

First Quarter 2019



# 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

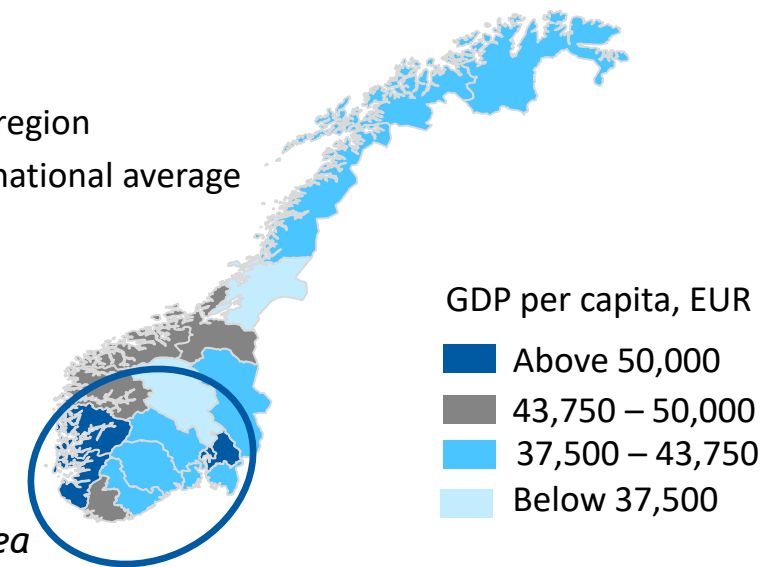
- Second largest Norwegian bank
- Market cap: NOK 25.4 Billion
- Total assets: NOK 241.9 Billion
- Total lending: NOK 205.4 Billion
- Total deposits: NOK 99.0 Billion
- No. of branches: 35
- Employees: 1.192



- **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”).

	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

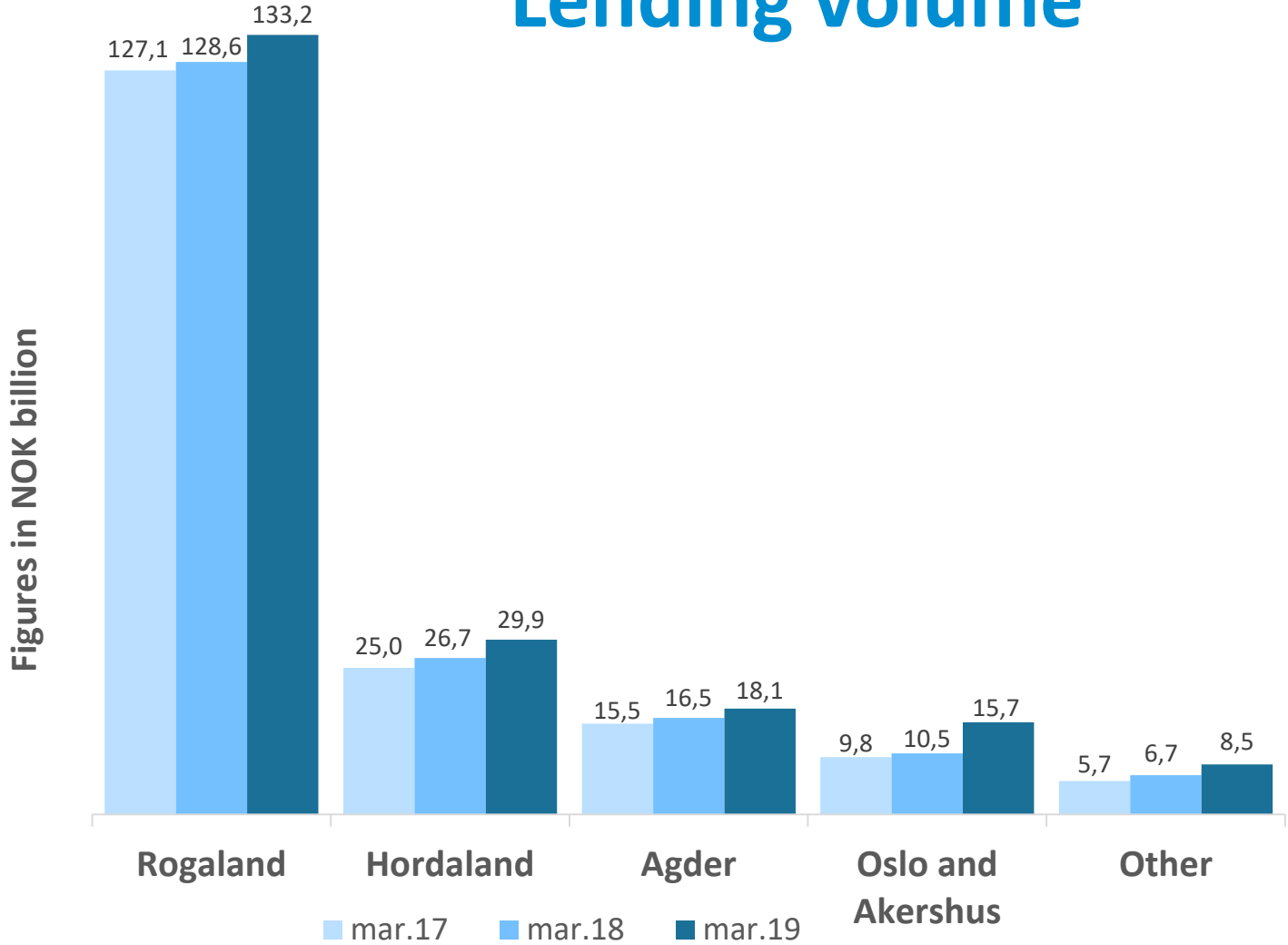
- Norway’s largest export region
- Unemployment rate on national average



