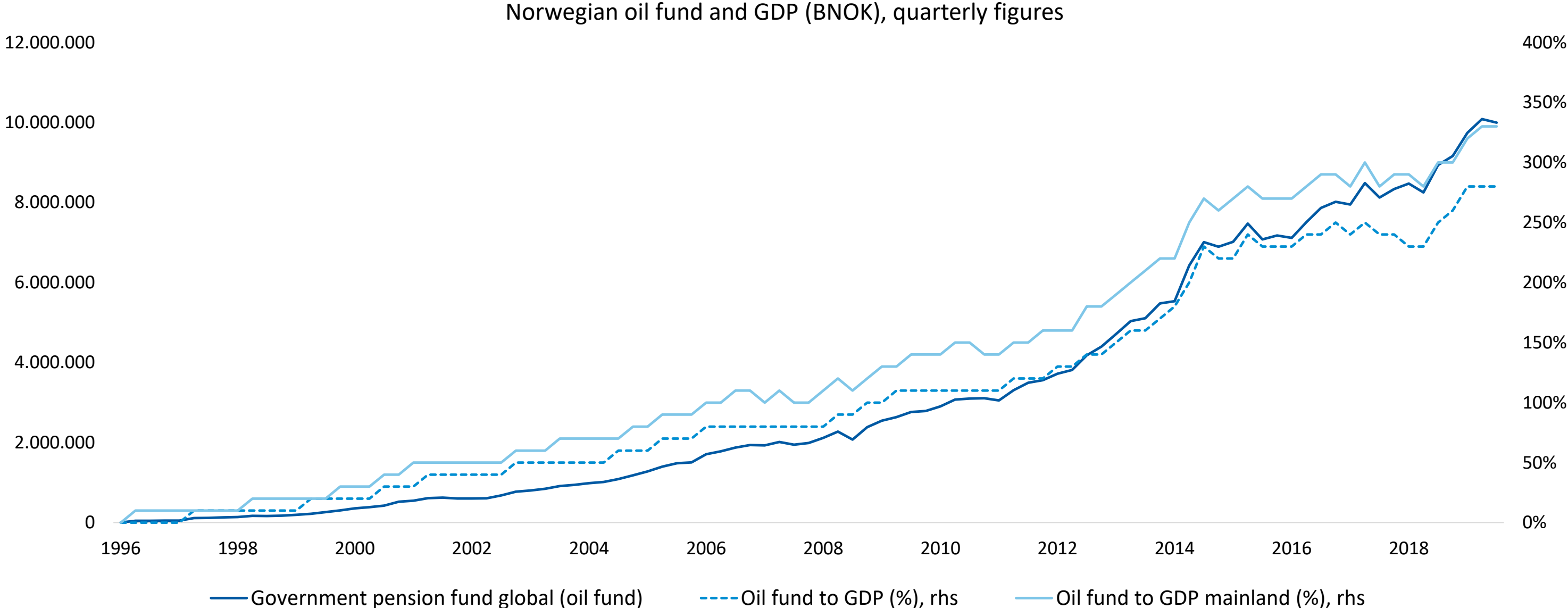
# Norwegian current account and government budget



Source: Thomson Reuters Datastream and SpareBank 1 SR-Bank.



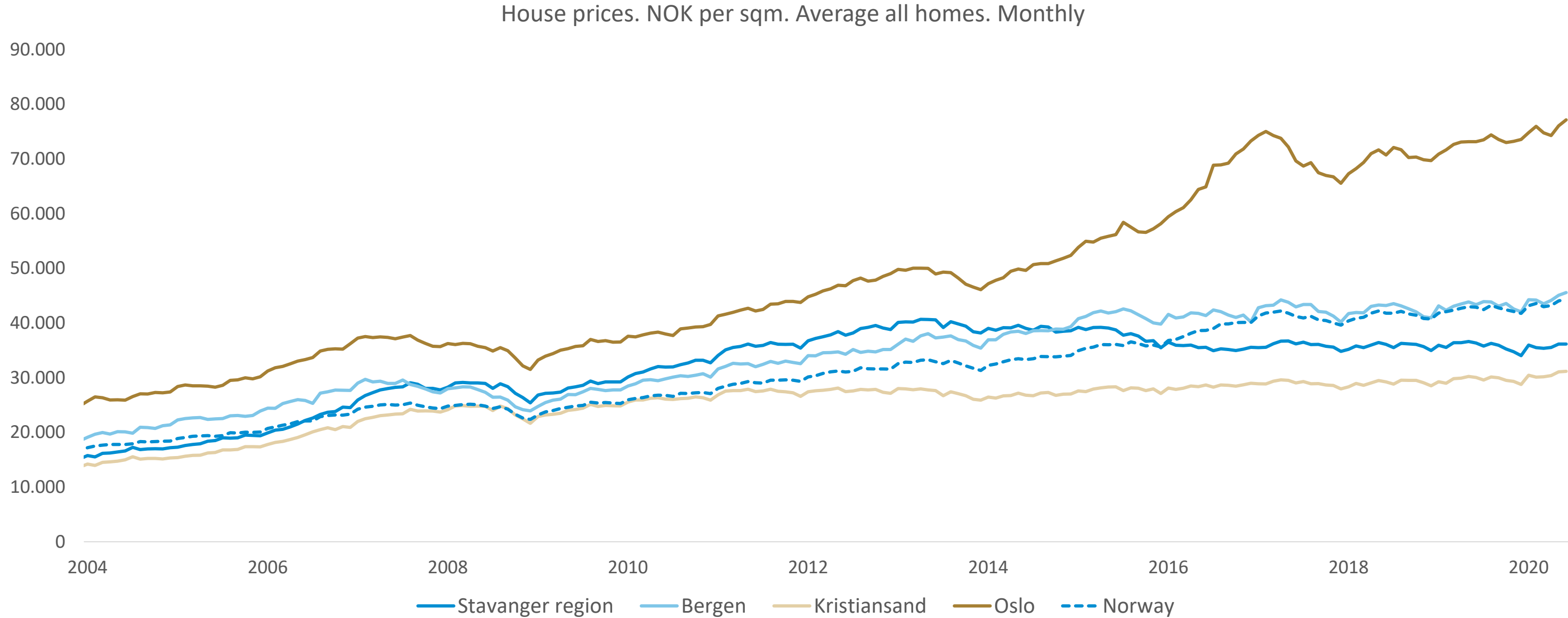
# Norway oil fund and GDP



Source: Thomson Reuters Datastream and SpareBank 1 SR-Bank.

