



From Field  
to Dining.

# Disclaimer

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

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

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

# Agenda

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Introduction to SpareBank 1 SR-Bank ASA

Financials

Solvency and liquidity position

Appendix

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



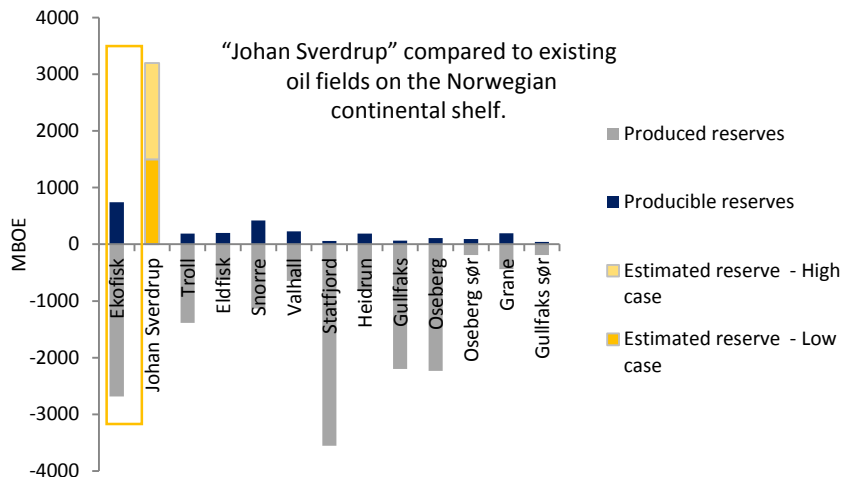
Economic Indicators (%)	2010	2011	2012	2013	2014	2015P
<b>GDP growth - mainland</b>	1.7	2.6	3.4	2.0	2.2	1.3
Household consumption growth	3.8	2.6	3.0	2.1	2.0	2.0
Investment growth – mainland*	-4.5	6.3	4.5	4.7	1.8	1.0
<b>Investment growth oil &amp; gas</b>	-9.5	11.3	14.6	18.0	-1.7	-15.0
<b>Inflation rate, CPI</b>	2.5	1.2	0.8	2.1	2.0	2.0
<b>3 month NIBOR rate / avg. mortgage rate</b>	2.5/3.4	2.9/3.6	2.2/3.9	1.8/4.0	1.7/3.9	1.3/3.2
<b>Household savings ratio</b>	5.8	7.8	8.6	9	8.3	8.5
<b>Unemployment rate</b>	3.6	3.3	3.2	3.5	3.5	4.2
<b>HH sector disp. real inc. growth</b>	2.7	4.6	3.2	3.2	2.6	2.1
<b>Current Account Surplus / GDP</b>	11.9	13.5	14.3	10.6	8.7	5.2
<b>Gov Budget Surplus / GDP</b>	7	10	10	8	10	9
<b>Sovereign Wealth Fund / GDP</b>	121	120	131	157	204	215

Sources: Statistics Norway, NBIM, Norwegian Ministry of Finance as of June, 2015

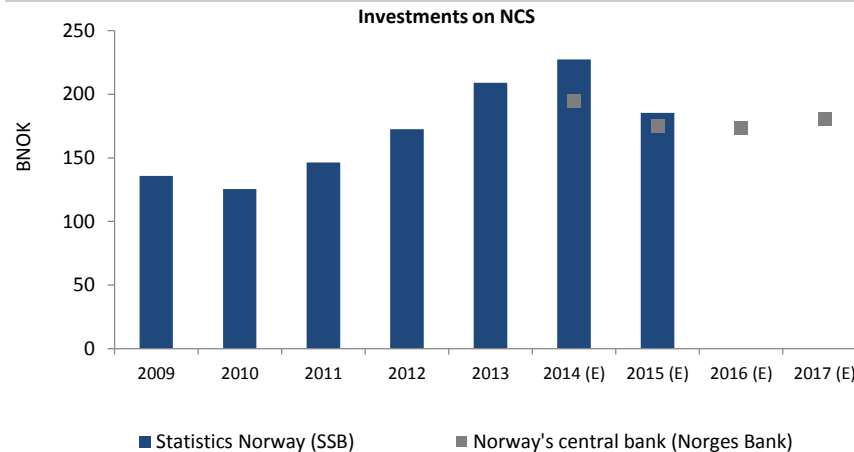
\* Business, residential housing and public sector investments

# One of Norway's most prosperous regions

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

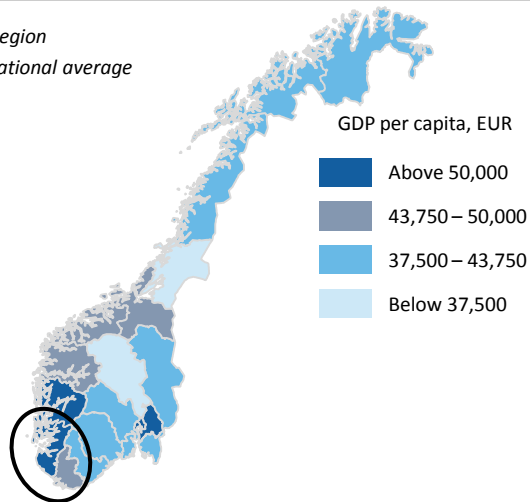


...and activity is expected to continue at high levels



The region accounts for circa 25% of Norwegian GDP

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



SR-Bank's market area

Planned infrastructure project total 100-150BNOK

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



# The leading financial group in the southwest of Norway

## 1 Rogaland

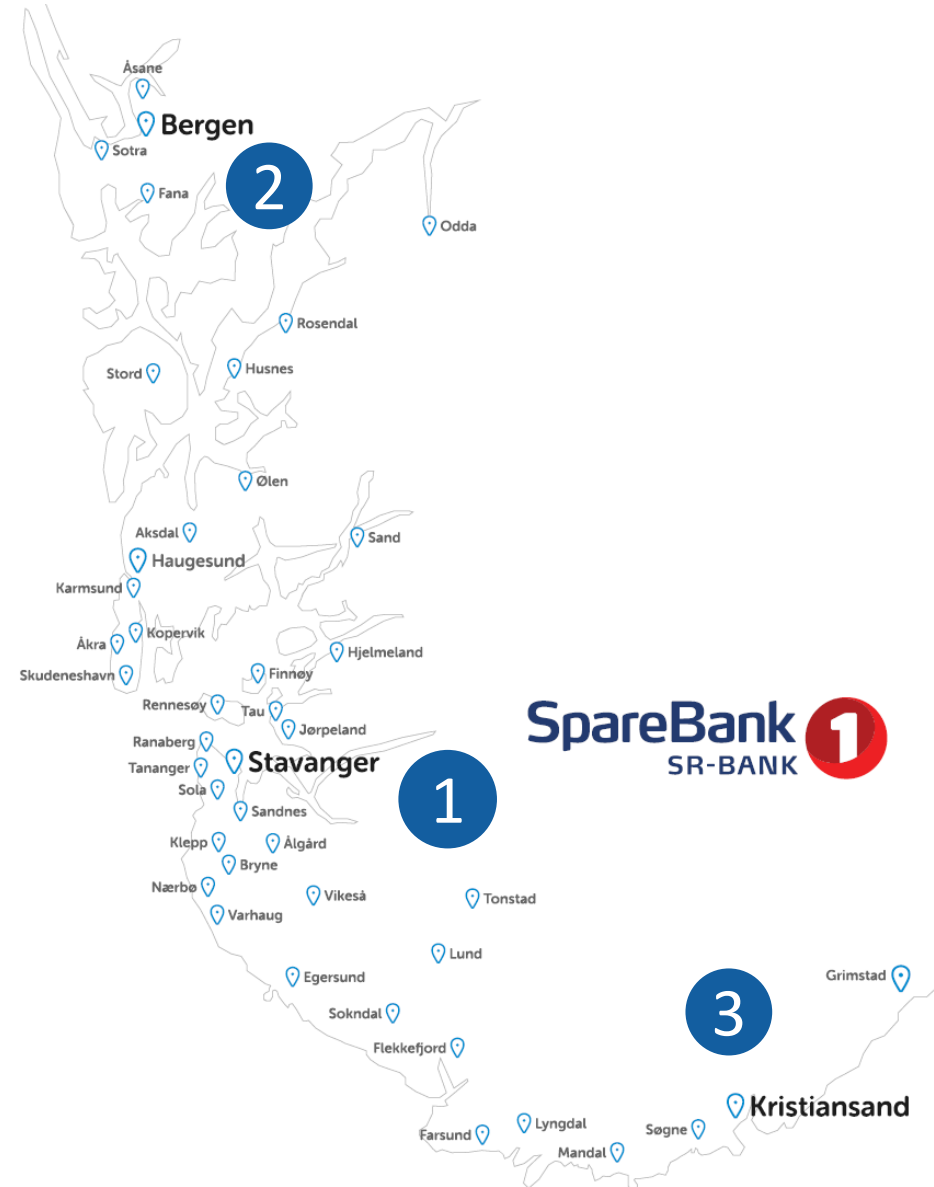
Population	467.000
Market share	37%
Year of establishment	1839
Market strategy	Market leader
Unemployment rate	3.1%

## 2 Hordaland

Population	512.000
Market share	6%
Year of establishment	2006
Market strategy	Entry/growth
Unemployment rate	2.7%

## 3 Agder

Population	296.000
Market share	9%
Year of establishment	2002
Market strategy	Growth
Unemployment rate	3.3%



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

Founded in 1996 based on efficiency and local market focus

Purpose

Ensure the independence and regional foothold of the individual member banks by maximizing their:

- *Competitiveness*
- *Profitability*
- *Capital strength*

Cornerstones

Efficiency

Increase efficiency compared to competitors by:

- *Economies of scale*
- *Mutually increasing critical core competencies*
- *Sharing development investments*

Local Market Focus

Each bank continues to maintain its link with its local community by:

- *Keeping its own name and legal identity*
- *Taking advantage of its proximity to the local market*

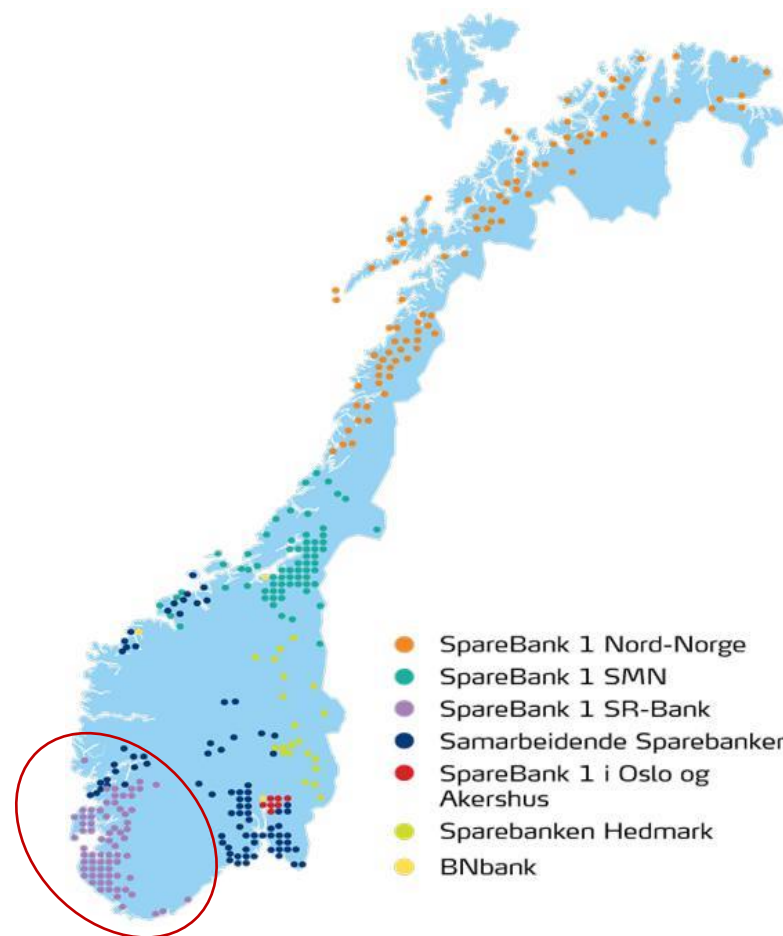


ALLIANCE PROGRAMME



SEPARATE LEGAL IDENTITIES  
COMMON SUPERBRAND

Geographic overview



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

# SRBANK's activities



## Divisions of SpareBank 1 SR-Bank ASA

### Capital Markets

Number of man-years : 36

### Retail Market

Number of man-years : 454

### Corporate Market

Number of man-years : 163

### Administration & Support

Number of man-years : 205

## Fully owned companies



Number of man-years : 200

#### Key areas:

- Leading real estate broker



Number of man-years : 13

#### Key areas:

- Asset management



Number of man-years : 33

#### Key areas:

- Leasing



Number of man-years : 28

#### Key areas:

- Accounting
- Advisory



Number of man-years : 1

#### Key areas:

- Covered Bond Funding

## Partly owned companies

**SpareBank 1 Gruppen AS**  
(19.5 %)

Holding company for the SpareBank 1 - Alliance

**BN Bank ASA**  
(23.5 %)

Commercial bank located in Oslo and Trondheim

**SpareBank 1 Boligkreditt AS**  
(20,1%)

Covered bond company (mortgages)

**SpareBank 1 Næringskreditt AS**  
(26,8 %)

Covered bond company (commercial real estate)

**SpareBank 1 Kredittkort**  
(18,1 %)

Credit card company located in Trondheim



# SRBANK

- *Converted from equity certificates to shares in 2012.*
- *Total market value at 2. quarter 2015 is NOK 13,4 billion.*
- *International ownership is 19.3% per 2. quarter 2015.*

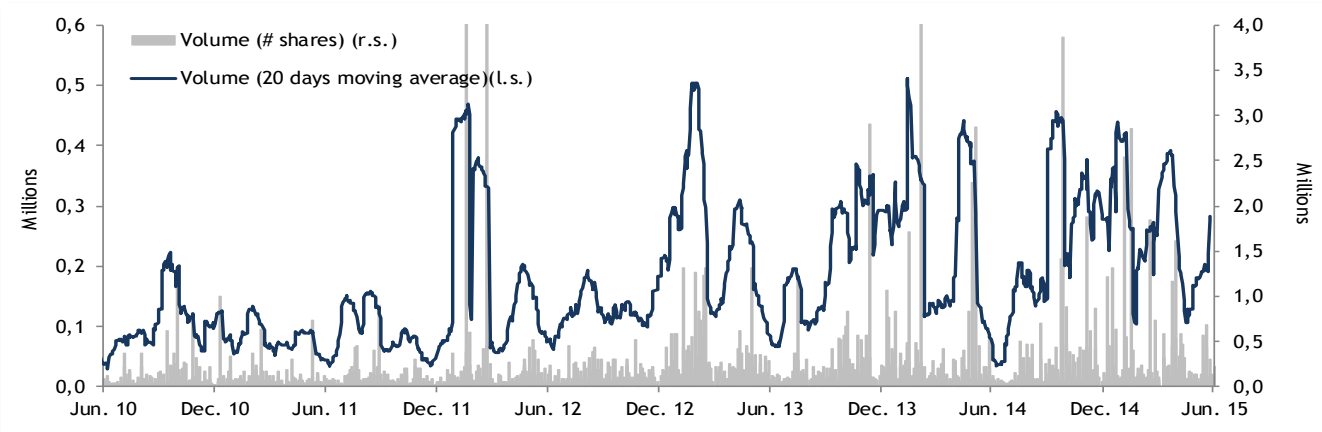
Development in Price/Book



Relative share price development



Trading volume development 2010 – YTD 2015



# 20 largest shareholders as at June 2015

- *International ownership is 19.3% per 2. quarter 2015.*

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
Gjensidige Forsikring ASA		26.748.416	10,5%
State Street Bank and Trust Co, U.S.A.	Nominee	9.763.859	3,8%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Wimoh Invest AS		5.761.169	2,3%
Vpf Nordea Norge Verdi		5.329.581	2,1%
Odin Norge		4.574.677	1,8%
State Street Bank and Trust Co, U.S.A.	Nominee	2.972.990	1,2%
State Street Bank and Trust Co, U.S.A.	Nominee	2.784.282	1,1%
Morgan Stanley & Co LLC, U.S.A.	Nominee	2.702.411	1,1%
Clipper AS		2.565.000	1,0%
MSCO Equity Firm Account, U.S.A.		2.347.776	0,9%
Danske Invest Norske Instit. II		2.249.971	0,9%
The Bank of New York Mellon, U.S.A.	Nominee	2.151.345	0,8%
Pareto Aksje Norge		2.069.123	0,8%
Folketrygdfondet		2.066.637	0,8%
State Street Bank and Trust Co, U.S.A.	Nominee	1.873.697	0,7%
Vpf Nordea Kapital		1.653.050	0,6%
Vpf Nordea Avkastning		1.630.410	0,6%
Westco		1.577.534	0,6%
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Top 5		120.919.332	47,3%
Top 10		139.283.273	54,5%
Top 20		159.467.816	62,4%