# Norwegian house prices have increased by 3,5% last 12 months

Impact from Covid-19 led to lower sales, but since then sales and prices have picked up



Source : Finn.no, Eiendom Norge og Eiendomsverdi.

# APPENDIX

- 1) Macro
- 2) SpareBank 1 SR-Bank

# Our purpose: Strength to growth and development

## Objectives

- The purpose for SpareBank 1 SR-Bank is to add strength to growth and development. Our growth will give us the ability to provide profitability and value to the owners, customers and the community.
- 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

- To be the bank that focus on the future and good relations where we have our customers in the center, knows what's important for them through a combination of close, personal relationships – and high utilization of technology and customer data. We want to be reliable, easily available and a long-term partner to our customers.
- We want to focus on good solutions for our customers by understanding them and their challenges, which will help us reach our vision to be the customers first choice.

## Financial goals

- The longer term target for return on equity is a minimum of 12%.
- Top 50% return on equity and cost/income in a Nordic benchmark

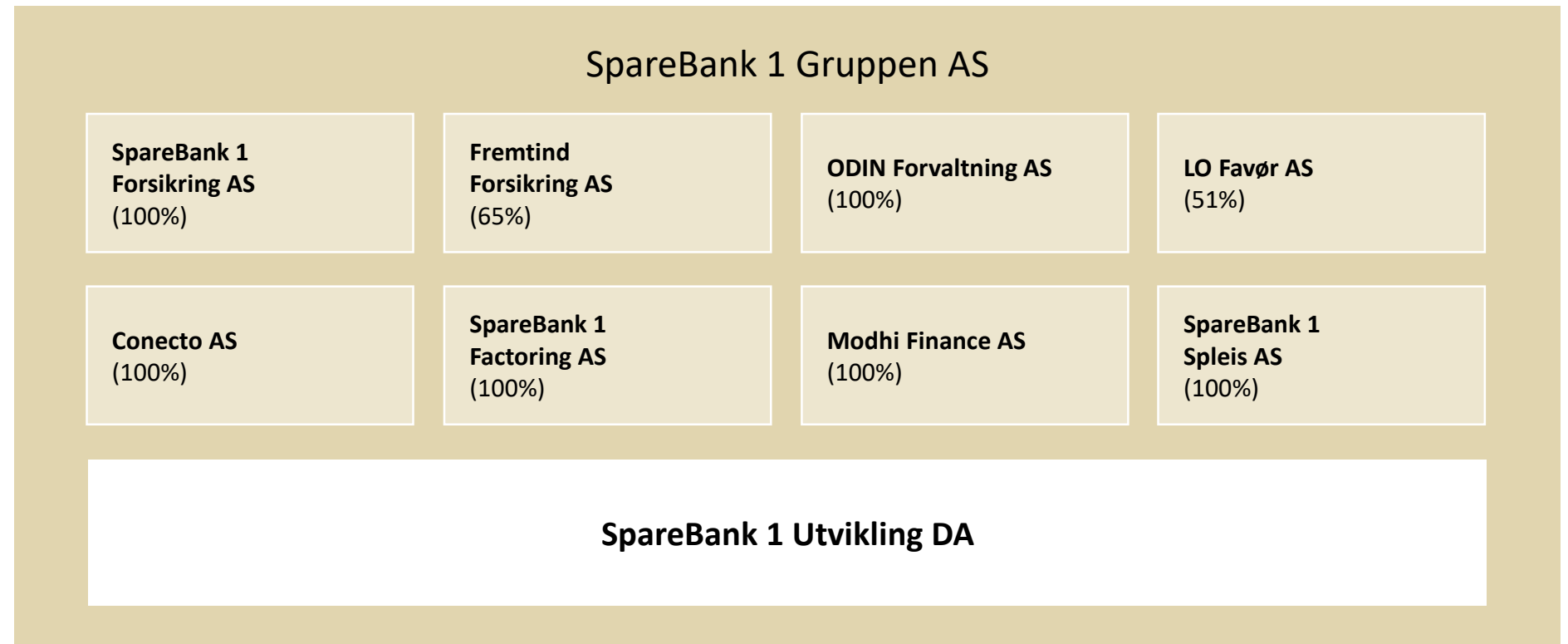
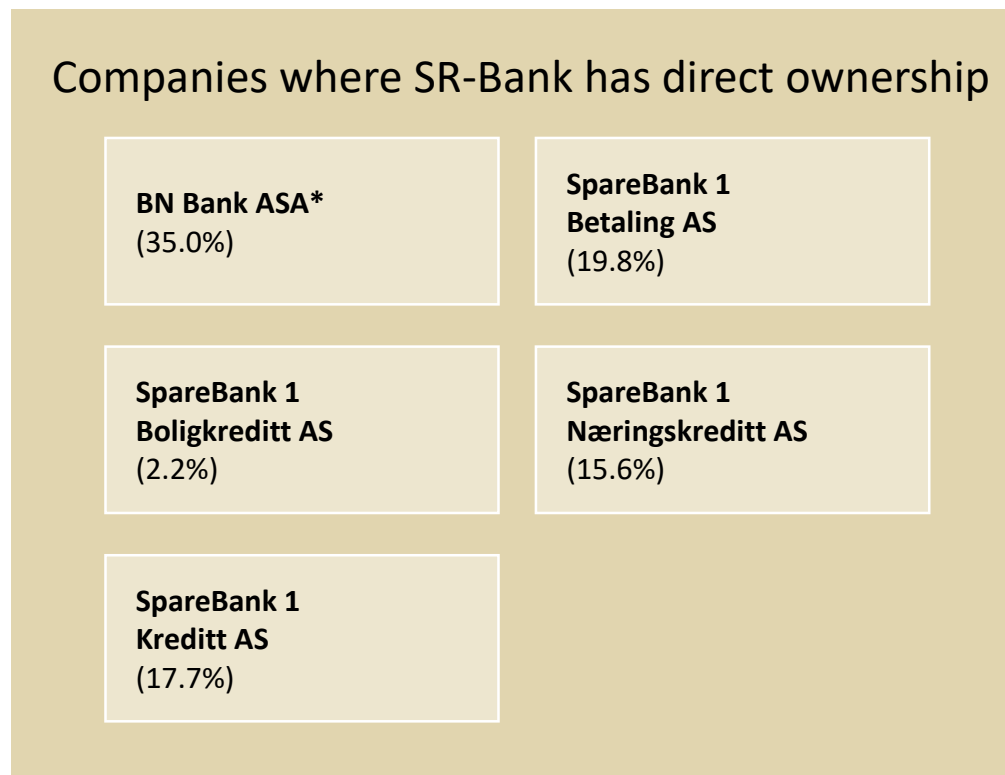
## Strategic focus

- Digital development and transformation of existing business models
- Innovation by use of partnership, technology and data
- Cost-effective and selective growth, increased product- and diversification portfolio.
- High portfolio quality

# SpareBank 1 Alliance



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

# Balance sheet

<b>Balance sheet (MNOK)</b>	<b>30.06.2020</b>	<b>30.06.2019</b>
Cash and balances with central banks	645	725
Balances with credit institutions	8.752	3.417
Net loans to customers	211.779	197.319
Certificates, bonds and other fixed-income securities	38.921	32.035
Financial derivatives	10.229	5.304
Shares, ownership stakes and other securities	860	976
Investment in associates	4.502	4.344
Other	3.027	2.342
<b>Total assets</b>	<b>278.715</b>	<b>246.462</b>
Balances with credit institutions	3.414	1.387
Deposit from customers	111.170	102.693
Listed debt securities	127.966	111.086
Financial derivatives	6.976	3.636
Other liabilities	1.809	1.857
Additional Tier 1 and Tier 2 capital instruments	2.177	2.709
<b>Total liabilities</b>	<b>253.512</b>	<b>223.368</b>
<b>Total equity</b>	<b>25.203</b>	<b>23.094</b>
<b>Total liabilities and equity</b>	<b>278.715</b>	<b>246.462</b>

# Net commission and other income

MNOK	30.06.2020	30.06.2019	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Payment facilities	130	128	61	69	66	77	66
Savings/placements	96	99	48	48	47	46	53
Insurance products	101	94	50	51	50	48	48
Commission income real estate broking	189	207	104	85	101	91	108
Guarantee commission	48	46	23	25	24	23	22
Arrangement- and customer fees	33	61	13	20	23	6	35
Commission income SpareBank 1 SR-Bank Forretningspartner*	83	65	42	41	31	30	38
Other	7	6	3	4	11	3	3
<b>Net commission and other income excl. covered bond company</b>	<b>687</b>	<b>706</b>	<b>344</b>	<b>343</b>	<b>353</b>	<b>324</b>	<b>373</b>
Commission income SB1 Boligkreditt	3	19	0	3	6	8	11
<b>Net commission and other income incl. covered bond company</b>	<b>690</b>	<b>725</b>	<b>344</b>	<b>346</b>	<b>359</b>	<b>332</b>	<b>384</b>

\*In June 2020, SpareBank 1 Regnskapshuset SR changed its name to SpareBank 1 SR-Bank Forretningspartner.

## Net income on investment securities

MNOK	30.06.2020	30.06.2019	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
<b>Dividends</b>	<b>17</b>	<b>27</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>8</b>
<b>Investment income, associates</b>	<b>387</b>	<b>762</b>	<b>145</b>	<b>242</b>	<b>15</b>	<b>98</b>	<b>226</b>
<b>Securities gains/losses</b>	<b>-176</b>	<b>100</b>	<b>122</b>	<b>-298</b>	<b>20</b>	<b>-24</b>	<b>4</b>
- of which capital change in shares and certificates	-94	81	27	-121	36	-6	19
- of which capital change in certificates and bonds	190	-15	104	86	-96	-45	-18
- of which derivatives; certificates and bonds	-272	34	-9	-263	80	27	3
<b>Currency/interest gains/loans</b>	<b>41</b>	<b>127</b>	<b>13</b>	<b>28</b>	<b>-13</b>	<b>11</b>	<b>102</b>
- of which currency customer- and own-account trading	61	61	52	9	37	33	32
- of which value change basis swap spread	16	40	-48	64	-34	-16	53
- of which counterparty risk derivatives including CVA	-50	1	-42	-8	1	-2	0
- of which IFRS-effects	14	25	51	-37	-17	-4	17
<b>Net income on investment securities</b>	<b>269</b>	<b>1.016</b>	<b>297</b>	<b>-28</b>	<b>22</b>	<b>89</b>	<b>340</b>

*When a basis swap is designated a hedging instrument for hedging a specifically identified loan, changes in the value of the hedging instrument linked to changes in the "basis spread" are recognized through other comprehensive income.*



# Subsidiaries

Subsidiaries	MNOK	30.06.2020	30.06.2019
EiendomsMegler 1 SR-Eiendom AS	Number of sales	3.181	3.372
	Operating profit before tax	26	19
SR-Forvaltning AS	Capital under management (BNOK)	12	13
	Operating profit before tax	10	12
FinStart Nordic AS	Operating profit before tax*	-87	10
SpareBank 1 SR-Bank Forretningspartner AS	Operating profit before tax**	15	7
SR-Boligkreditt AS	Operating profit before tax	349	314
Monner AS	Operating profit before tax***	-8	
Rygir Industrier AS and other	Operating profit before tax	17	-8
<b>Total subsidiaries</b>	<b>Operating profit before tax</b>	<b>322</b>	<b>354</b>

\* The result in FinStart Nordic is consolidated and includes result from subsidiaries Beaufort Solutions AS.

\*\*In June 2020, SpareBank 1 Regnskapshuset SR changed its name to SpareBank 1 SR-Bank Forretningspartner. The result in Forretningspartner includes amortization of intangible assets of NOK 1.4 million (NOK 1.1 million per 30.06.2019).

\*\*\*SpareBank 1 SR-Bank ASA purchased 100% of the shares in Monner AS on 1 July 2019.