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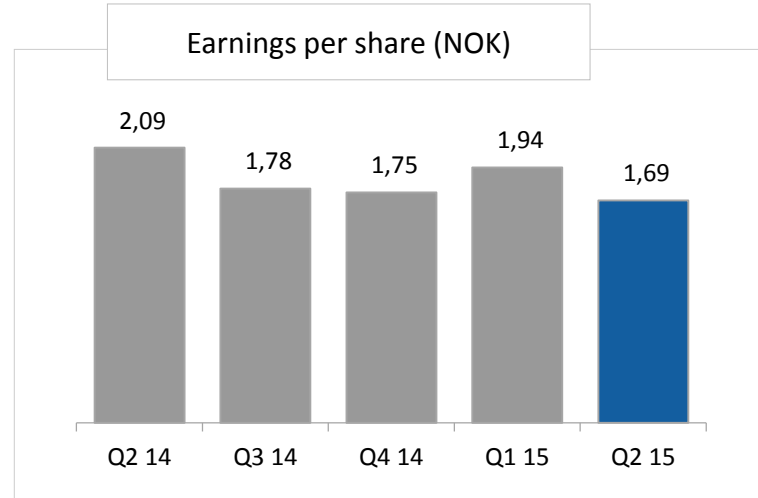
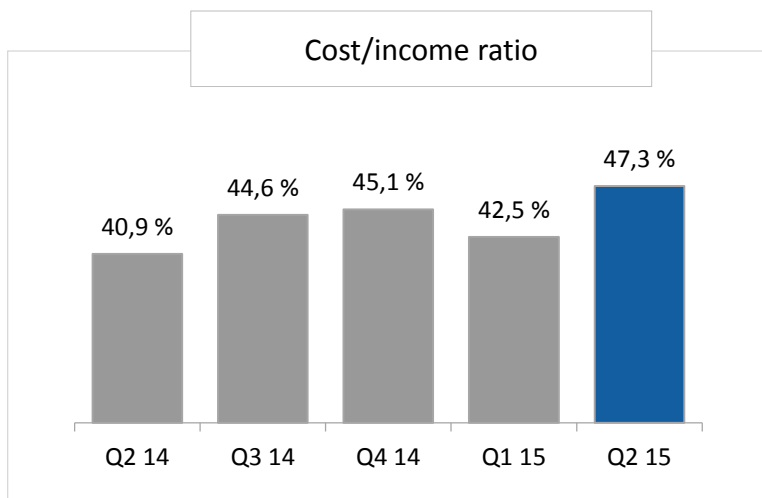
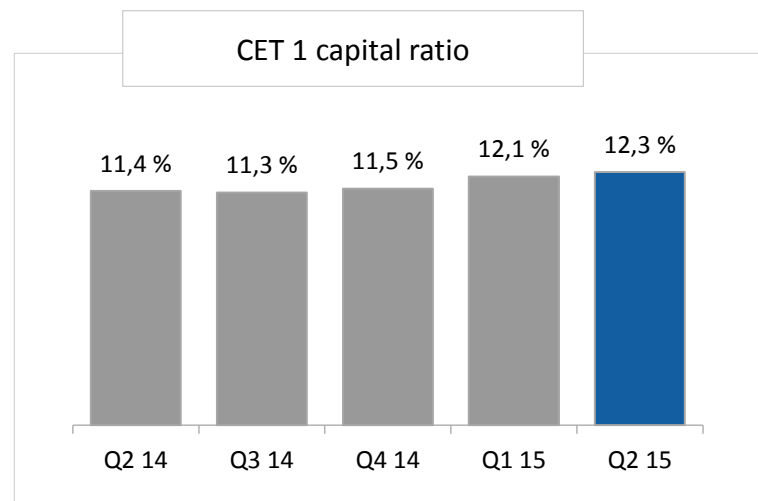
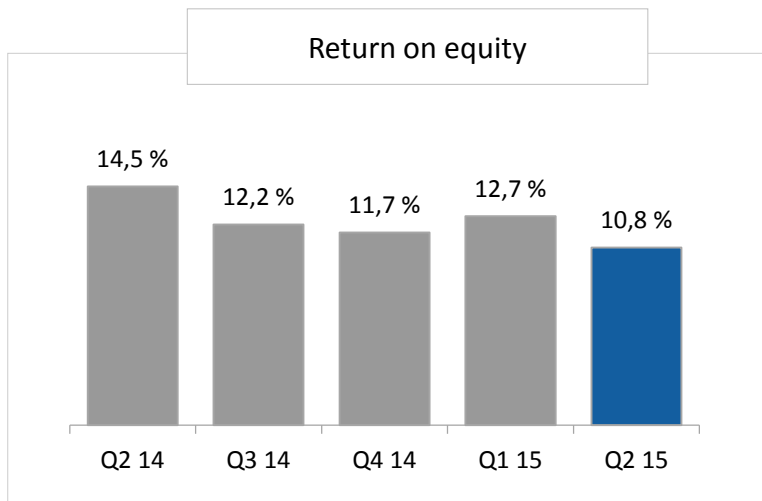
Appendix

# A good result distinguished by investment in new activities and modest losses

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- Pre-tax profit for the quarter is NOK 552 million compared to NOK 684 million last year
  - Return on equity after tax 10.8%
- Pre-tax profit year-to-date is NOK 1.180 million compared to NOK 1.471 million last year
  - Return on equity after tax 11.7%
- 12 months lending growth of 7.6%\*
- 12 months deposits growth of 11.1%
  - Growth of 12% in other capital under management in the last 12 months
- Growth in costs of 6% over the last 12 months
  - 3.3% adjusted for increased costs associated with among acquisition of Swedbank's Stavanger office and three accounting offices
- Low impairment losses on loans
  - 0.18% of gross lending recognised on the balance sheet as at 30 June 2015
- Common equity tier 1 capital ratio increased to 12.3% from 11.4% last year
  - IRB Advanced approval for the corporate market portfolio

# Key figures – quarterly development



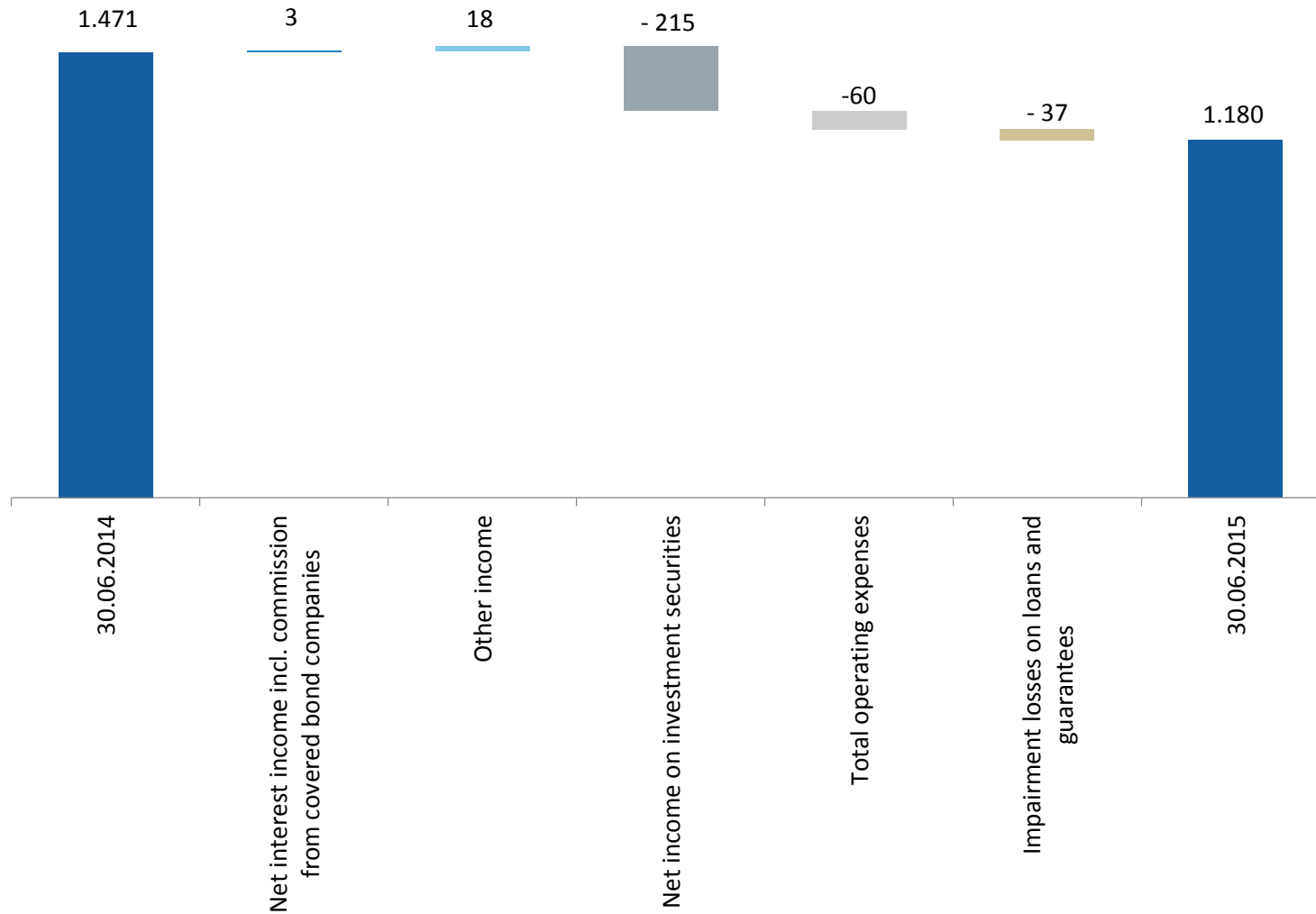
# Key figures

	30.06 15	30.06 14	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14
Return on equity after tax (%)	11,7	16,5	10,8	12,7	11,7	12,2	14,5
Net interest margin (%)	1,44	1,40	1,44	1,45	1,51	1,48	1,41
Impairment losses on loans and guarantees in % of gross loans	0,18	0,15	0,12	0,25	0,27	0,20	0,13
<i>-incl. covered bond companies</i>	0,15	0,11	0,10	0,20	0,22	0,16	0,10
Non-performing and other problem commitments in % of gross loans	0,78	0,81	0,78	0,81	0,66	0,77	0,81
<i>-incl. covered bond companies</i>	0,64	0,65	0,64	0,66	0,54	0,62	0,65
Cost to income ratio	44,8	39,1	47,3	42,5	45,1	44,6	40,9
Annual growth in loans to customers, gross incl. covered bond companies (%)	7,6	3,6	7,6	7,3	4,7	3,5	3,6
Annual growth in deposits from customers (%)	11,1	11,5	11,1	15,5	13,7	14,9	11,5
Total assets (BNOK)	181,9	167,3	181,9	176,9	174,9	168,3	167,3
Portfolio of loans in covered bond companies (BNOK)	31,2	33,3	31,2	34,1	32,9	32,9	33,3
Risk weighted assets (BNOK)	120,4	113,7	120,4	117,6	120,2	117,3	113,7
Earnings per share (NOK)	3,63	4,67	1,69	1,94	1,75	1,78	2,09
Book value per share (NOK)	62,56	57,63	62,56	62,40	60,28	59,21	57,63
Number of shares issued (million)	255,8	255,8	255,8	255,8	255,8	255,8	255,8

# Income statement

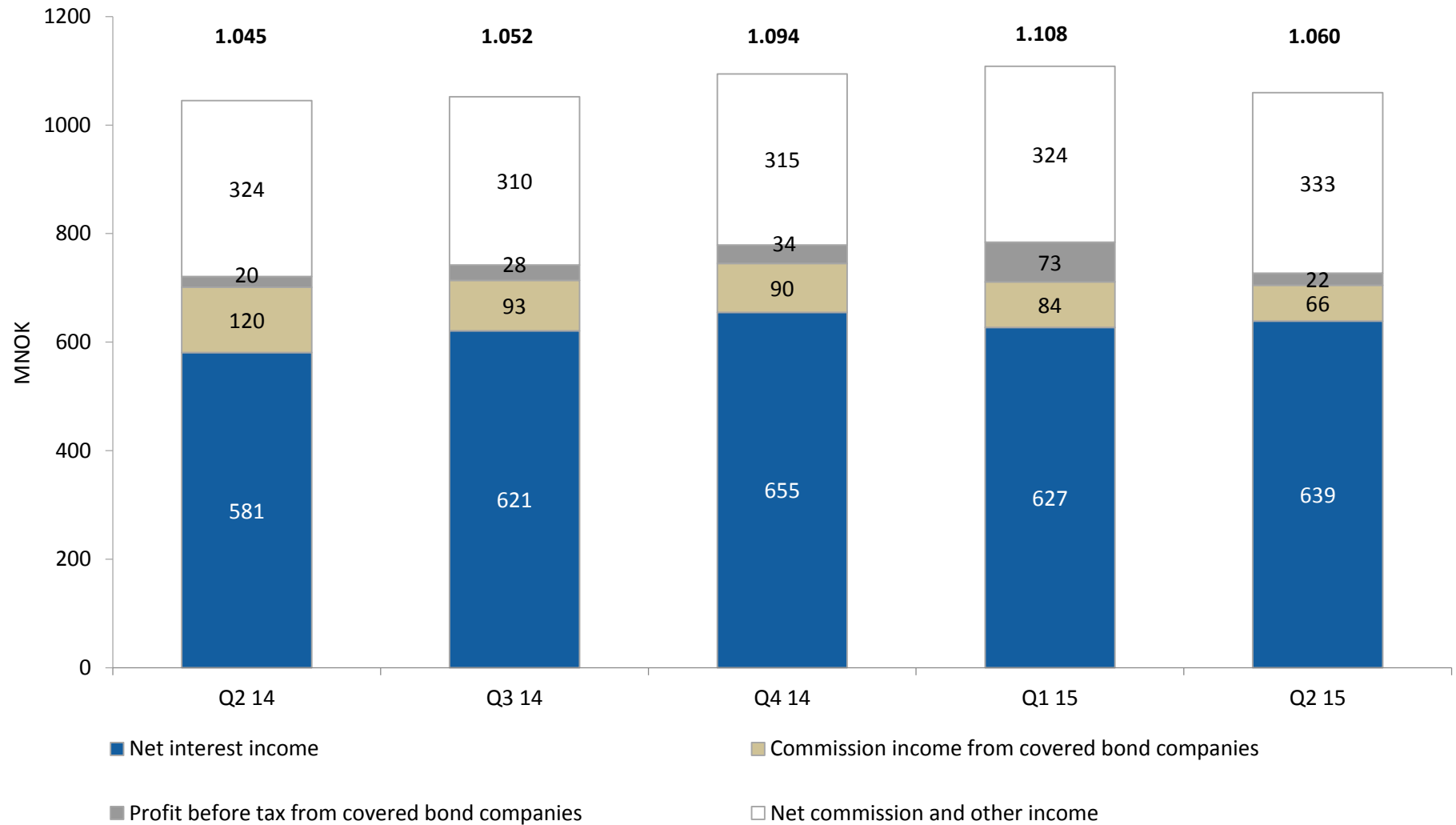
	30.06 15	30.06 14	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14
<i>Group Income Statement (MNOK)</i>							
Net interest income	1.266	1.128	639	627	655	621	581
Net commission and other income	807	924	399	408	405	403	444
Net income on investment securities	305	520	94	211	116	142	201
Total income	2.378	2.572	1.132	1.246	1.176	1.166	1.226
Total operating expenses	1.066	1.006	536	530	530	520	501
Operating profit before losses	1.312	1.566	596	716	646	646	725
Impairment losses on loans and guarantees	132	95	44	88	93	69	41
Operating profit before tax	1.180	1.471	552	628	553	577	684
Tax expense	253	278	121	132	105	123	150
Net profit	927	1.193	431	496	448	454	534

# Change in profit 30.06.2014 – 30.06.2015

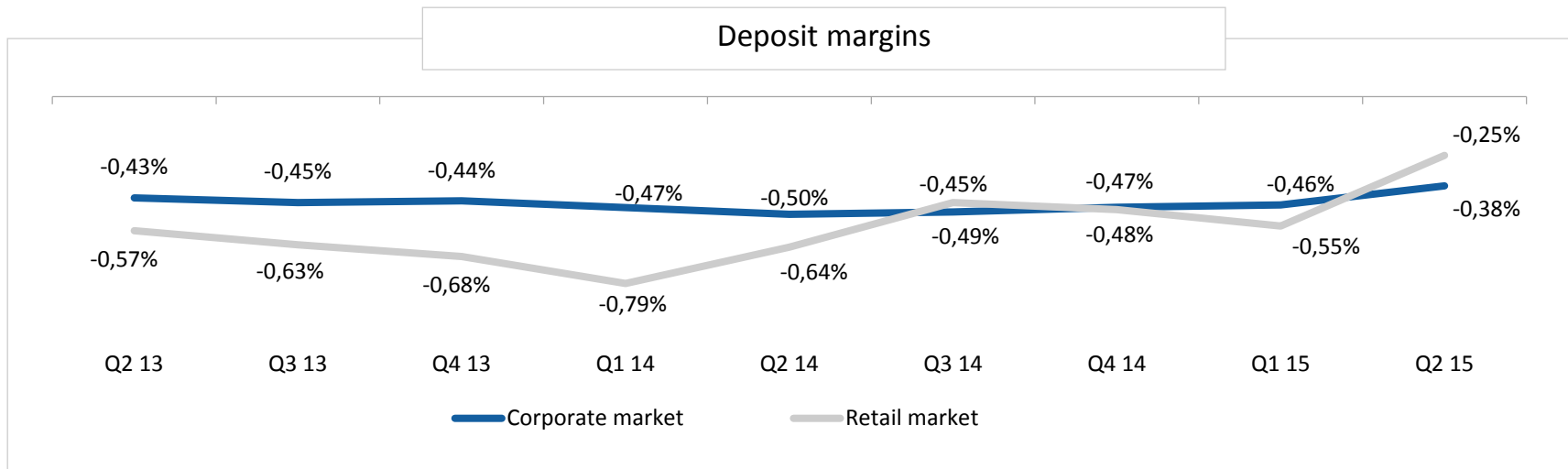
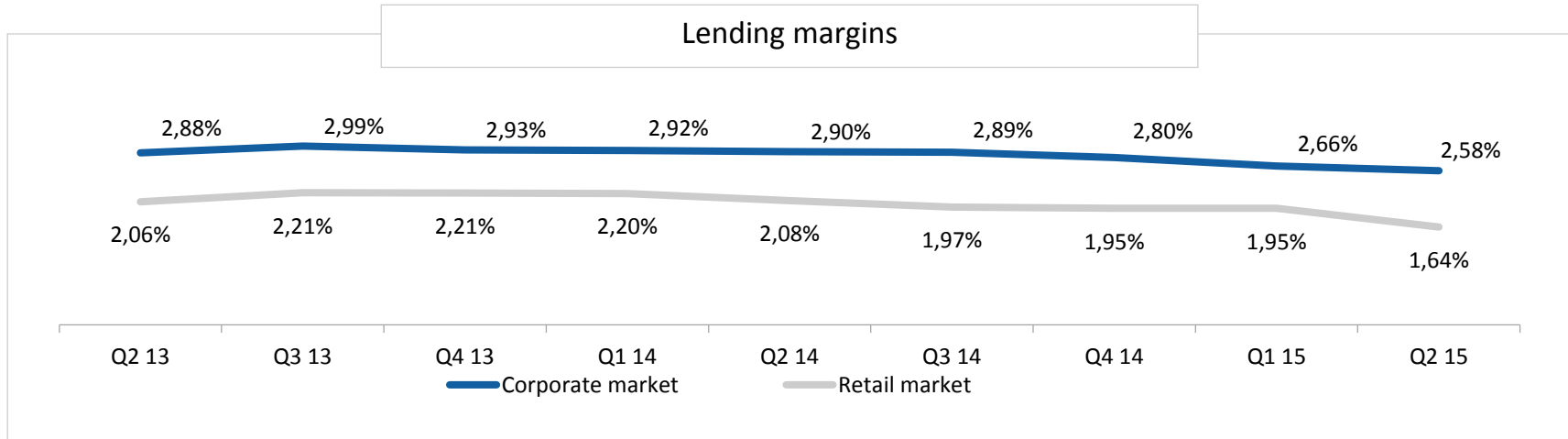