# Ownership interests

Ownership interests	MNOK	30.06.2020	30.06.2019
SpareBank 1 Gruppen AS	Interest ownership	19,5%	19,5%
	Profit after tax	-7	224
	Profit effect merger	340	460
SpareBank 1 Boligkreditt AS	Interest ownership	2,2%	4,8%
	Profit after tax	1	5
SpareBank 1 Næringskreditt AS	Interest ownership	15,6%	19,1%
	Profit after tax	3	6
BN Bank ASA	Interest ownership	35,0%	35,0%
	Profit after tax	50	51
SpareBank 1 Kreditt AS	Interest ownership	17,7%	17,8%
	Profit after tax	2	8
SpareBank 1 Betaling AS	Interest ownership	19,8%	19,8%
	Profit after tax	-2	-5
	Adjusted profit previous years		14
Other	Profit after tax	0	-1
<b>Total ownership interests</b>	<b>Profit after tax</b>	<b>387</b>	<b>762</b>

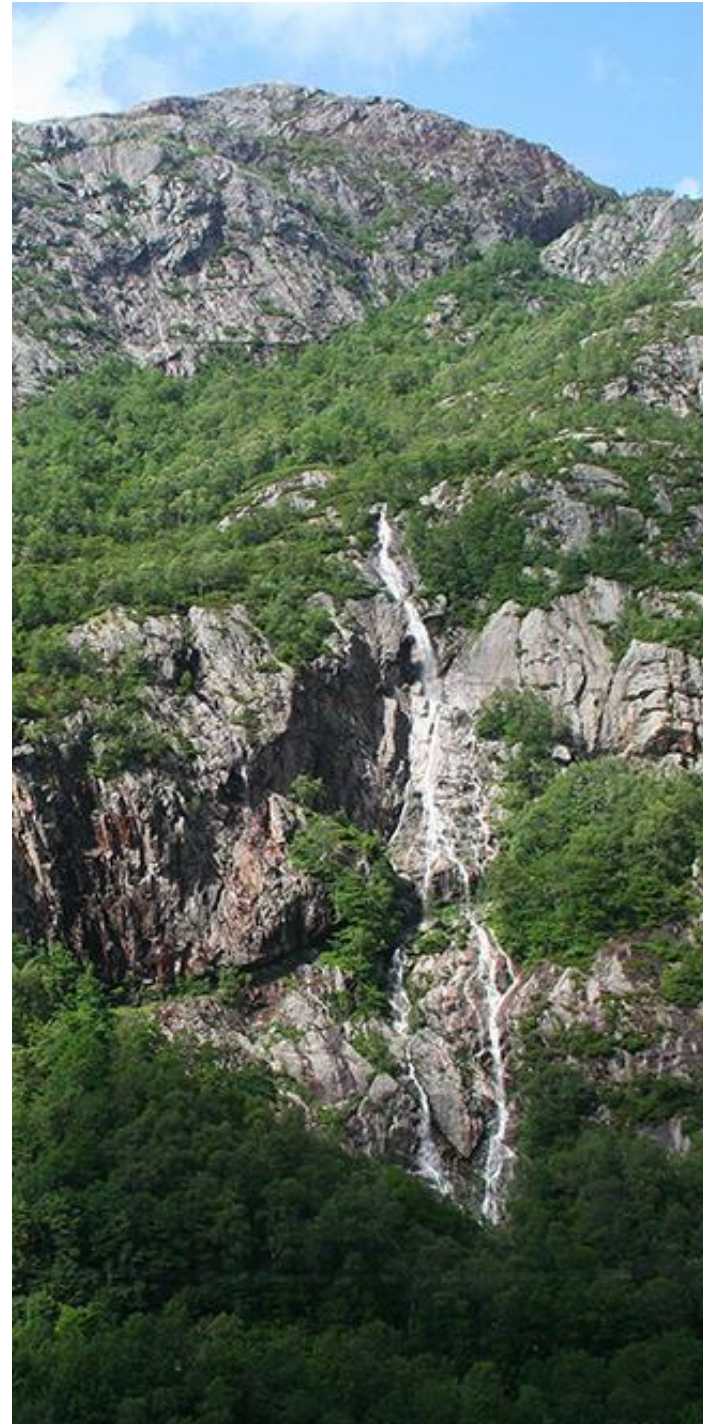
# Operating expenses

MNOK	30.06.2020	30.06.2019	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Payroll and pensions	555	576	277	278	328	307	294
Other staff expenses	123	125	53	70	68	68	63
<b>Total personnel expenses</b>	<b>678</b>	<b>701</b>	<b>330</b>	<b>348</b>	<b>396</b>	<b>375</b>	<b>357</b>
IT expenses	190	181	98	92	91	91	91
Marketing	38	39	17	21	31	20	20
Other administrative expenses	42	51	15	27	30	21	26
<b>Total administrative expenses</b>	<b>270</b>	<b>271</b>	<b>130</b>	<b>140</b>	<b>152</b>	<b>132</b>	<b>137</b>
Depreciation	83	60	42	41	37	40	31
Operating expenses from real estate	16	16	8	8	12	7	8
Other operating expenses	115	137	60	55	81	61	69
<b>Total other operating expenses</b>	<b>214</b>	<b>213</b>	<b>110</b>	<b>104</b>	<b>130</b>	<b>108</b>	<b>108</b>
<b>Total operating expenses</b>	<b>1.162</b>	<b>1.185</b>	<b>570</b>	<b>592</b>	<b>678</b>	<b>615</b>	<b>602</b>

**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 South of Norway
  - The bank's primary market areas for credit exposure are Rogaland, Agder, Vestland as well as Oslo and Viken
- 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 centralized expertise

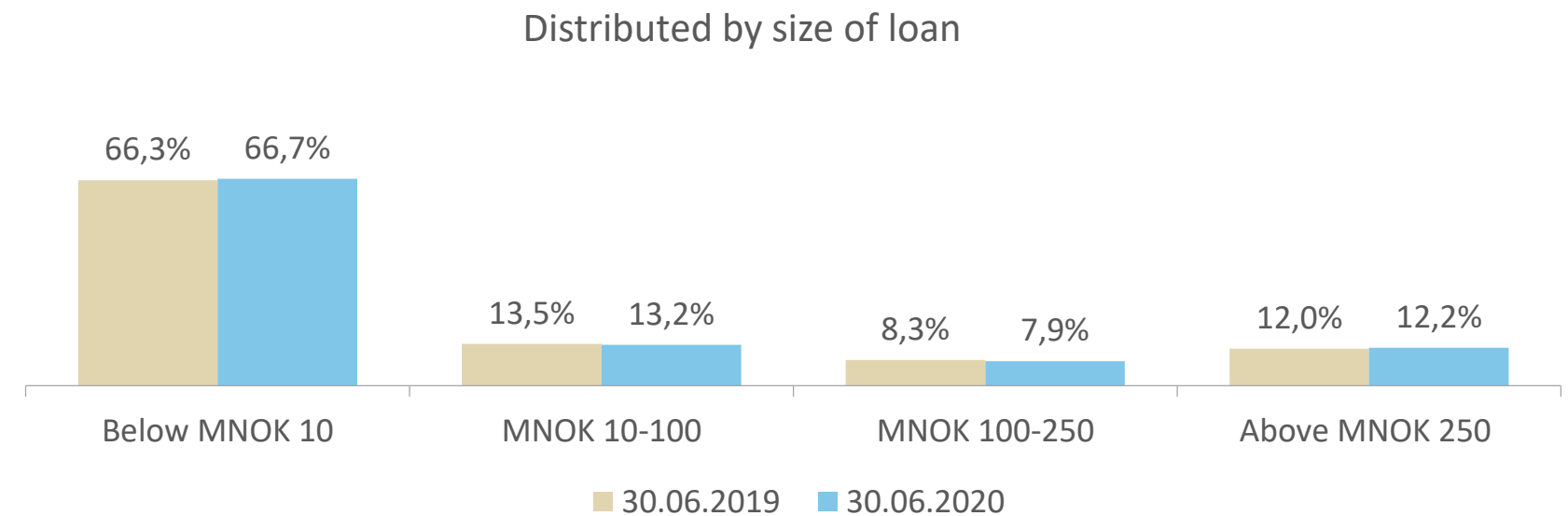
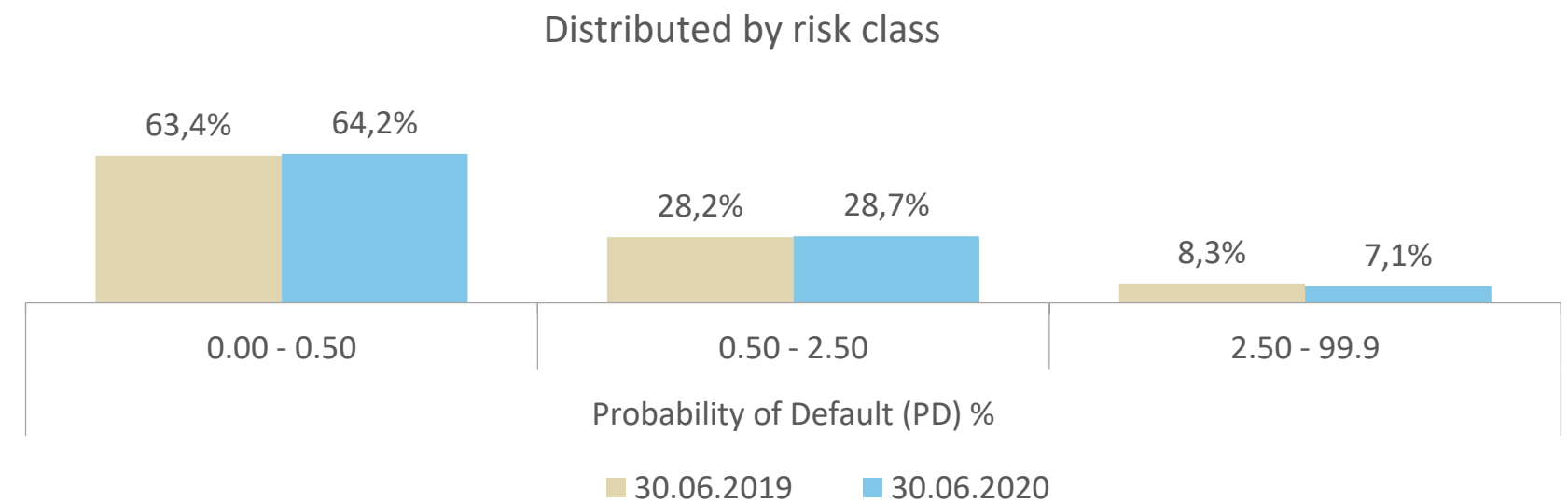


- The bank sets specific limits for the size of commitments as well as requirements concerning industry diversification
  - The maximum total exposure to an individual customer must be significantly lower than the regulatory requirements
  - The maximum unsecured exposure to an individual customer must 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. Portfolio quality improved last year.
- The loan portfolio consists mainly of small and medium-sized loans.