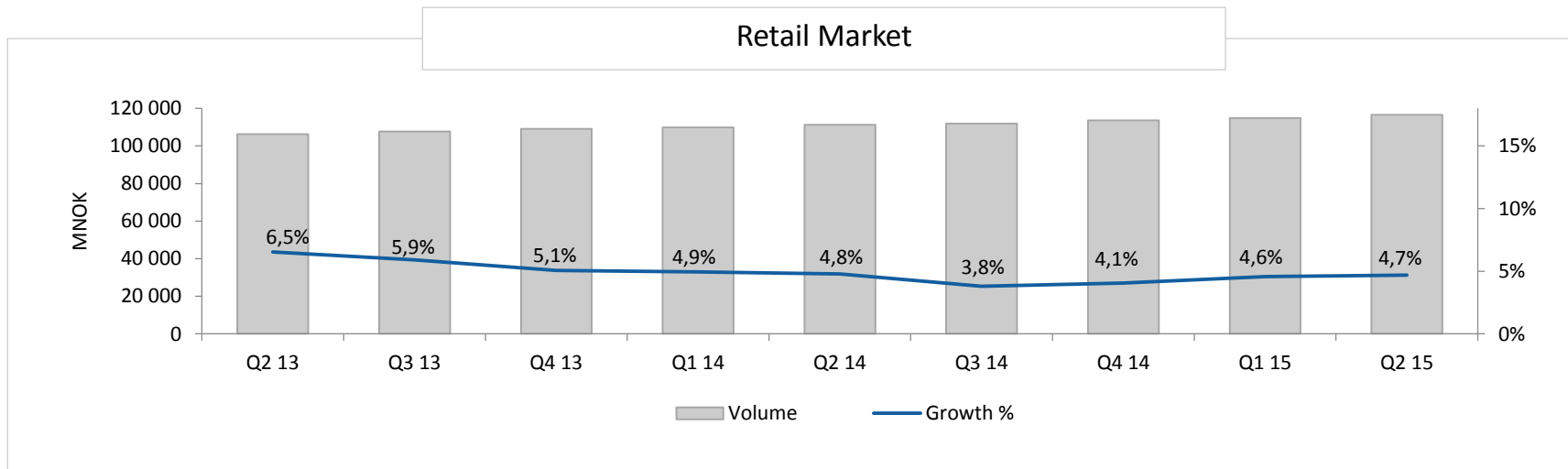
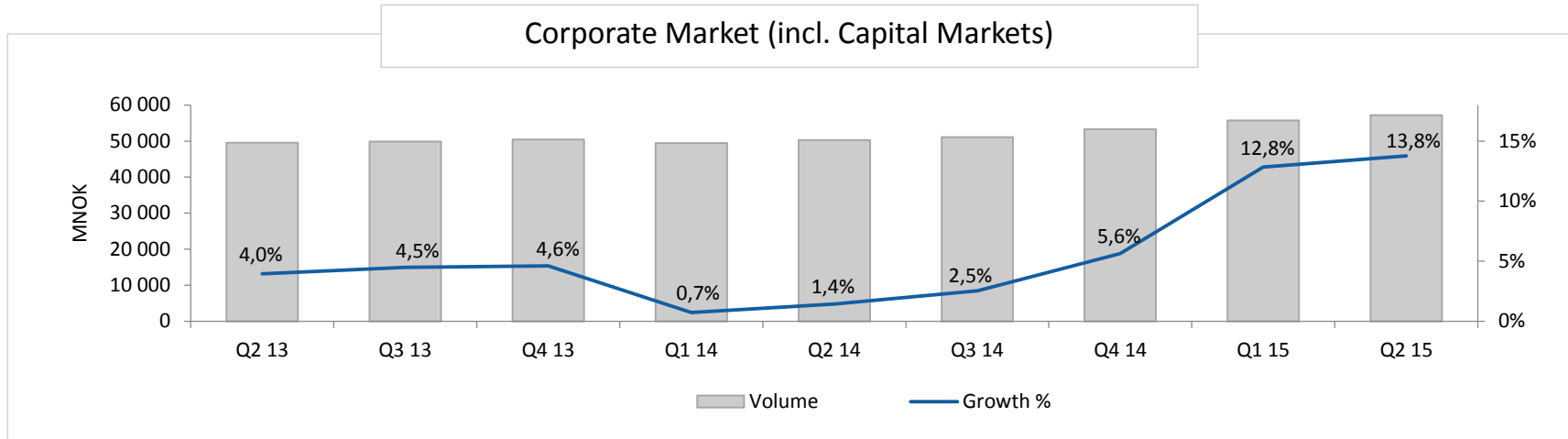
# Consolidated income profile



# Lending and deposit margins



# Lending volume and 12 months growth

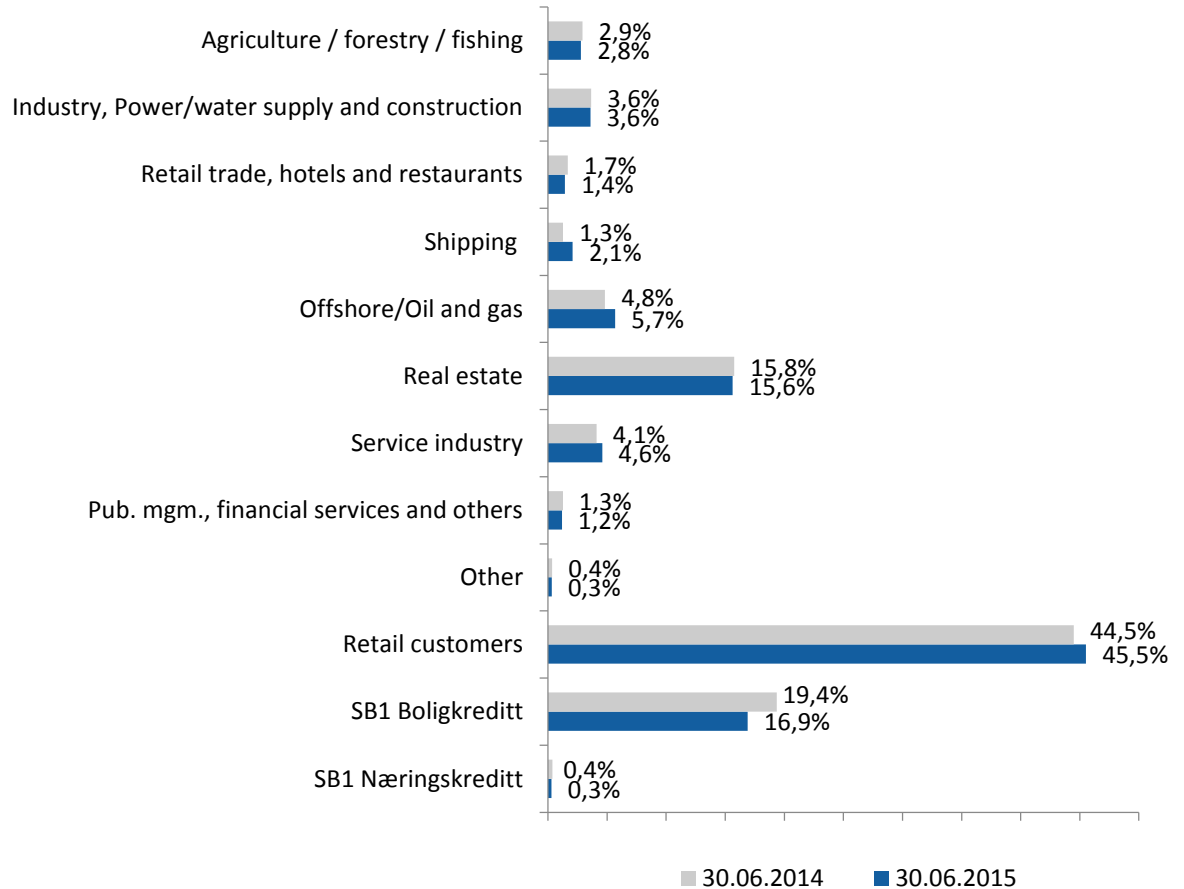


\* 12 months lending growth in Corporate Market excluding currency effect is 11.3 %

Figures incl. loan portfolio in covered bond companies

# Loan portfolio as at 30.06.2015

- Gross loans as at 30 June 2015 amount to NOK 181.4 billion compared with NOK 168.6 billion at the same time last year.
- 12-month growth in loans of 7.6%.
- Loans to retail customers (incl. covered bond company) account for 62.4% of total loans.
- Loans to the commercial property sector account for 15.6% of total loans.

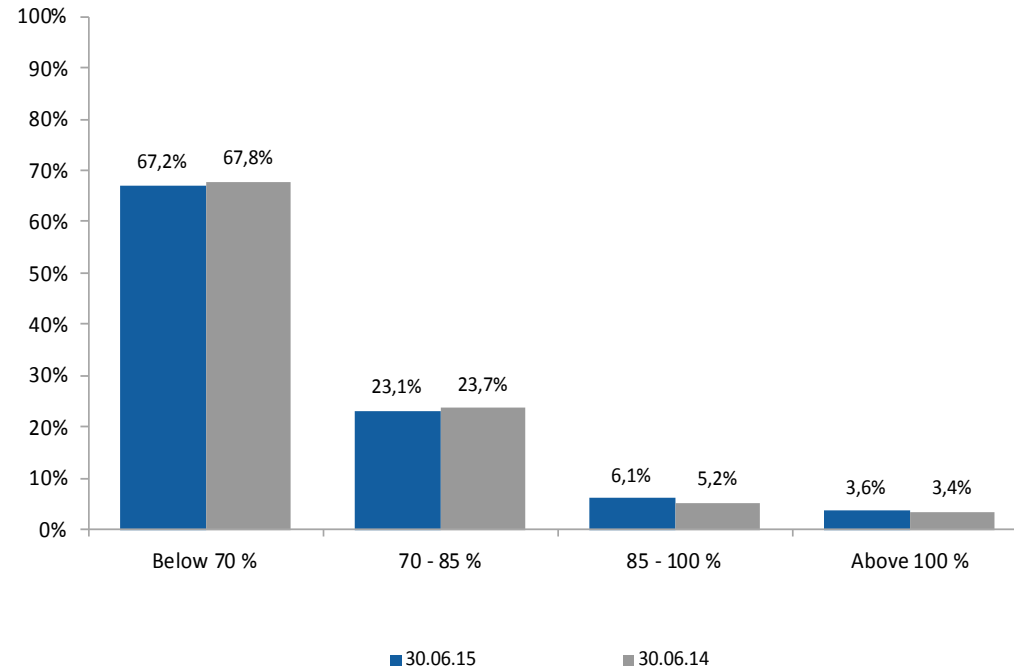


Loans before individual write-downs, nominal amounts.

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

# Loan to value ratio on home mortgage loans

- *The proportion of loans with a loan-to-value ratio of less than 85% is high and stable.*
- *90.3% of the exposure is within 85% of the assessed value of collateral.*

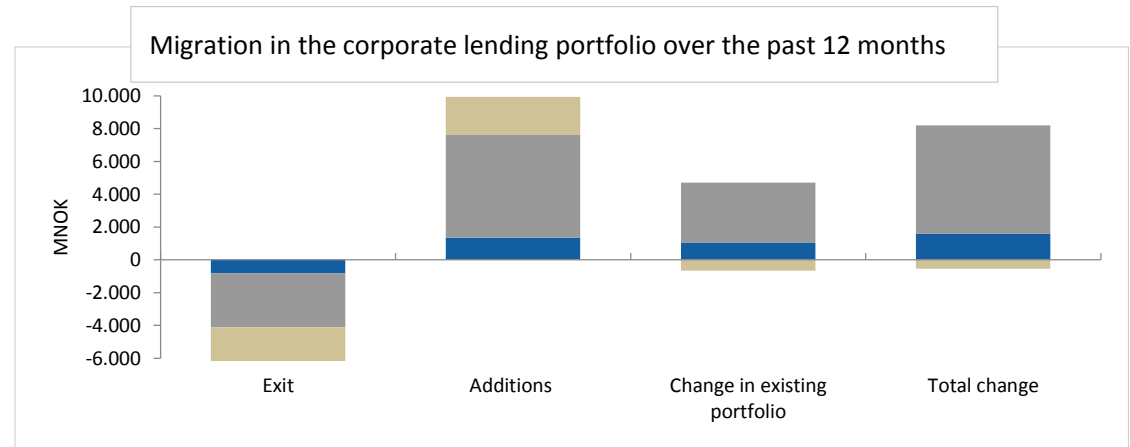
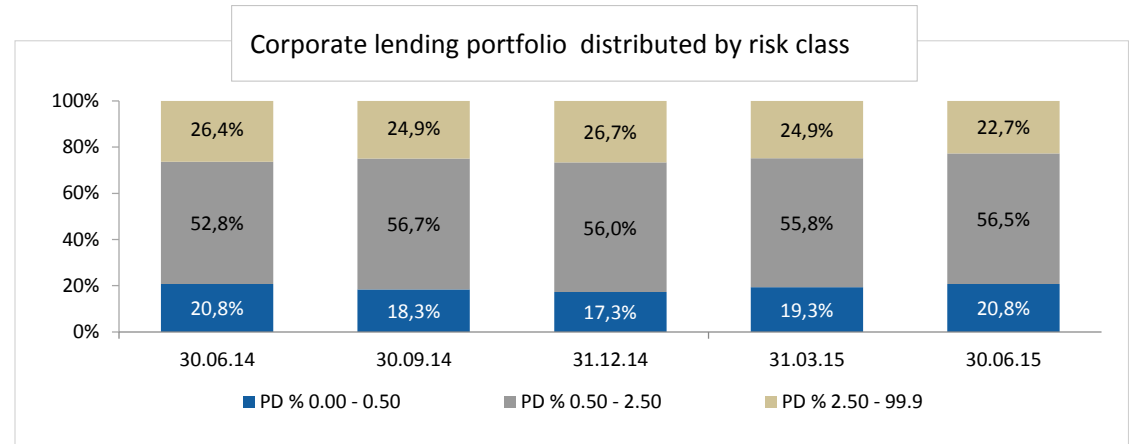


*In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.*

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

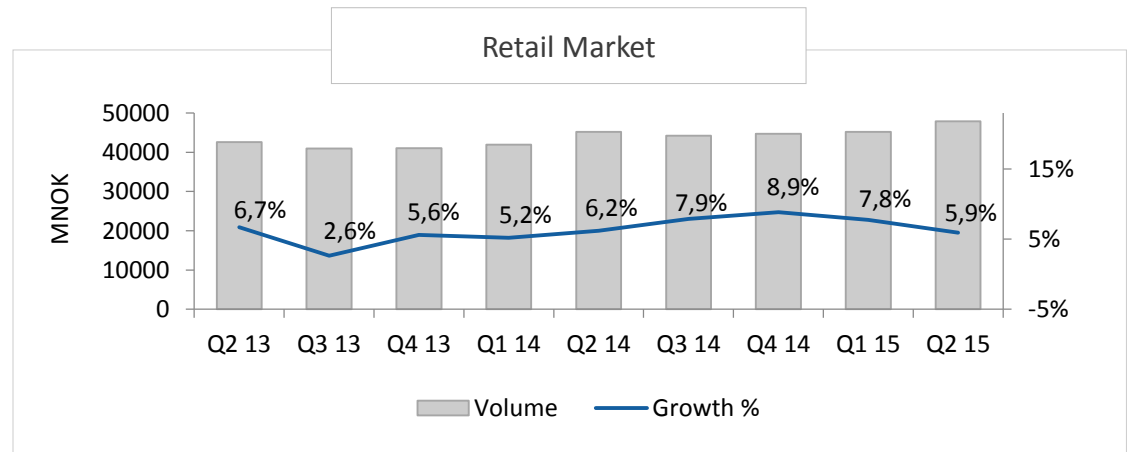
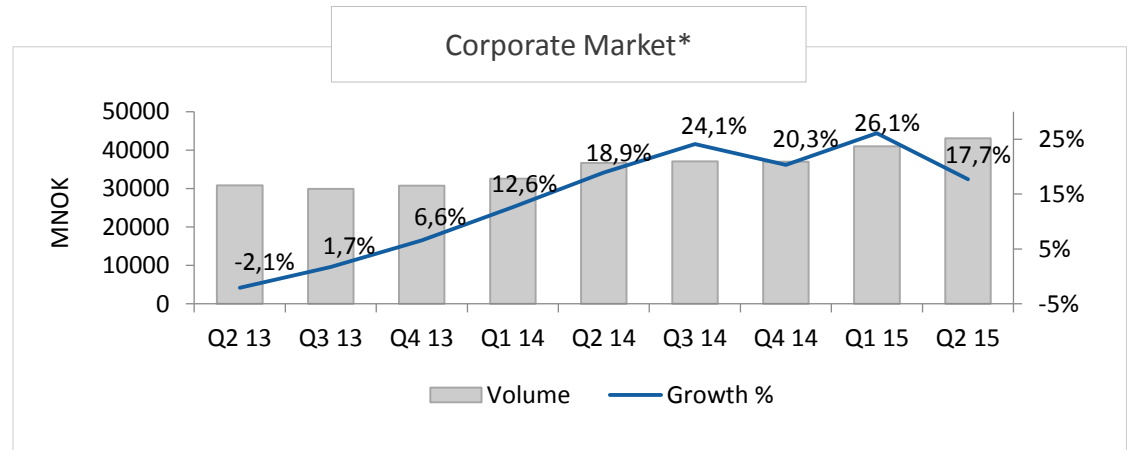
# Lending to the corporate market – risk profile

- *The quality of the corporate market portfolio is good.*
- *The share of customers with PD\* below 2.5% has increased, mainly due to a strengthened risk profile in existing portfolio.*
- *There is a clearly defined framework that sets limits on what is funded and conditions for particular funding purposes. This ensures a robust portfolio.*



# Deposits volume and 12 month growth

- Last 12 months deposits increased by NOK 9.1 billion to 90.8 billion.
  - Corresponds to an increase in the period of 11.1%.