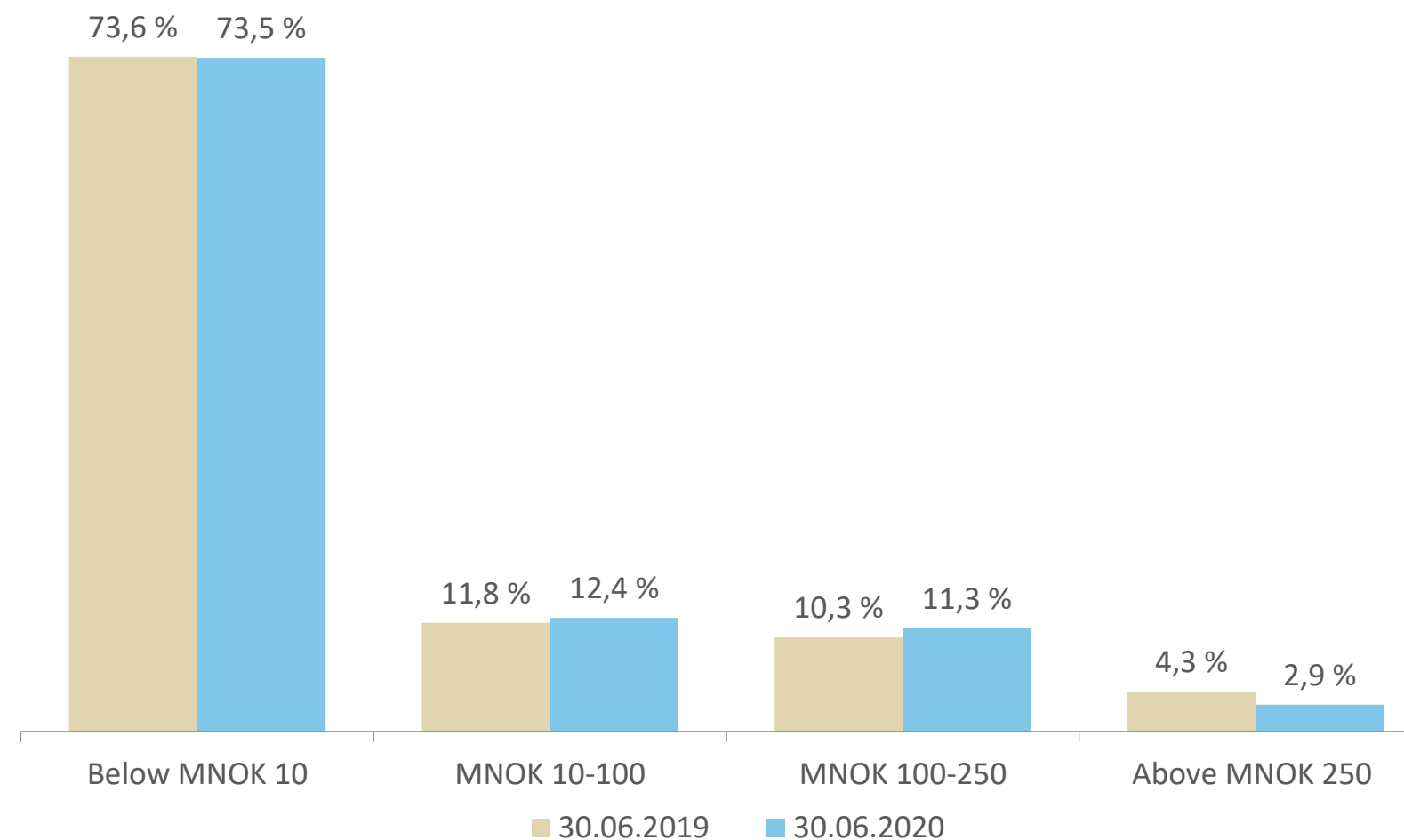
*\*Probability of default (PD) through a full cycle of loss.*

*The figures include the loan portfolio in the covered bond companies (SB1 Boligkreditt AS and SR-Boligkreditt AS).*

# Low concentration of individual LGRs in the lending portfolio

- 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.

Distributed by loss given realisation (LGR)