\* Includes also the Capital Markets Division.

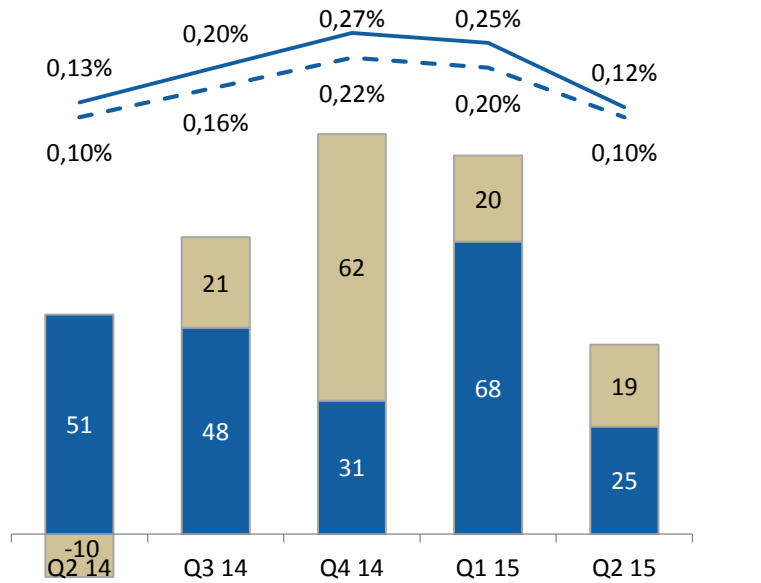
# Operating expenses

	30.06	30.06	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14
<i>MNOK</i>	15	14					
Personnel expenses	603	580	300	303	303	304	293
Restructuring- and non-recurring costs	7	7	0	7	5	3	0
Total personnel expenses	610	587	300	310	308	307	293
IT expenses	145	133	73	72	75	69	67
Marketing	47	46	26	21	29	21	29
Other administrative expenses	49	47	23	26	24	24	24
Total administrative expenses	241	226	122	119	128	114	120
Depreciation	42	34	22	20	22	32	17
Operating expenses from real estate	20	20	10	10	10	7	7
Other operating expenses	153	139	82	71	62	60	64
Total other operating expenses	215	193	114	101	94	99	88
Total operating expenses	1.066	1.006	536	530	530	520	501



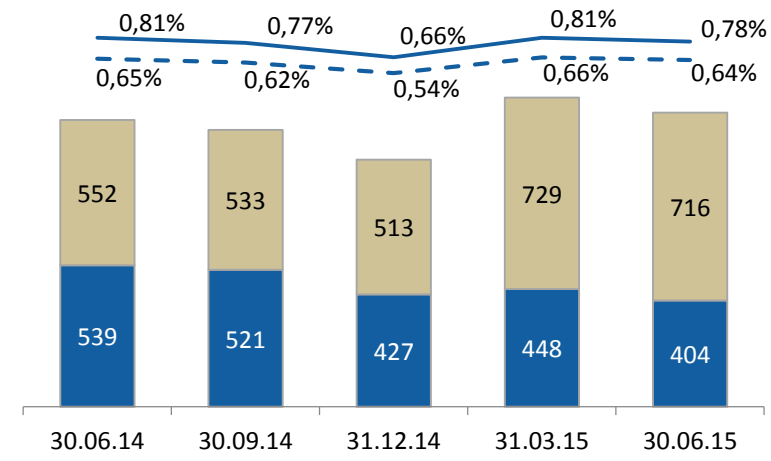
# Impairment losses on loans/ Non-performing and doubtful commitments

Impairment losses on loans



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

Non-performing and doubtful commitments



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

# Agenda

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Introduction to SpareBank 1 SR-Bank ASA

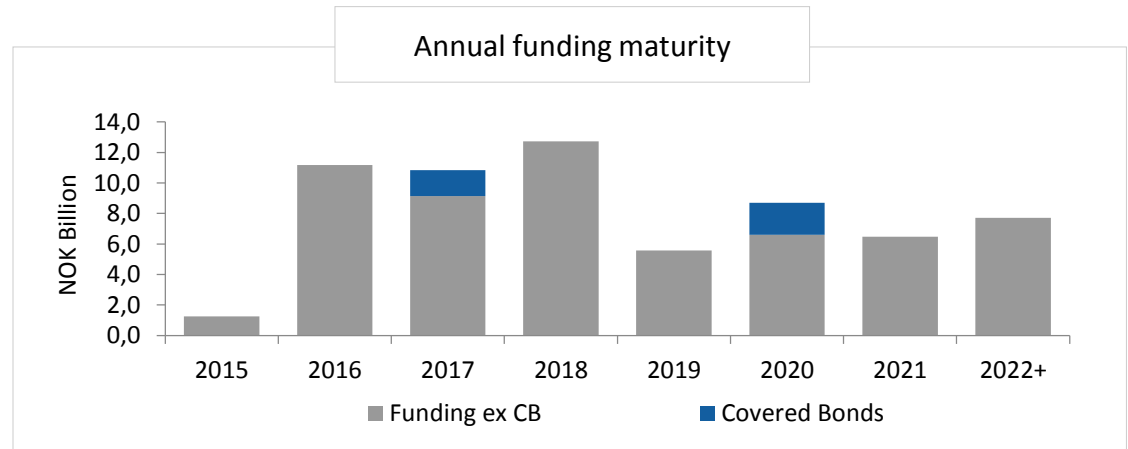
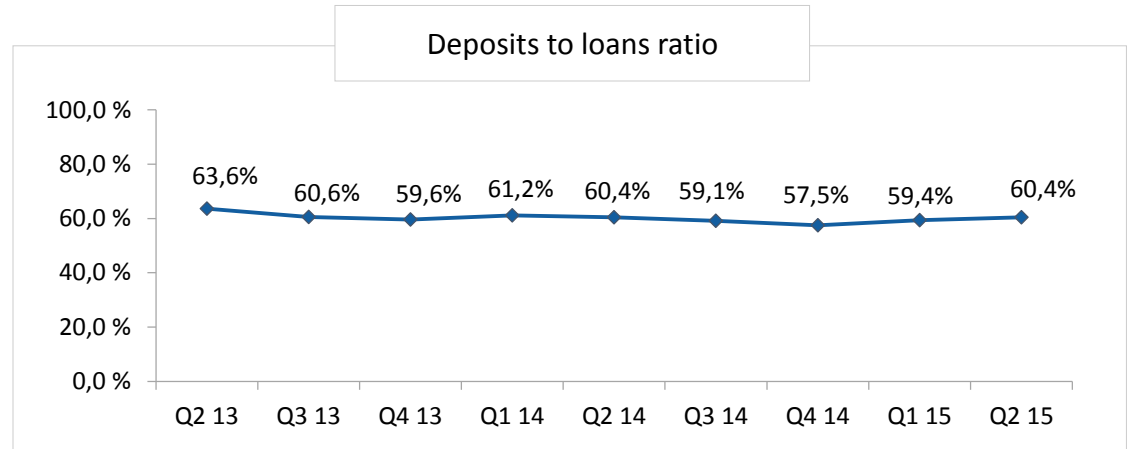
Financials

Solvency and liquidity position

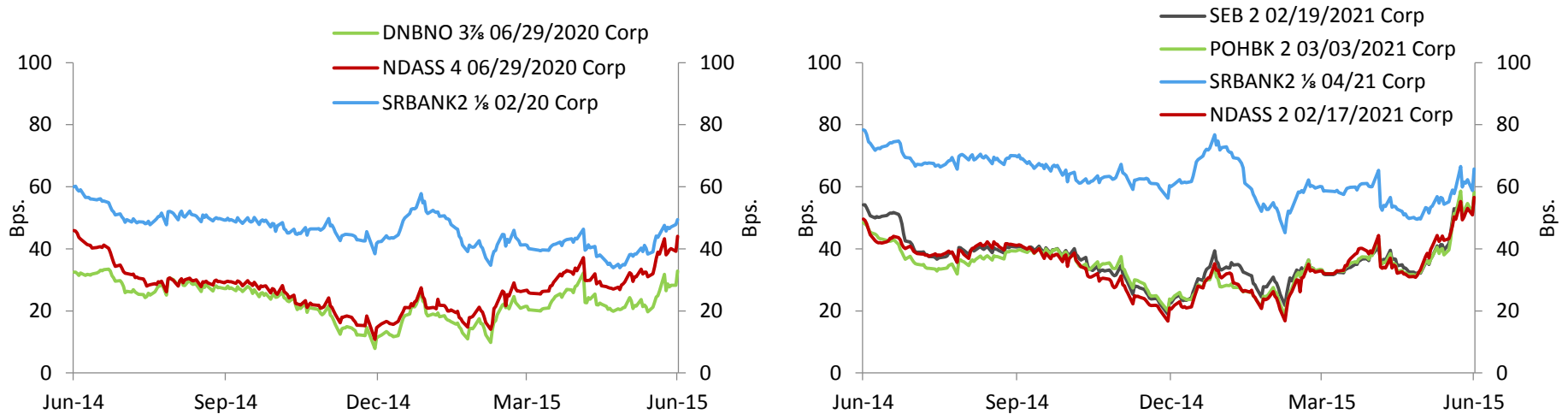
Appendix

# Funding

- *Well diversified funding.*
  - *Higher deposit coverage.*
- *Greater share of senior funding last year.*
  - *6 outstanding euro-benchmarks with due dates in each of the years 2016- 2021.*
  - *Issuance of bonds through SR-Boligkreditt in June 2015.*
- *Funding indicator 1\* is 110.1% for the parent bank and 111.1% on consolidated basis.*
- *Good liquidity and good access to market funding*
  - *Net refinancing need over the next 12 months is NOK 6.6 billion.*
  - *Liquidity buffer is NOK 18.9 billion for normal operation in 20 months with closed markets. In addition to the liquidity buffer, NOK 23.8 billion of home mortgages are prepared for covered bond funding.*
- *SR-Boligkreditt was established in the first quarter of 2015.*
  - *Rated Aaa by Moody's.*
  - *Has issued 2 benchmarks in the Norwegian market.*
  - *SR-Boligkreditt will ensure optimal funding mix and eliminate limitations due to regulatory limits on large exposures.*



# An established borrower in the Euromarket

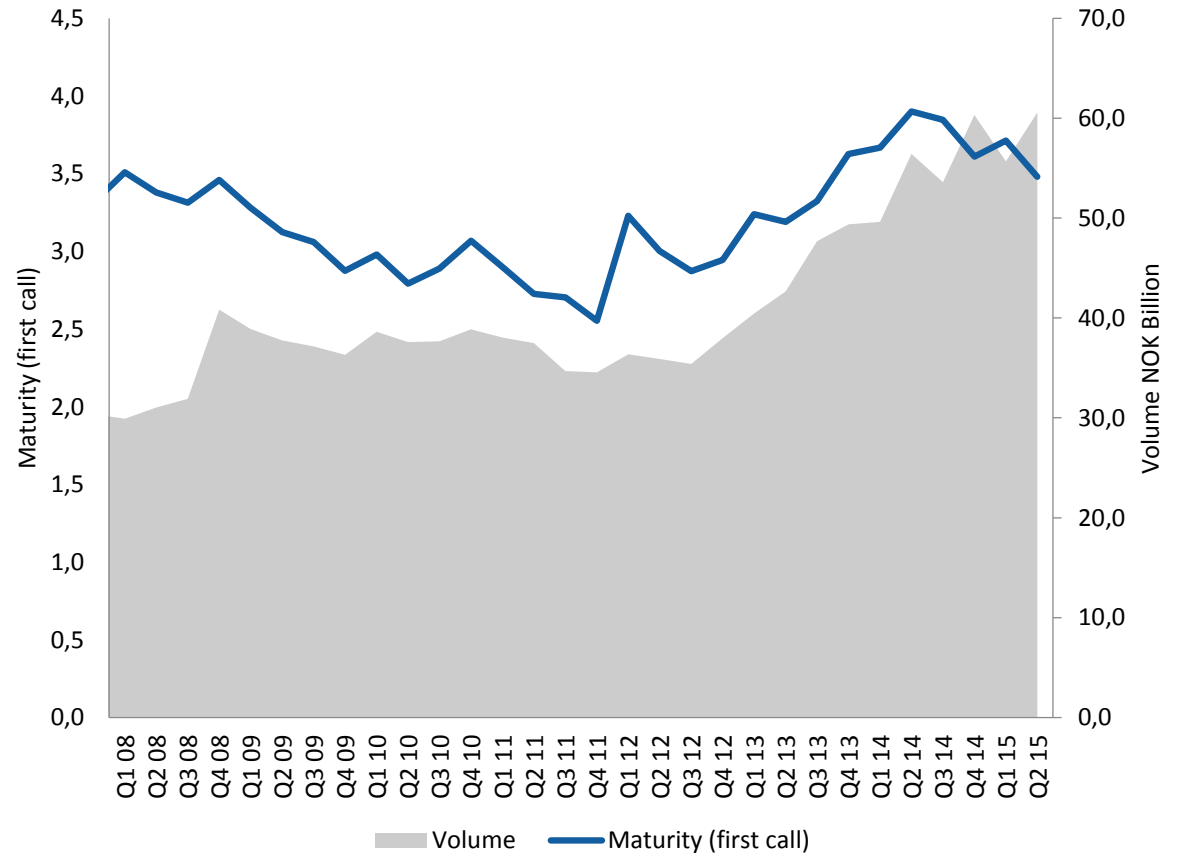


Issuer / Ticker	Coupon	Amount	Maturity	ISIN
SR-Bank / SRBANK	3,500%	EUR500mn	21-April-2016	XS0551556409
SR-Bank / SRBANK	3,500%	EUR500mn	27-March-2017	XS0762421195
SR-Bank / SRBANK	2,000%	EUR500mn	14-May-2018	XS0853250271
SR-Bank / SRBANK	2,125%	EUR500mn	27-February-2019	XS0965489239
SR-Bank / SRBANK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

# Funding structure

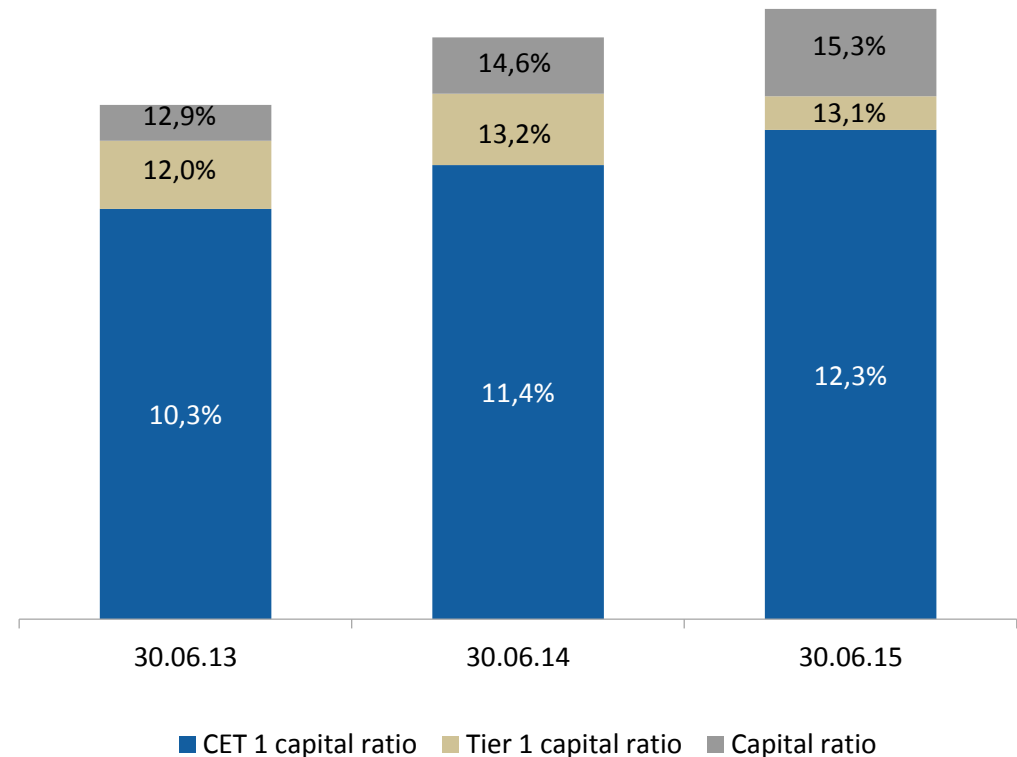
- *LCR of 111% at the end of June 2015.  
Average LCR during Q1 2015 was 92%.*

Average maturity of long term funding (excl. covered bonds)



# Stronger capital ratio

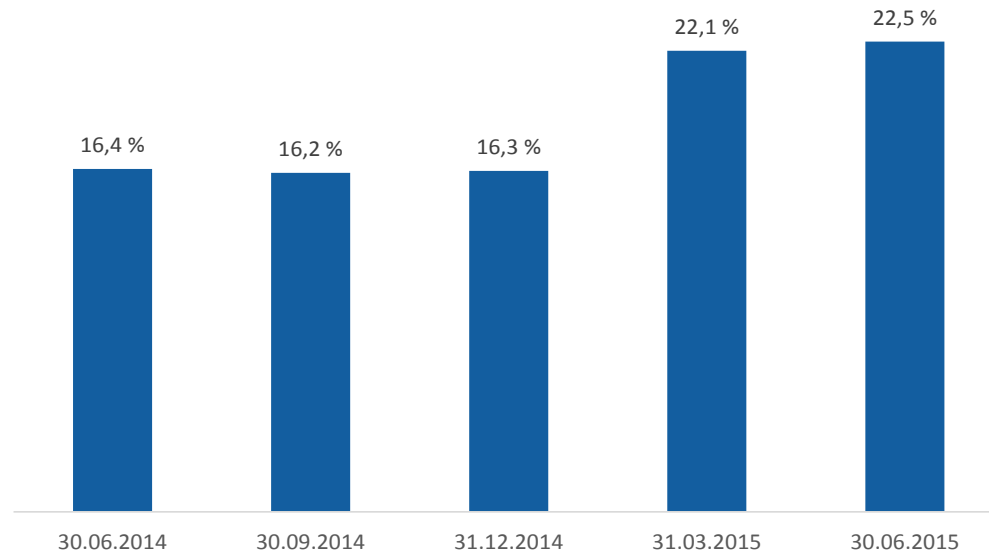
- SpareBank 1 SR-Bank is compliant with capital requirements per 30.06.2015.
- SpareBank 1 SR-Bank received IRB Advanced approval for the corporate market portfolio in the first quarter of 2015.
- The use of different risk weights in the Nordic countries makes comparisons of actual financial strength difficult.
  - The Basel I floor is also practised differently.
- Leverage ratio is 6.3% per 30.06.2015. SpareBank 1 SR-Bank substantially exceeds the levels being discussed internationally.



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

# RWA home mortgages

- *RWA on home mortgages reflects a solid and stable portfolio.*
- *The shift that occurs from Q1 2015 is due to restrictions imposed by the Norwegian FSA. The restrictions implies new requirements on how to calculate PD and LGD.*



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

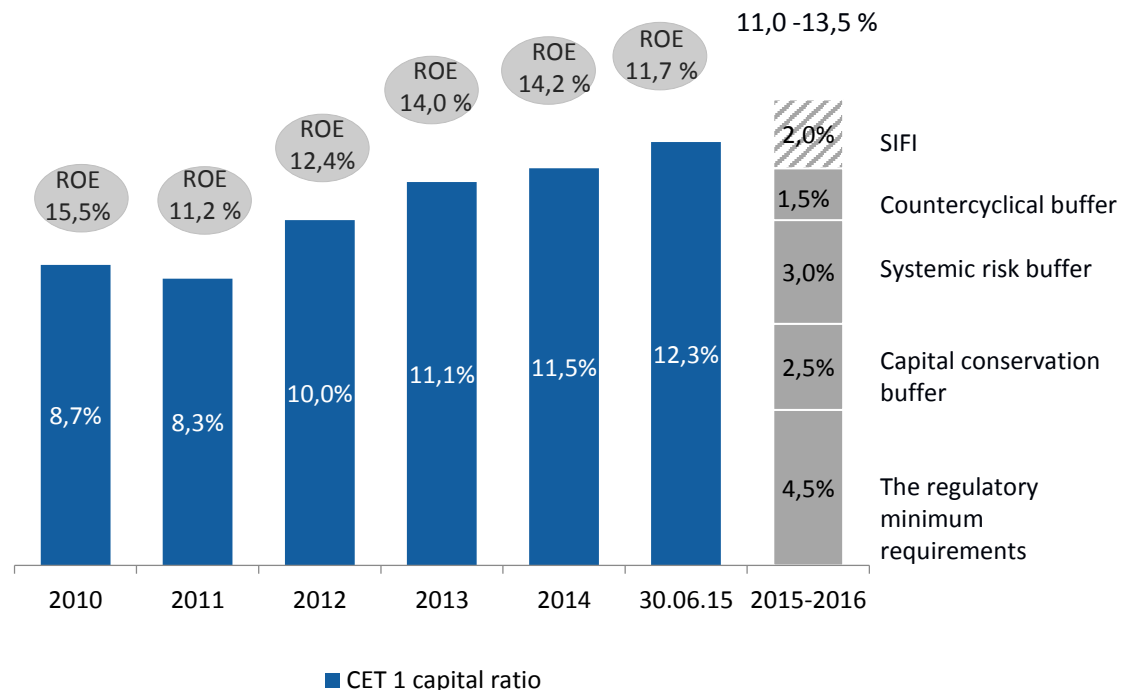
*LGD (Loss Given Default): Estimated loss given default of one single loan. The calculation is based on the realisation value of assets pledged as security in an economic downturn.*

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

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

# Strengthened common equity tier 1

- *New capital requirements entail a need to continue increasing common equity tier 1 capital going forward.*
- *Norges Bank has decided that the countercyclical buffer will be increased to 1.5% from 30 of June 2016.*
- *SpareBank 1 SR-Bank is not defined as systemically important financial institution (SIFI) according to the Regulations of 12 May 2014 but is close at SIFI-requirement for market share.*
- *Common equity tier 1 capital will be strengthened further through good profitability and retained earnings, combined with limited growth in risk weighted assets.*
- *The target CET 1 level is 0.5-1.0% above the regulatory requirement.*



\* Countercyclical buffer is 1% as at 30 June 2015.



# 2015 - Outlook

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- Uncertainty, especially in the petroleum sector, has increased due to lower oil prices. From record high levels, oil investments are expected to be reduced with approximately 15% in 2015.
- Major infrastructure projects and high activity in house building are helping to ensure good conditions for the region's business and population growth, with lasting low unemployment.
- A weaker exchange rate makes Norwegian exports more competitive, while interest rates also stimulate business and household spending.
- Uncertainty about economic developments may dampen demand for loans, while low interest rates work in the opposite direction. We expect stable house prices going forward and still strong competition for new home mortgage customers.
- Non-performance and loan impairment losses are expected to gradually increase to moderate in the coming quarters. No significant effects from oil and gas operations so far.
- Solid earnings from a robust business model indicates SpareBank 1 SR-Bank is well positioned to build up the necessary capital going forward, while ensuring continued competitiveness.
- An offensive approach for the future
  - The acquisition of Swedbank's Stavanger office, increased focus on capital services
  - The acquisition of 4 accounting offices (ODB-Regnskap AS at Sotra conducted in third quarter 2015)
  - Investing in new CM system, increased customers in international markets
  - Investing in new technology, customer behavior changes as a result of digitization

# Agenda

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Introduction to SpareBank 1 SR-Bank ASA

Financials

Solvency and liquidity position

Appendix

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

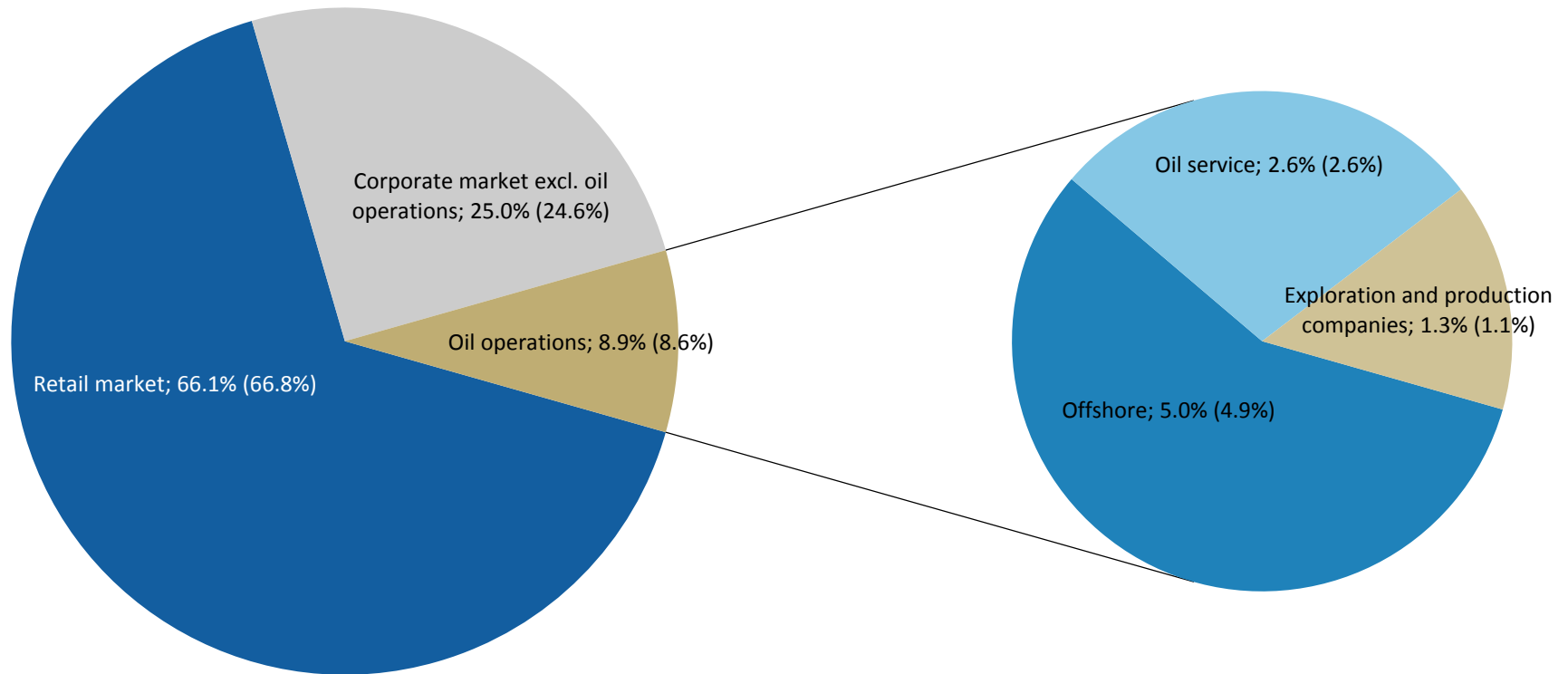
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- The core purpose of the banking industry is to create value by assuming deliberate and acceptable risk
  - SpareBank 1 SR-Bank therefore invests significant resources in developing risk management systems, processes and expertise that are in line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

# SpareBank 1 SR-Bank has a well diversified portfolio 8.9% (8.6%) of total EAD is related to oil operations

SpareBank 1 SR-Bank\* has total BNOK 207.1 (201.4) EAD per 31.05.2015

BNOK 18.3 (17.6) EAD is related to oil operations



EAD: Exposure at default

Figures as at 31.05.2015. Figures in parentheses as at 31.12.2014.

\* Include portfolio in covered bond company.

# Oil services - total NOK 5.3 billion

## NOK 5.2 billion as at 31.12.2014

### Exploration and concept studies

- EAD NOK 0.6 billion
- Average weighted probability of default 2.5%

### Field development and start-up drilling

- EAD NOK 1.2 billion
- Average weighted probability of default 1.2%

### Operational fields and operational drilling

- EAD NOK 2.3 billion
- Average weighted probability of default 2.4%

### On shore facilities

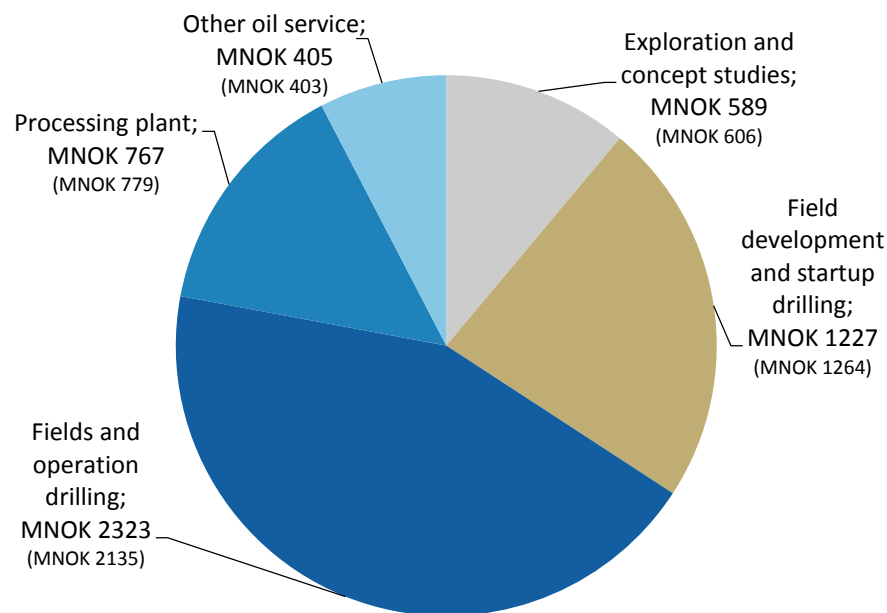
- EAD NOK 0.8 billion
- Average weighted probability of default 1.7%

### Other oil services

- EAD NOK 0.4 billion

### Oil services

- EAD NOK 5.3 billion, 2.6% of the bank's total EAD
- Average weighted probability of default for the oil services portfolio is 2.0%
- Funding of operating capital through current and fixed assets, as well as guarantees



EAD: Exposure at default

Figures as at 31.05.2015. Figures in parentheses as at 31.12.2014.

# Offshore - total NOK 10.4 billion

## NOK 9.9 billion as at 31.12.2014

### Offshore Service Vessels

- EAD NOK 7.5 billion, average weighted probability of default is 1.1%, weighted average age is 7 years, average weighted contract coverage for 2015 and 2016 of 65% and 51% respectively

### Rigs

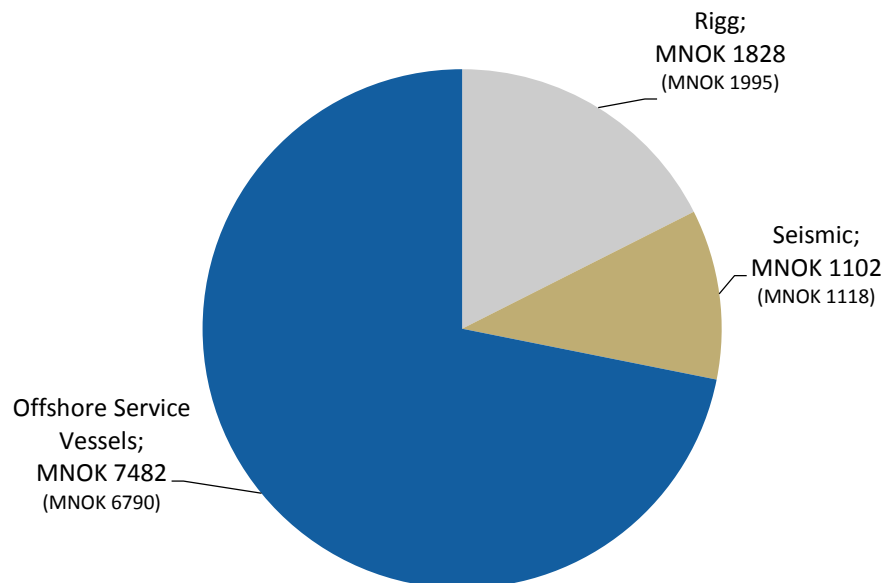
- EAD NOK 1.8 billion, average weighted probability of default is 2.0%, weighted average age is 11.3 years, average weighted contract coverage for 2015 and 2016 of 88% and 72% respectively

### Seismology

- EAD NOK 1.1 billion, average weighted probability of default is 0.5%, weighted average age is 13.5 years, average weighted contract coverage for 2015 and 2016 of 90% and 80% respectively
- Applies to ship financing, not seismic equipment

### Offshore

- EAD NOK 10.4 billion, 5.0% of the bank's total EAD
- Average weighted probability of default for the offshore portfolio is 1.1%
- Exposure primarily to industrial-oriented shipping companies with strong ownership and integrated organisation



EAD: Exposure at default

Figures as at 31.05.2015. Figures in parentheses as at 31.12.2014.

# Oil and gas - total NOK 2.6 billion

## NOK 2.2 billion as at 31.12.2014

### **Exploration financing**

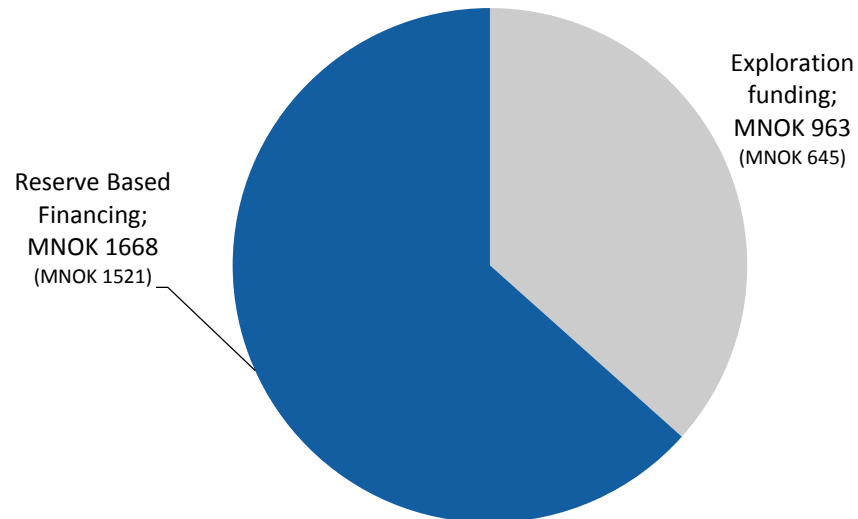
- EAD NOK 963 million
- Average weighted probability of default 3.6%
- Secured by a tax refund from the Norwegian State. No direct oil price risk

### **Reserve based lending (RBL)**

- EAD NOK 1.7 billion
- Average weighted probability of default 1.4%
- Structured financing based on assumptions relating to spares, production volume, investments, oil prices, etc. The basis for loans is adjusted semi-annually based on a review of total assumptions

### **Exploration and production companies**

- EAD NOK 2.6 billion, 1.3% of the bank's total EAD
- Average weighted probability of default for the oil and gas portfolio is 2.2%
- Exposure primarily to companies with activities on the Norwegian continental shelf



EAD: Exposure at default

Figures as at 31.05.2015. Figures in parentheses as at 31.12.2014.