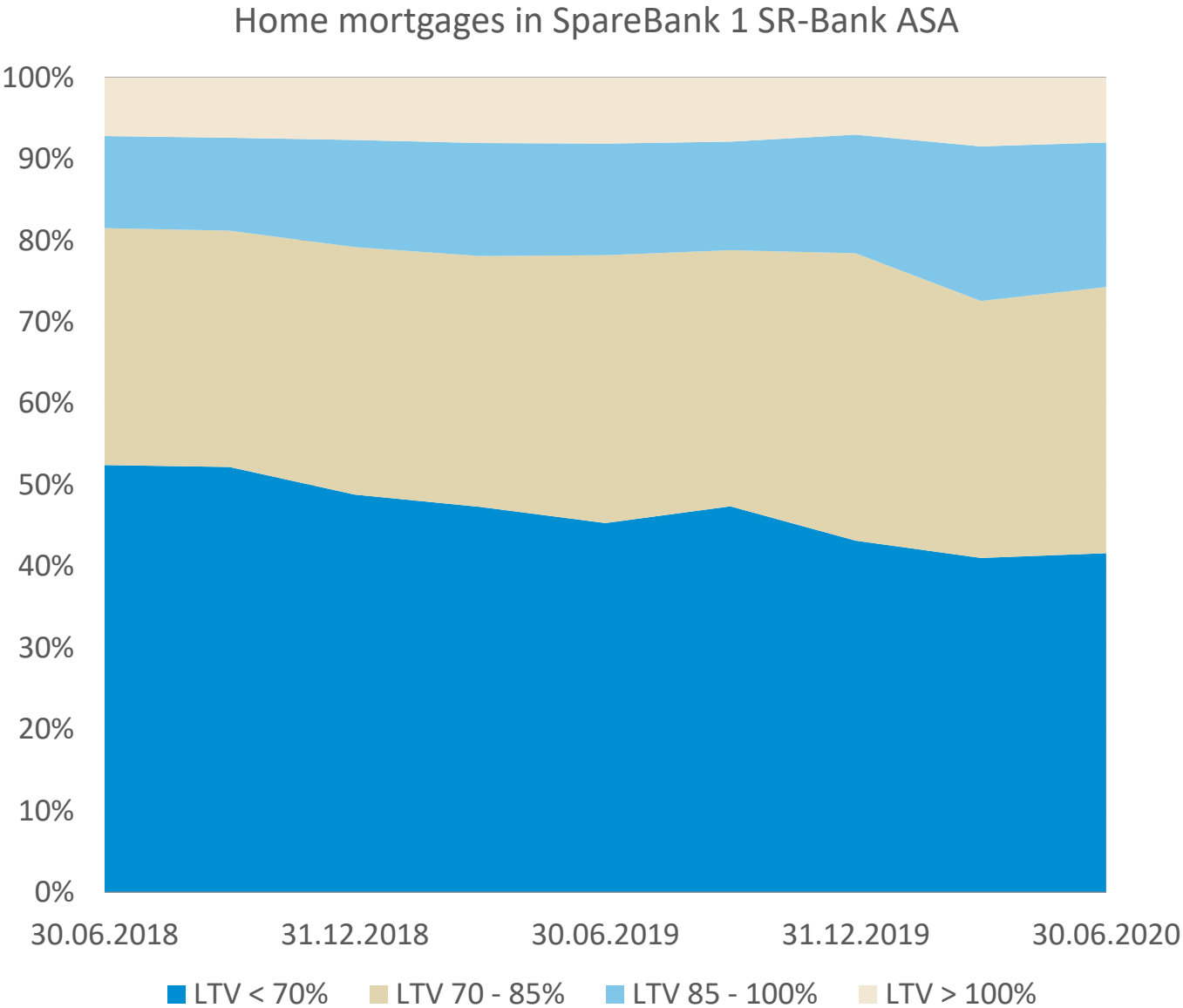
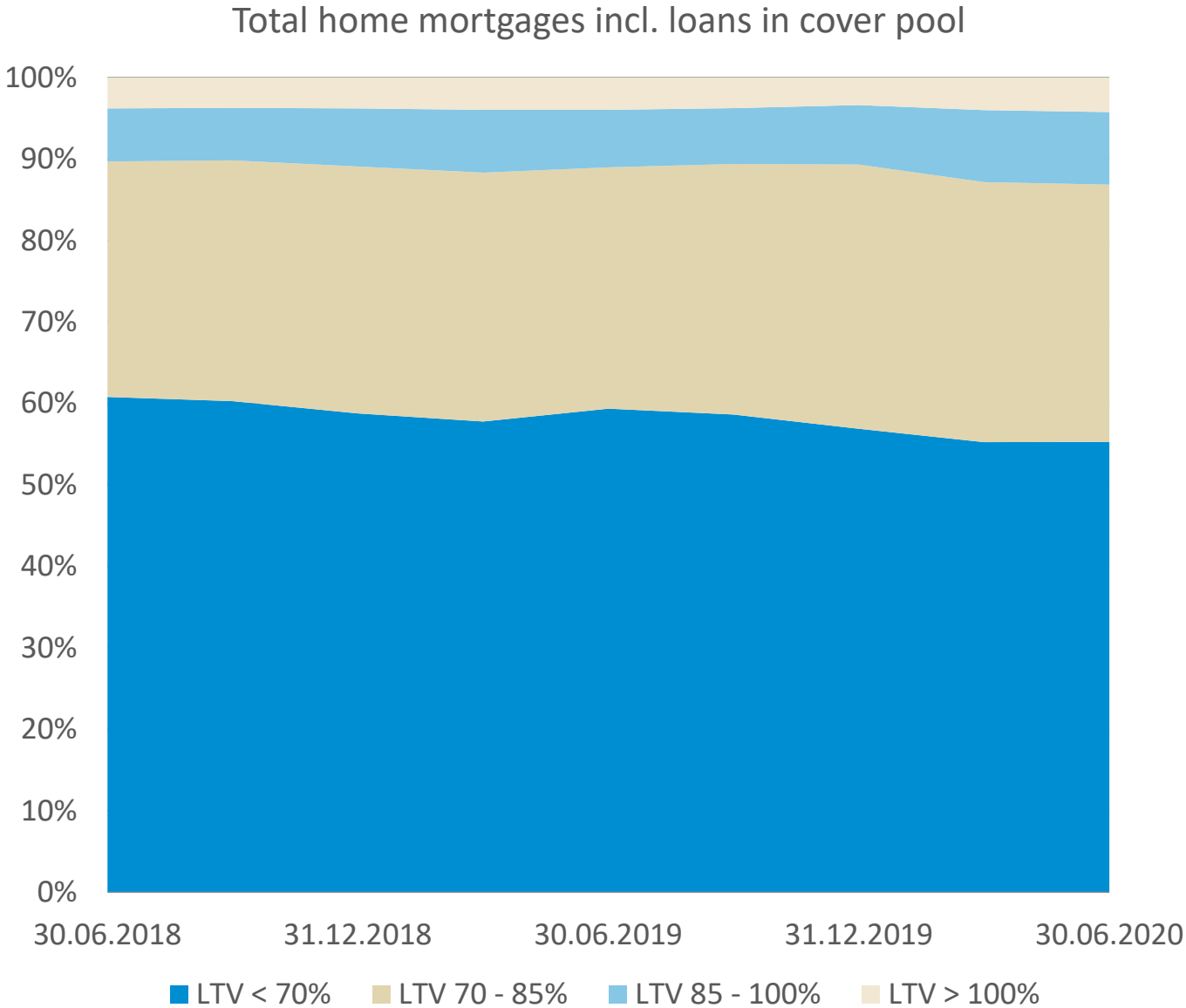


LGR (Loss Given Realisation). Estimated loss on realising a single loan. Corresponds to LGD without statistical correction for certain non-performing loans being reclassified as recoverable prior to collection. The calculation is based on the realisation value of assets pledged as security in an economic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

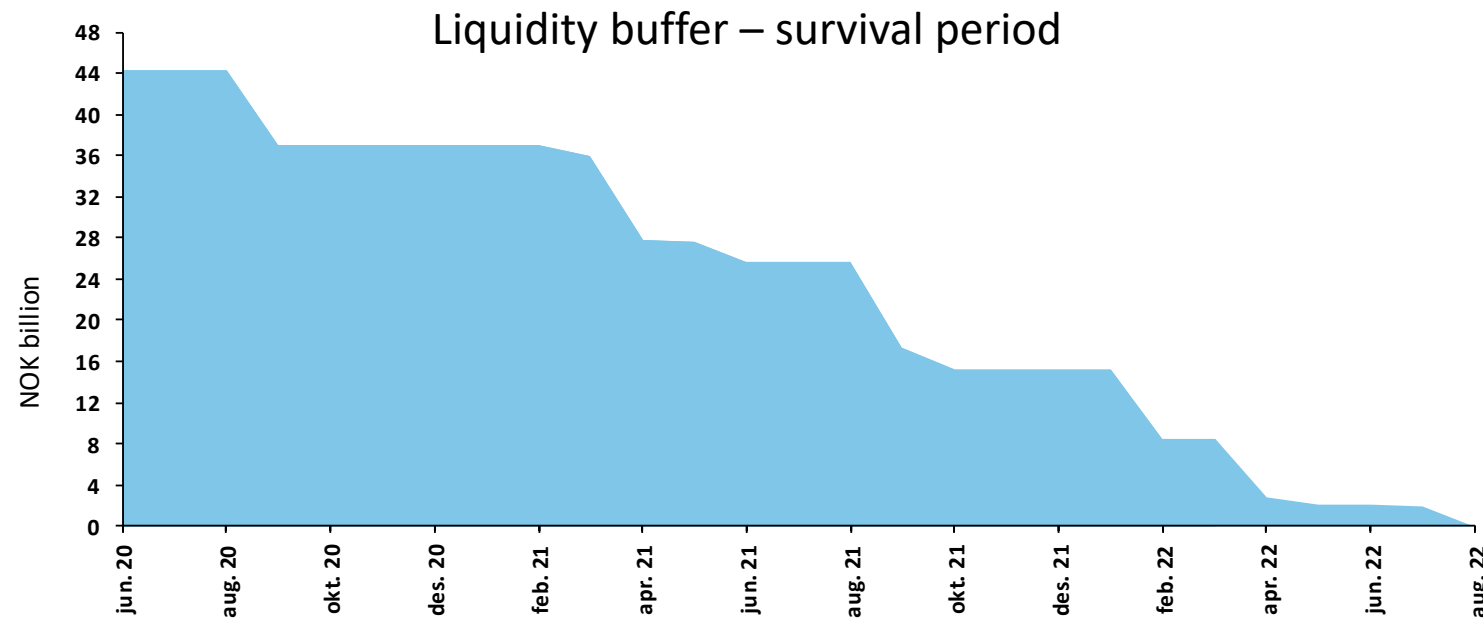
The figure includes the loan portfolio in the covered bond companies (SB1 Boligkreditt AS and SR-Boligkreditt AS).