# Lending to commercial property

## Letting of real estate - oil operations

- EAD NOK 3.5 billion 1.7% of total EAD, which of;
  - Oil operations: EAD NOK 1.3 billion
  - Business services which of oil related: EAD NOK 0.7 billion
  - Industry: EAD NOK 1.2 billion
  - Other, which of oil related : EAD NOK 0.4 billion

## Letting of real estate - other

- EAD NOK 15.4 billion, 7.5% of the group's total EAD

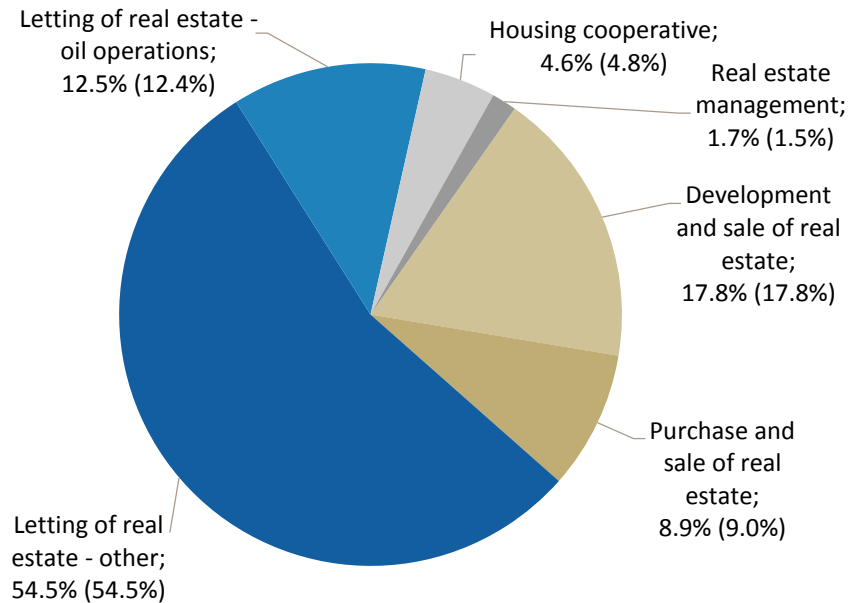
Sector allocation in accordance with the standard categories from Statistics Norway.

EAD: Exposure at default

Figures in parentheses as at 31.12.2014.

## Lending to commercial property

- EAD NOK 28.4 billion 15.6% 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. Interest rates for a significant portion of this portfolio have been hedged.





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

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- The bank continuously monitors portfolios
- If special incidents occur, special portfolio reviews are conducted
- The customer units continuously and pro-actively follow up the bank's credit customers
- Commitments where the risk of poorer debt-servicing capacity increases significantly are included on the bank's watch list:
  - subject to special follow-up
  - use of the bank's total resources
  - if necessary resources from the bank's 'work out' unit
- The bank's loan portfolio with individual commitments, where EAD is more than NOK 50 million, has recently been analysed in order to identify commitments that might be affected by a prolonged fall in oil prices. The main observations are:
  - Good diversification
  - The majority of the exposure is related to businesses:
    - with a clear industrial profile
    - linked to exploration and production companies in oil and gas
    - where the primary activity is linked to the Norwegian continental shelf
    - good order book for 2015
  - Low exposure to the most risky part of the value chain that is exploration and development

# Our vision: Recommended by customers

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## Primary objective

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

## Financial targets

- Return on equity of 12% after tax in 2015. In the long-term, under prevailing market conditions, the target is a minimum of 12%.
- Top 50% return on equity and cost/income in a Nordic benchmark

## Strategic goals

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

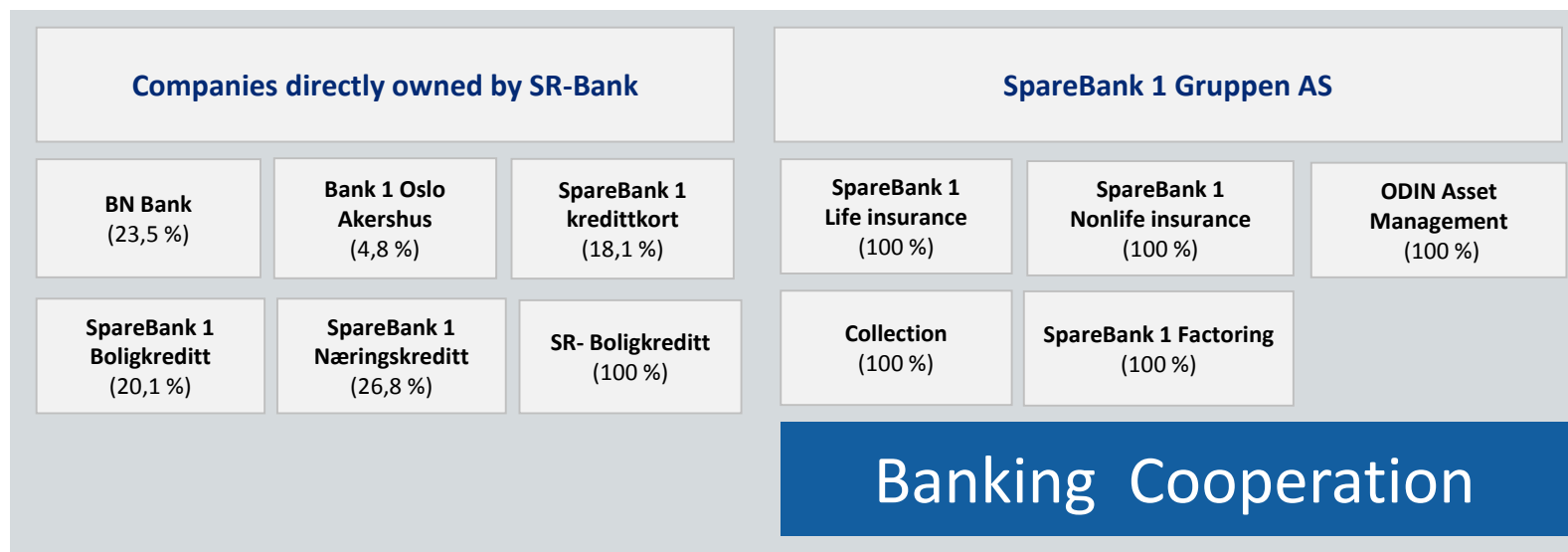
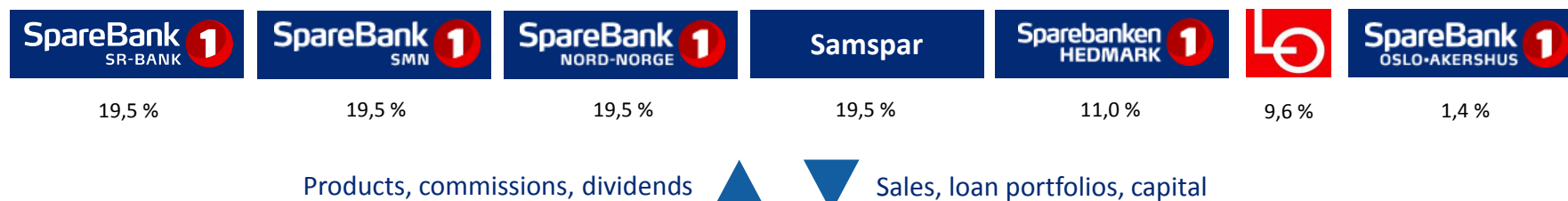
## Strategic focus

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

# SpareBank 1 Alliance

## Owners of the alliance

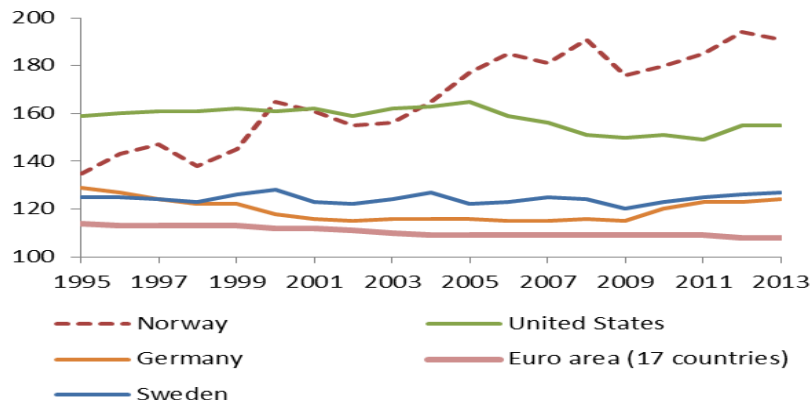
- All credit decisions are made at the local banks
- Economies of scale related to expenses, IT solutions, marketing and branding



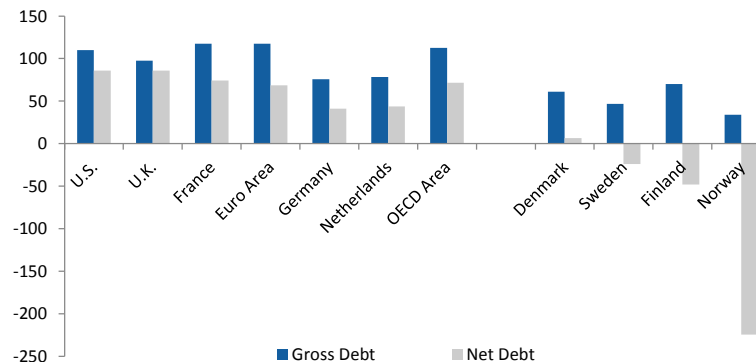
# Norwegian Economy

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

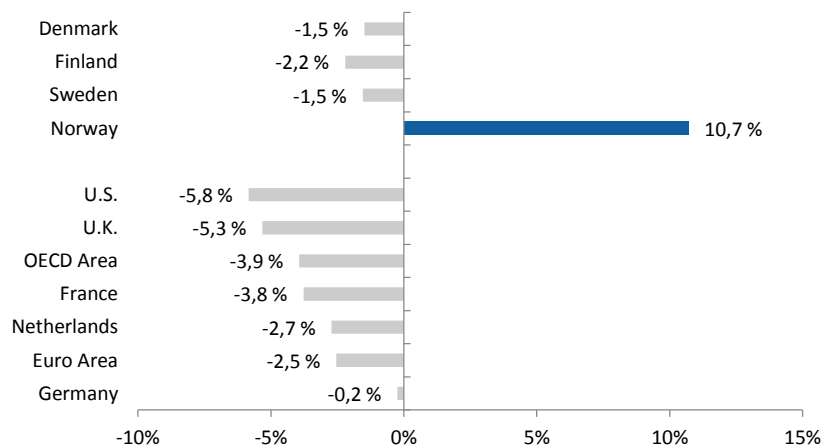
GDP per capita, index, EU 27 = 100



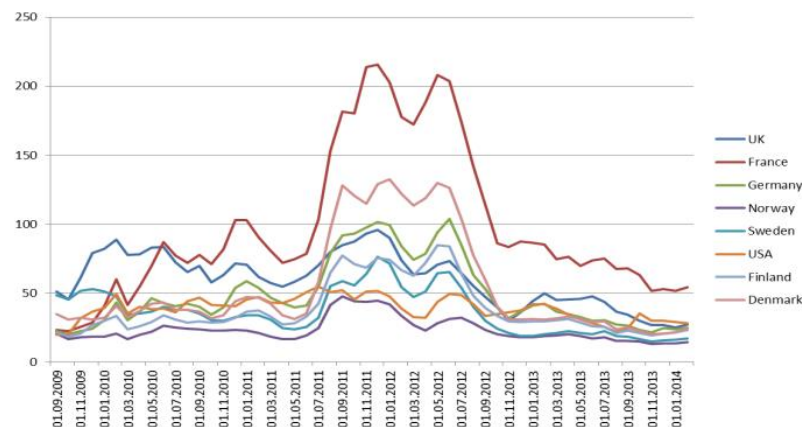
2015 governments financial liabilities (in per cent of GDP)



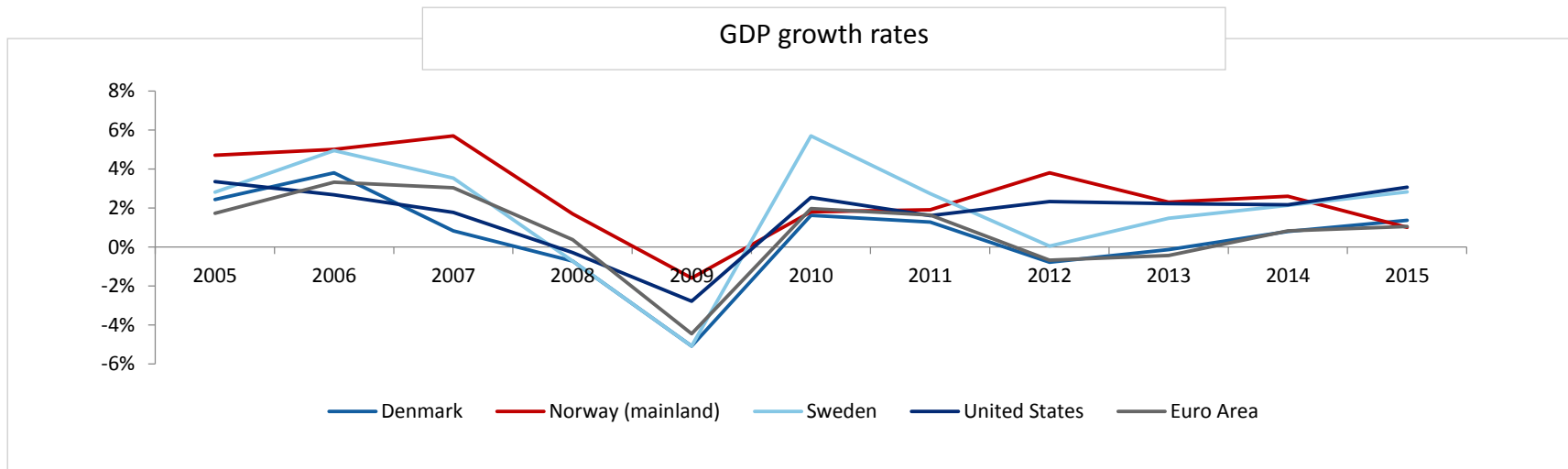
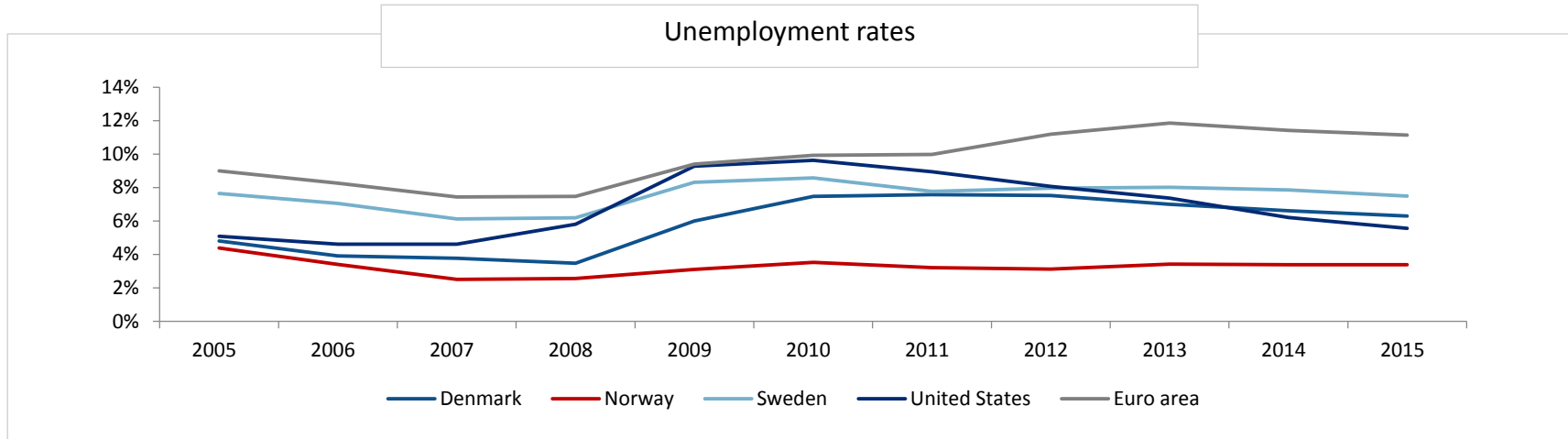
2014 government deficit/surplus (in per cent of GDP)



The market view; 5 year Sovereign CDS levels



# Norwegian Economy – international context



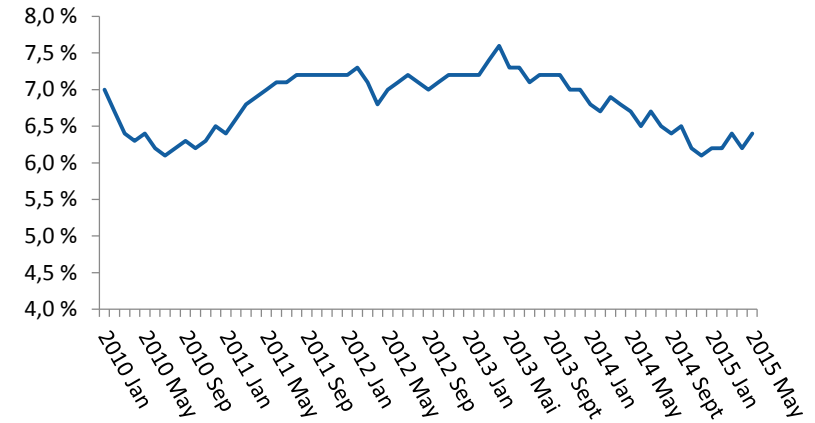
Source: OECD Economic Outlook no.96 and Statistics Norway

# Norwegian Housing and Mortgage Market

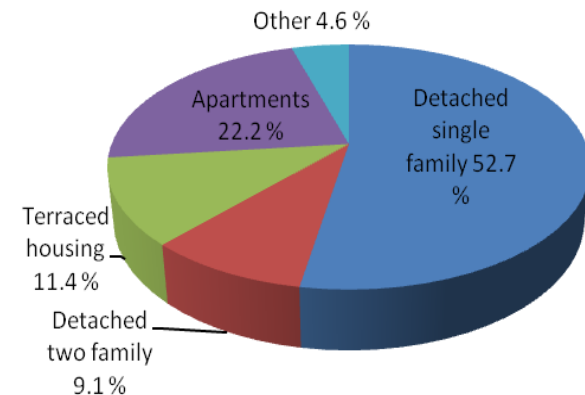
## Key Characteristics

<b>Market</b>	<ul style="list-style-type: none"> <li>Total mortgage market approx NOK 2,300 billion (approx USD 290bn, €265bn)</li> <li>Banks and credit institutions are the dominant supplier of mortgages with over 90% market share</li> <li>Typical maturity 25-30 years and repayment mortgages</li> <li>No subprime market</li> </ul>
<b>Home Ownership</b>	<ul style="list-style-type: none"> <li>80% of households owner occupied (little buy to let)</li> <li>Amongst the highest home ownership in the world</li> </ul>
<b>Social Security</b>	<ul style="list-style-type: none"> <li>Generous unemployment benefits</li> <li>Unemployment benefit represents ca 60% of final salary for 104 weeks</li> </ul>
<b>Personal Liability</b>	<ul style="list-style-type: none"> <li>Borrowers are personally liable for their debt, also for outstanding debt post foreclosure and forced sale</li> <li>Swift foreclosure regime upon non-payment</li> <li>Individual borrowers have tight relationship with their lenders</li> <li>Transparent information about borrowers</li> </ul>
<b>Regulation</b>	<ul style="list-style-type: none"> <li>Max Loan to value: 85% (75% legal limit for cover pool)</li> <li>Interest only mortgages: max 70% LTV</li> <li>5% mortgage interest rate increase as stress test</li> <li>Higher risk weighting for mortgages</li> </ul>
<b>Interest Payments</b>	<ul style="list-style-type: none"> <li>90-95% of mortgages are variable rate</li> <li>Interest rates can be reset at the lender's discretion, by giving the debtor 6 weeks notice</li> </ul>
<b>Tax Incentives</b>	<ul style="list-style-type: none"> <li>27% of interest paid is tax deductible (equal to the basic rate of tax)</li> <li>Low effective real estate tax (lower net worth tax on real estate than financial assets)</li> </ul>