# Historical LTV development for home mortgage loans



# Liquidity portfolio



- Liquidity buffer at the end of the quarter: NOK 44.3 billion
- Other liquid assets:
  - Home mortgages eligible for covered bond funding: NOK 17.3 billion
  - Commercial paper and bonds in the trading portfolio: NOK 0.3 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 classified to amortised cost, MNOK
Norwegian government/municipal	1.604	4%	0
SSA/Foreign guaranteed	16.170	42%	1.827
Covered bonds (Norwegian/foreign)	20.870	54%	4.820
<b>Total liquidity portfolio</b>	<b>38.644</b>	<b>100%</b>	<b>6.646</b>

# Investments in bonds and certificates

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	38.644	99,1%
Low risk	A+, A and A-	0	0,0%
Moderate risk	Not rated	100	0,3%
High risk	Not rated	60	0,2%
Very high risk	Not rated	188	0,5%
<b>Total portfolio</b>		<b>38.991</b>	<b>100,0%</b>

*Of which liquidity purposes:*

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	38.644	100,0%
Low risk	A+, A and A-	0	0,0%
Moderate risk	Not rated	18	0,0%
High risk	Not rated	0	0,0%
Very high risk	Not rated	0	0,0%
<b>Total liquidity purposes</b>		<b>38.662</b>	<b>100,0%</b>

*Of which SR-Bank Markets:*

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	0	0,0%
Low risk	A+, A and A-	0	0,0%
Moderate risk	Not rated	82	24,9%
High risk	Not rated	60	18,1%
Very high risk	Not rated	188	57,0%
<b>Total SR-Bank Markets portfolio*</b>		<b>330</b>	<b>100,0%</b>

\* Including hybrid capital classified as equity in the balance sheet

# Rating

**Moody's**

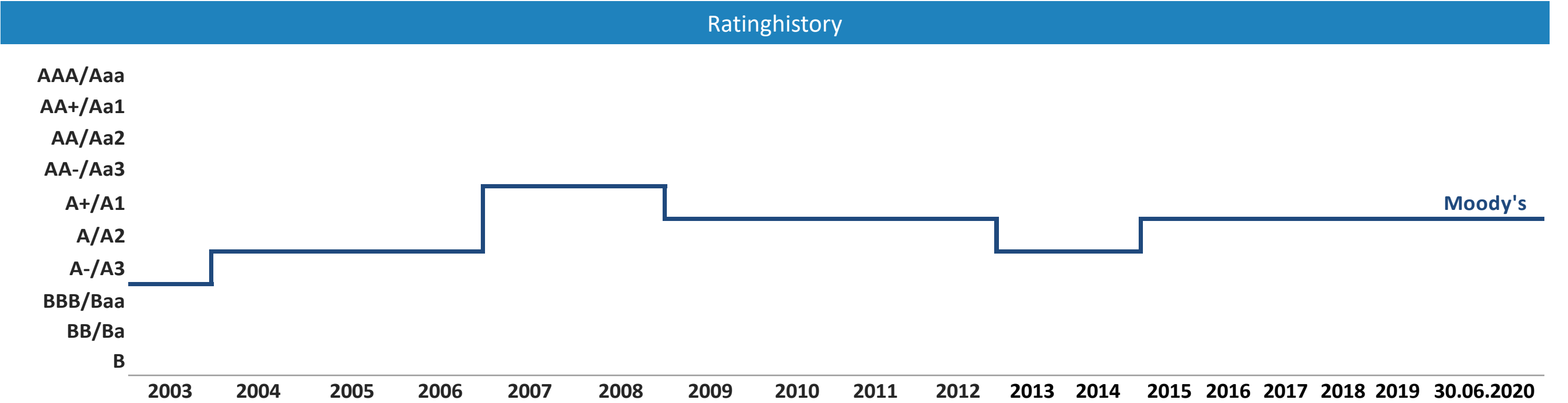
Long-term debt  
Outlook

A1  
Stable

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Updated

10 March 2020



# SR-Bank as of 30.06.2020

## SpareBank 1 SR-Bank share

	30.06.2020	2019	2018	2017	2016	2015	2014
Share price	69,90	100,00	89,20	87,00	60,75	39,30	52,50
Stock value (MNOK)	17.877	25.575	22.813	22.250	15.537	10.051	13.427
Book value per share, NOK (group)	91,32	89,90	82,27	77,24	71,54	66,14	60,28
Earnings per share	1,87	12,22	8,98	8,16	6,87	6,83	8,20
Dividend per share*	n.a.	5,50	4,50	4,25	2,25	1,50	2,00
P/E	18,74	8,18	9,93	10,66	8,84	5,75	6,40
P/BV (group)	0,77	1,11	1,08	1,13	0,85	0,59	0,87

- Number of shares issued 255.8 million
- Trading volume in Q2 2020: 11.0% (5.3%)
- On 1 June 2017, the SR-Bank share was included in the Oslo Stock Exchange's main index

*\*A decision was made in April 2020 not to pay a dividend for 2019 at this time. The change has been incorporated into the first quarter of 2020. The figures reported as at 31 December 2019 are the same as before.*

## Dividend policy

“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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