**Household Credit Growth Rate**  
(12 month growth rate)



**Norwegian Mortgages (by dwelling type)**



# Norwegian Housing and Mortgage Market

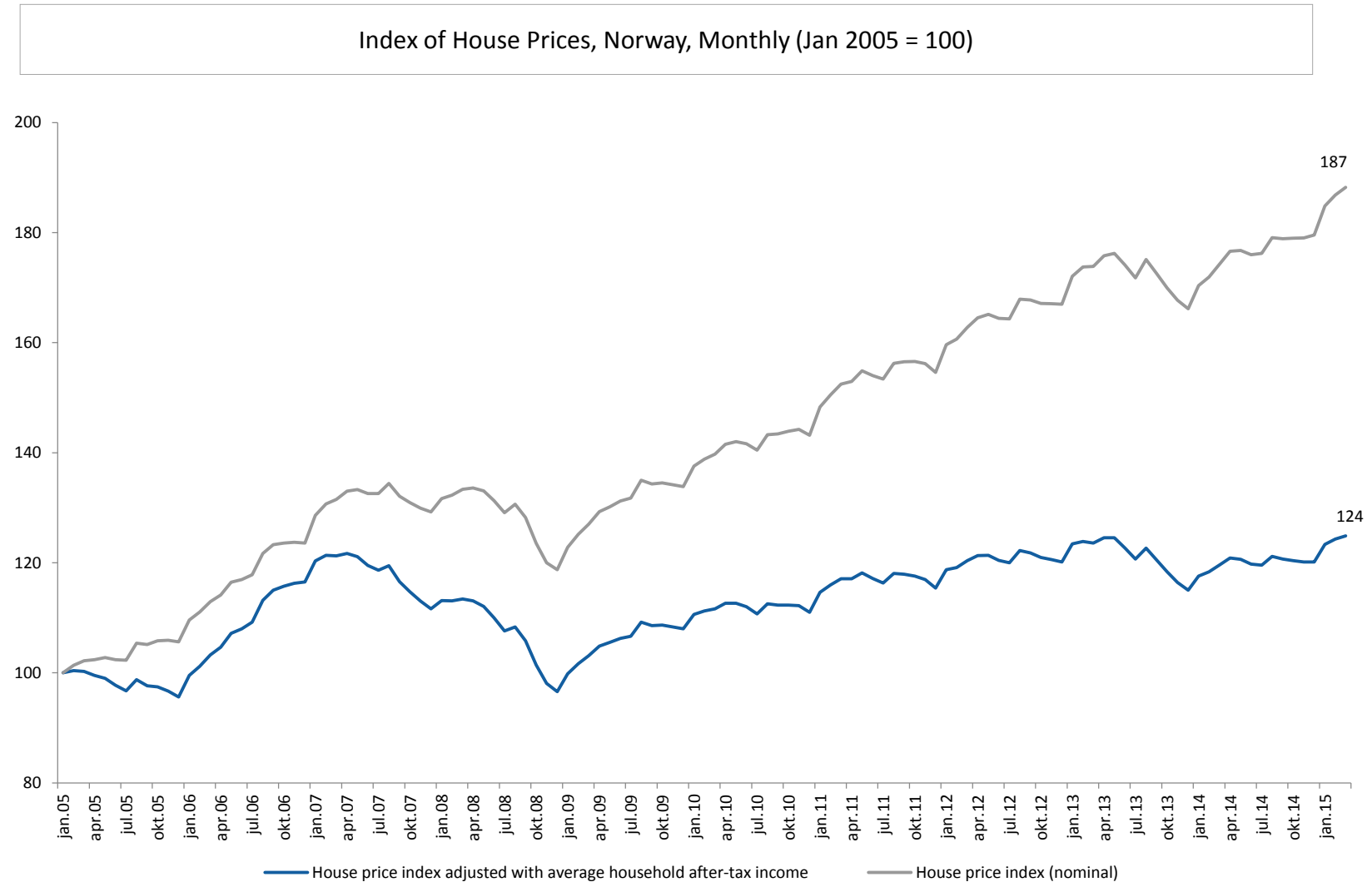
Population Change and Completed Housing Units



Source: Statistics Norway

# Norwegian Housing and Mortgage Market

## - Nominal and real house price development

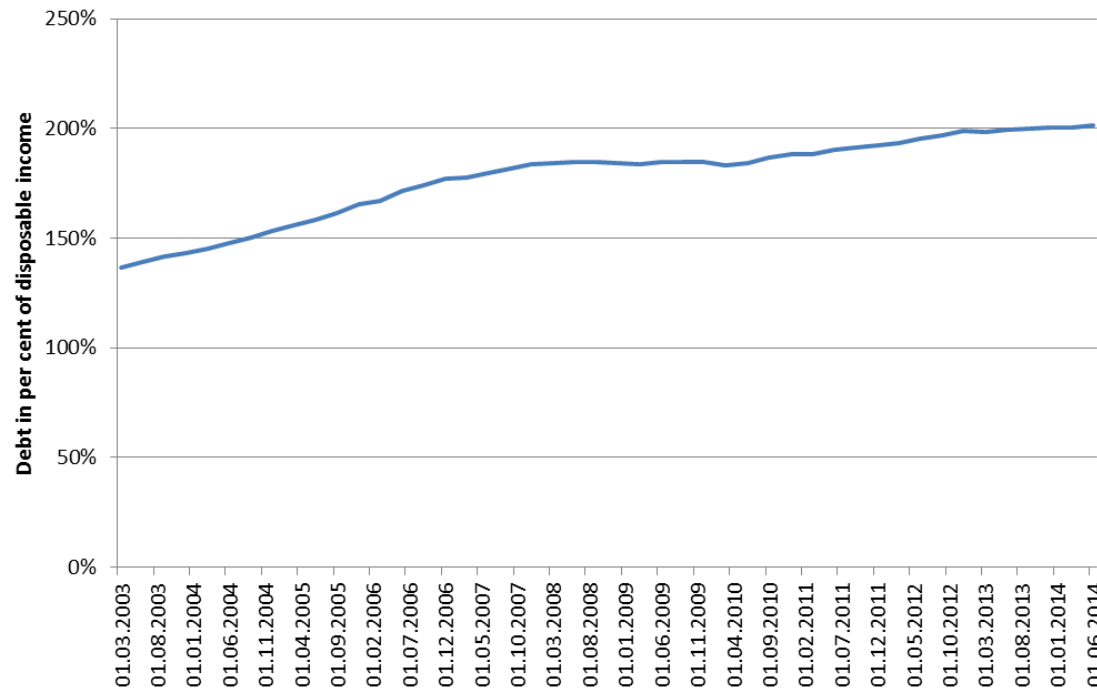


Source: Eiendomsverdi, SpareBank 1 Boligkreditt 's projections and indexation



# Aggregate Household Debt Burden

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



### Norway:

- All HH debts included in the statistic, question of int'l comparability
- High home ownership (mortgage debt rather than rent commitments)
- Generous benefits (pensions, healthcare, education, childcare, maternity, unemployment)
- Income growth over the last decades has far outpaced the cost of necessities in the time period shown
- HH savings rate is high (9.0% in 2013): debt reduction possible

# Balance sheet

<i>Balance sheet (MNOK)</i>	30.06.2015	30.06.2014
Cash and balances with central banks	2.841	1.985
Balances with credit institutions	2.224	2.333
<b>Net loans to customers</b>	<b>149.472</b>	<b>134.680</b>
Certificates, bonds and other fixed-income securities	16.116	16.610
Financial derivatives	4.878	4.653
Shares, ownership stakes and other securities	523	1.176
Business available for sale	129	84
Investment in associates	4.677	4.422
Other	1.029	1.330
<b>Total assets</b>	<b>181.889</b>	<b>167.273</b>
Balances with credit institutions	3.874	4.207
Deposits from customers	90.788	81.728
Listed debt securities	62.992	58.105
Financial derivatives	2.766	2.191
Other liabilities	2.491	2.222
Additional Tier 1 and Tier 2 capital instruments	2.980	4.094
<b>Total liabilities</b>	<b>165.891</b>	<b>152.547</b>
<b>Total equity</b>	<b>15.998</b>	<b>14.726</b>
<b>Total liabilities and equity</b>	<b>181.889</b>	<b>167.273</b>

# Net commission and other income

	30.06	30.06	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14
<i>MNOK</i>	15	14					
Payment facilities	114	113	56	58	57	66	56
Savings/placements	97	85	48	49	42	45	40
Insurance products	94	86	47	47	46	45	44
Commission income real estate broking	217	228	113	104	101	105	128
Guarantee commission	67	53	33	34	26	24	26
Arrangement- and customer fees	42	55	26	16	40	20	24
Accounting services SpareBank 1 Regnskapshuset SR*	18	-	8	10	-	-	-
Other	8	19	2	6	3	5	6
<b>Net commission and other income excl. covered bond companies</b>	<b>657</b>	<b>639</b>	<b>333</b>	<b>324</b>	<b>315</b>	<b>310</b>	<b>324</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	150	285	66	84	90	93	120
<b>Net commission and other income incl. covered bond companies</b>	<b>807</b>	<b>924</b>	<b>399</b>	<b>408</b>	<b>405</b>	<b>403</b>	<b>444</b>

\*SpareBank 1 SR-Bank acquired the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet in the first quarter of 2015.

# Net income on investment securities

	30.06	30.06	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14
<i>MNOK</i>	15	14	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14
Dividends	15	25	8	7	1	10	7
Investment income, associates	234	218	101	133	138	150	137
Securities gains/losses	-95	229	-50	-45	-37	-52	24
- of which capital change in shares and certificates	0	230	-4	4	24	-22	10
- of which capital change in certificates and bonds	-95	-1	-46	-49	-61	-30	14
Currency/interest gains/loans*	151	48	35	116	14	34	33
- of which currency customer- and own-account trading	48	61	17	31	6	40	37
- of which IFRS-effects	103	-13	18	85	8	-6	-4
<b>Net income on investment securities</b>	<b>305</b>	<b>520</b>	<b>94</b>	<b>211</b>	<b>116</b>	<b>142</b>	<b>201</b>

\* The capital gains from interest and currency trading amounted to NOK 151 million per 30.06.2015. NOK 70 million of this was due to the positive effects of basis swaps linked to borrowing (NOK 37 million of which was realised in the first half of 2015).

# Subsidiaries

<i>MNOK</i>	30.06.15	30.06.14
<b>EiendomsMegler 1 SR-Eiendom AS</b>		
Number of sales	3.723	3.976
Operating profit before tax	30	36
<b>SpareBank 1 SR-Finans AS</b>		
Total assets (BNOK)	7	6
Operating profit before tax	75	74
<b>SR-Forvaltning AS</b>		
Total assets under management (BNOK)	9	7
Operating profit before tax	16	14
<b>SR-Investering AS</b>		
Operating profit before tax	-11	12
<b>SpareBank 1 Regnskapshuset SR AS</b>		
Operating profit before tax*	2	-
<b>SR-Boligkreditt AS</b>		
Operating profit before tax**	6	-
<b>Other</b>		
Operating profit before tax	-3	-1
<b>Total subsidiaries</b>		
Profit before tax	115	134

\*SpareBank 1 SR-Bank acquired the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet in the first quarter of 2015.

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

# Ownership interests

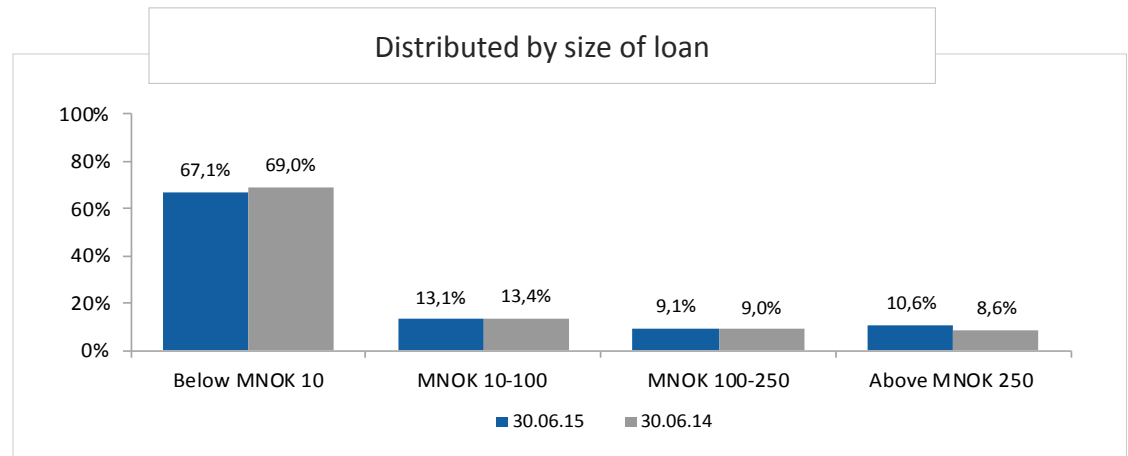
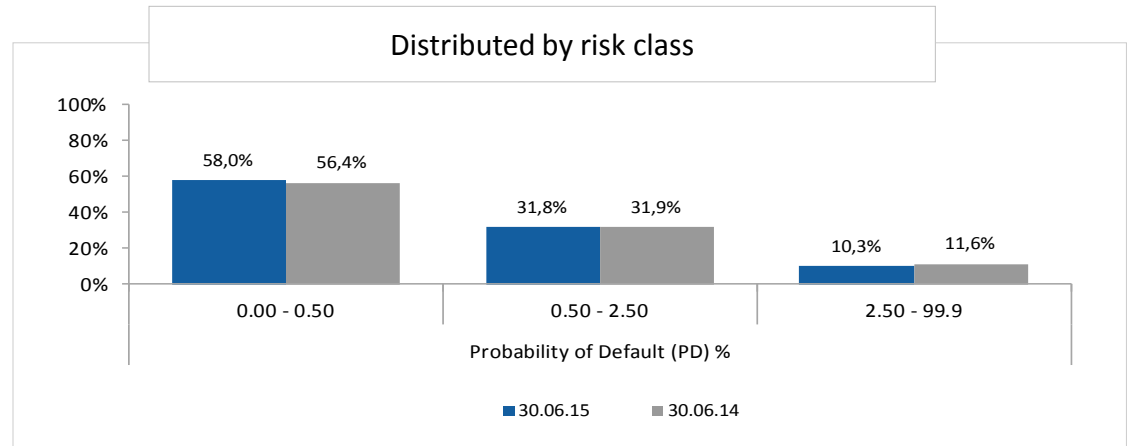
<i>MNOK</i>	30.06.15	30.06.14
<b>SpareBank 1 Gruppen AS</b>		
<i>Interest ownership</i>	19,5 %	19,5 %
Profit after tax	128	153
Adjusted profit previous years	0	-4
<b>SpareBank 1 Boligkreditt AS</b>		
<i>Interest ownership</i>	20,1 %	20,4 %
Profit after tax	57	18
Adjusted profit previous years	0	2
<b>SpareBank 1 Næringskreditt AS</b>		
<i>Interest ownership</i>	26,8 %	27,0 %
Profit after tax	12	15
Adjusted profit previous years	0	1
<b>BN Bank ASA</b>		
<i>Interest ownership</i>	23,5 %	23,5 %
Profit after tax	25	39
<b>Other</b>		
Profit after tax	12	-6
<b>Total ownership interests</b>		
Profit after tax	234	218

# Impairment losses on loans and guarantees

	30.06	30.06					
<i>Losses on loans in income statement (MNOK)</i>	15	14	Q2 15	Q1 15	Q4 14	Q3 14	Q2 14
Corporate customers	81	101	19	62	27	39	48
Retail customers	12	2	6	6	4	9	3
Change in collective impairment losses on loans	39	-8	19	20	62	21	-10
Net impairment losses on loans	132	95	44	88	93	69	41
	30.06	30.06	31.03	31.03	31.12	30.09	30.06
<i>Impairment losses on loans (MNOK)</i>	15	14	15	15	14	14	14
Corporate customers	292	307	292	292	262	285	307
Retail customers	64	54	64	59	60	58	54
Collective impairment losses on loans	417	294	417	398	378	315	294
Total impairment losses on loans	773	655	773	749	700	658	655

# Risk profile of the loan portfolio

- SpareBank 1 SR-Bank has a stable and low risk portfolio.
- More than half of the bank's loan exposure has a PD\* below 0.5 %.
- Single loan exposures less than NOK 10 million aggregates 67% of total loan portfolio.
- Single loan exposures above NOK 250 million aggregates 10.6% of total loan portfolio. The increase is partly driven by increased balances on currency loans due to weakened NOK FX rates. A minor part of the increase is driven by customer acquisition, and is considered to improve the portfolio's risk profile.



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

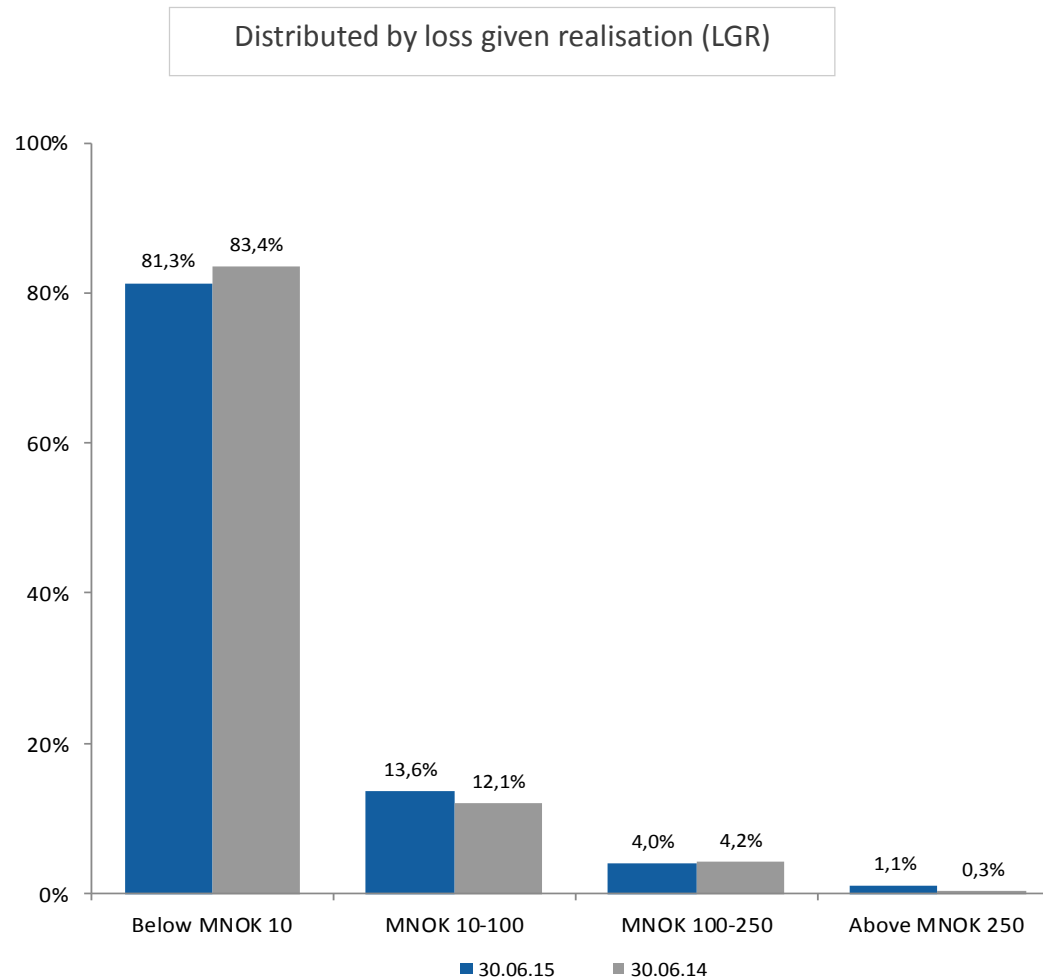


# Low concentration of individual LGRs in the lending portfolio

- *At the end of Q2 2015, SpareBank 1 SR-Bank had a total of 29 commitments with a loss potential exceeding NOK 100 million.*
- *These commitments represent 5.1% of the loan exposure.*
- *There is a clearly defined strategy behind this portfolio composition. The growth and risk profile are managed, for example, through special credit strategy limits for concentration risk.*

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

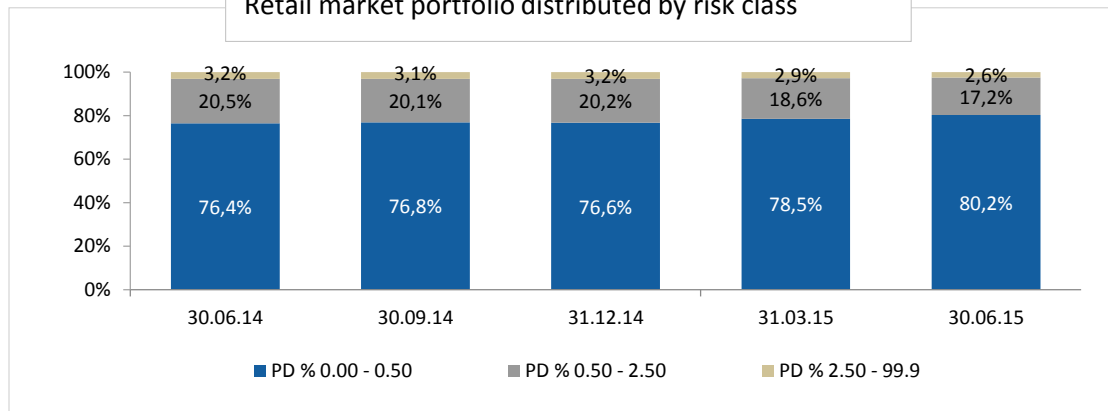
*The figure includes lending portfolios from covered bond companies.*



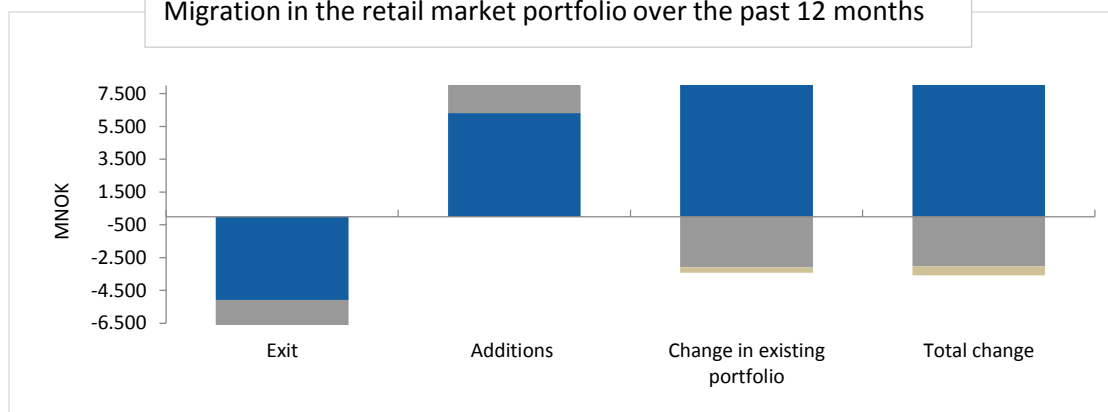
# Risk profile – Lending to the retail market

- *The quality of the retail market portfolio is considered to be good and has low potential losses.*
- *The proportion of loans with a PD\* below 0.5% has increased to 80.2% 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.*

Retail market portfolio distributed by risk class



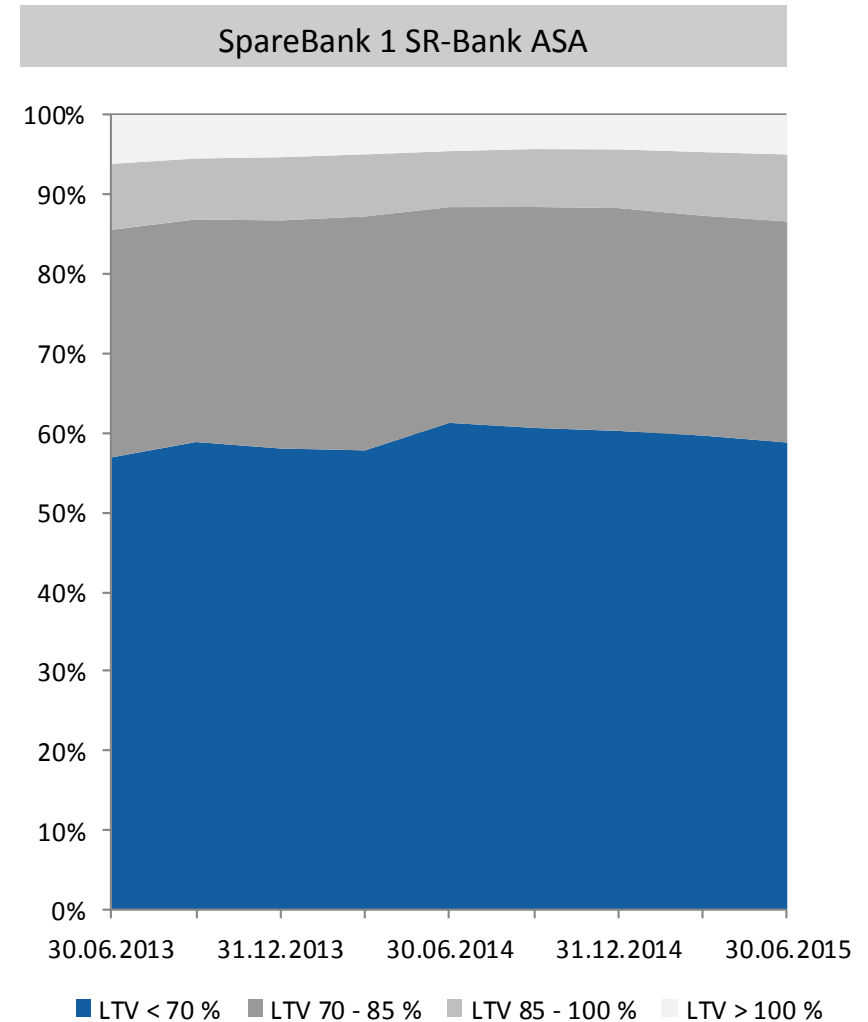
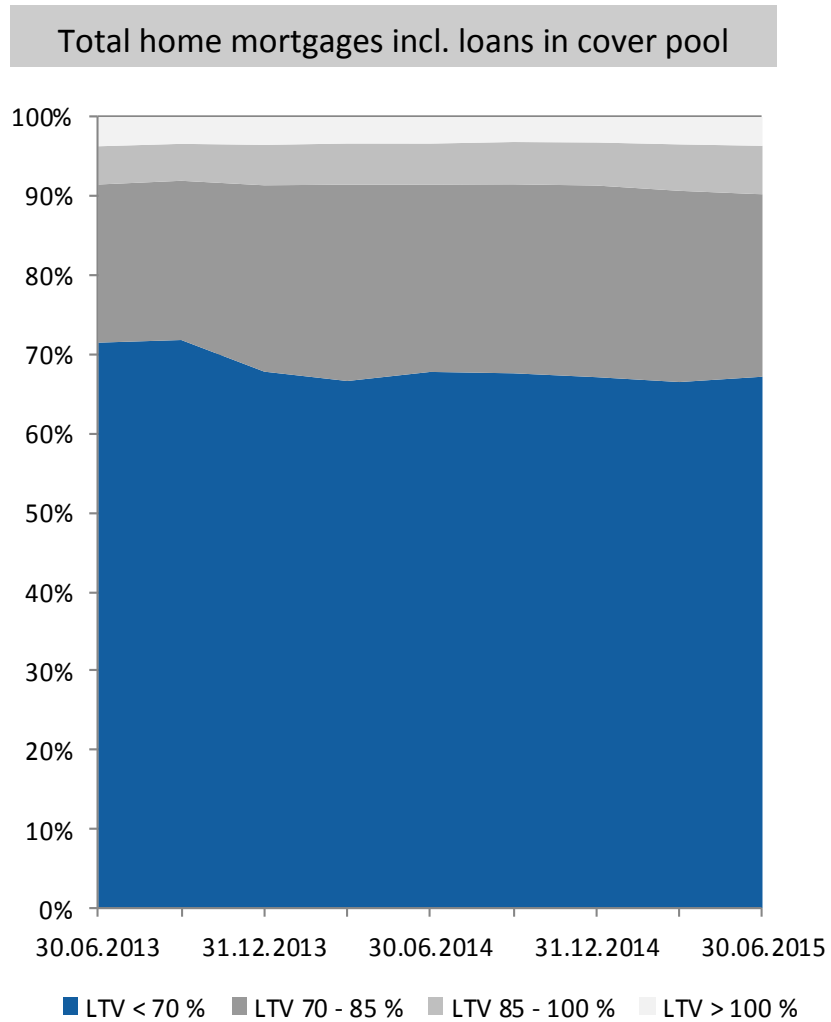
Migration in the retail market portfolio over the past 12 months



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

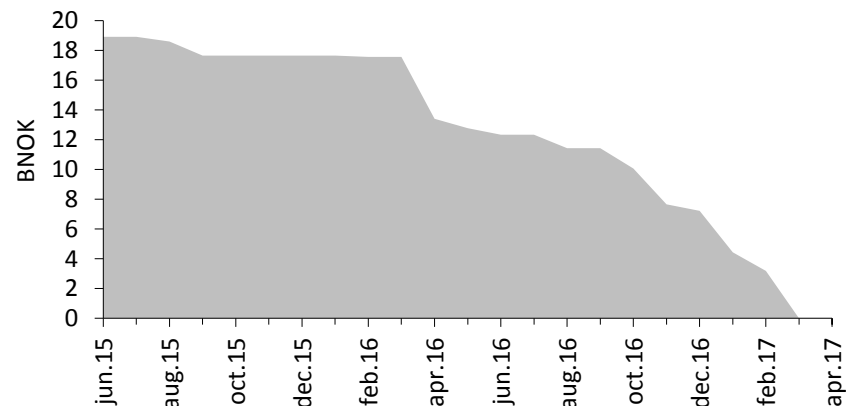
Figures include portfolio in covered bond companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).

# Historical LTV development for home mortgage loans



# Liquidity portfolio

## Liquidity buffer – survival period



## Liquidity portfolio

Category	NOK million	Share %	Of which, securities classified to amortised cost, MNOK
Norwegian government/municipal	778	5 %	0
SSA/Foreign guaranteed	5.037	32 %	0
Covered bonds (Norwegian/foreign)	9.210	59 %	0
Norwegian bank/finance	578	4 %	0
Foreign bank/finance	0	0 %	0
Industry/Other	0	0 %	0
<b>Total liquidity portfolio</b>	<b>15.603</b>	<b>100 %</b>	<b>0</b>

- *Liquidity buffer at the end of the quarter: NOK 18.9 billion*
- *Other liquid assets:*
  - *Home mortgages prepared for transfer to mortgage company: NOK 23.8 billion*
  - *Commercial paper and bonds in the trading portfolio: NOK 0.5 billion*

*Liquidity buffer: cash, highly liquid bonds.*

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

# Investments in bonds and certificates

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA og AA-	15.025	93,3 %
Low risk	A+, A og A-	111	0,7 %
Moderate risk	BBB+, BBB og BBB-	524	3,3 %
High risk	BB+, BB og BB-	77	0,5 %
Very high risk	B+ and lower	367	2,3 %
<i>Total portfolio</i>		16.103	100,0 %

## *Of which liquidity purposes:*

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA og AA-	15.025	96,3 %
Low risk	A+, A og A-	111	0,7 %
Moderate risk	BBB+, BBB og BBB-	467	3,0 %
High risk	BB+, BB og BB-	0	0,0 %
Very high risk	B+ and lower	0	0,0 %
<i>Total liquidity purposes</i>		15.603	100,0 %

## *Of which trading purposes:*

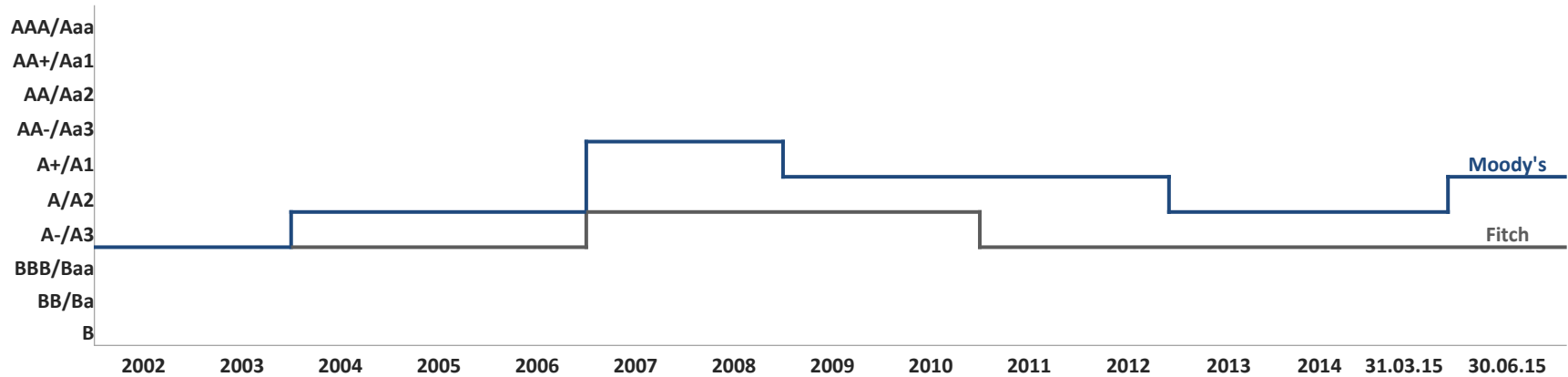
Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA og AA-	0	0,0 %
Low risk	A+, A og A-	0	0,0 %
Moderate risk	BBB+, BBB og BBB-	57	11,3 %
High risk	BB+, BB og BB-	77	15,3 %
Very high risk	B+ and lower	367	73,4 %
<i>Total trading portfolio</i>		500	100,0 %

All amounts in MNOK.

# Rating

Moody's		Fitch	
Long-term debt	A1	Long-term IDR	A-
Outlook	Stable	Outlook	Stable
Updated	19 May 2015	Updated	19 November 2014

## Ratinghistory



# SRBANK as at June 2015

- *Ownership interests:*
  - *From Rogaland, Agder-counties and Hordaland: 49.1%*
  - *International: 19.3%*
  - *10 largest: 54.5%*
  - *20 largest: 62.4%*
- *Number of shareholders: 10 070 (10 695)*
- *Employees owning: 1,8 %*
- *Trading volume in Q2 2015: 5.6% (5.5%)*

	<b>30.06.2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Share price	52,25	52,50	60,25	37,20	40,70
Stock value (MNOK)	13.363	13.427	15.409	9.514	5.182
Book value per share, NOK (group)	62,56	60,28	55,00	49,48	48,75
Earnings per share	3,63	8,20	7,28	5,33	5,42
Dividend per share	n.a.	2,00	1,60	1,50	1,50
P/E	7,20	6,40	8,28	6,99	7,51
P/BV (group)	0,84	0,87	1,10	0,75	0,83

# Dividend policy

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

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



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