SR-Bank’s market area

# Finance group for the entire South of Norway

## Lending volume



# SpareBank 1 SR-Bank ASA

## Divisions of SpareBank 1 SR-Bank ASA

### Capital Markets

Number of man-years: 26

### Retail Market

Number of man-years: 469

### Corporate Market

Number of man-years: 155

### Administration & Support

Number of man-years: 287

## Fully owned companies

### EiendomsMegler 1

Leading real estate broker  
Number of man-years: 201

### SR-Forvaltning

Asset management  
Number of man-years: 12

### SpareBank 1 Regnskapshuset SR

Accounting and advisory  
Number of man-years: 97

### SR-Boligkreditt

Covered Bond Funding  
Number of man-years: 1

### FinStart Nordic

The company will be a start-up factory for new ideas  
Number of man-years: 8

## Partly owned companies

### BN Bank\*

(23.5%)  
Commercial bank located in Oslo and Trondheim

### SpareBank 1 Boligkreditt

(4.8%)  
Covered bond company (mortgages)

### SpareBank 1 Kredittkort

(17.8%)  
Credit card company located in Trondheim

### SpareBank 1 Gruppen

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

### SpareBank 1 Næringskreditt

(14.4%)  
Covered bond company (commercial real estate)

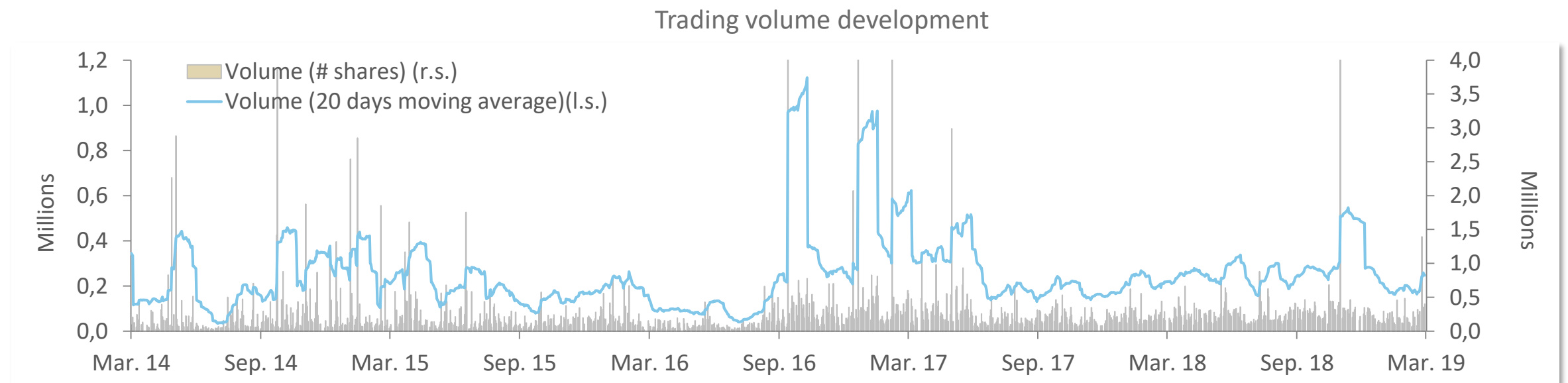
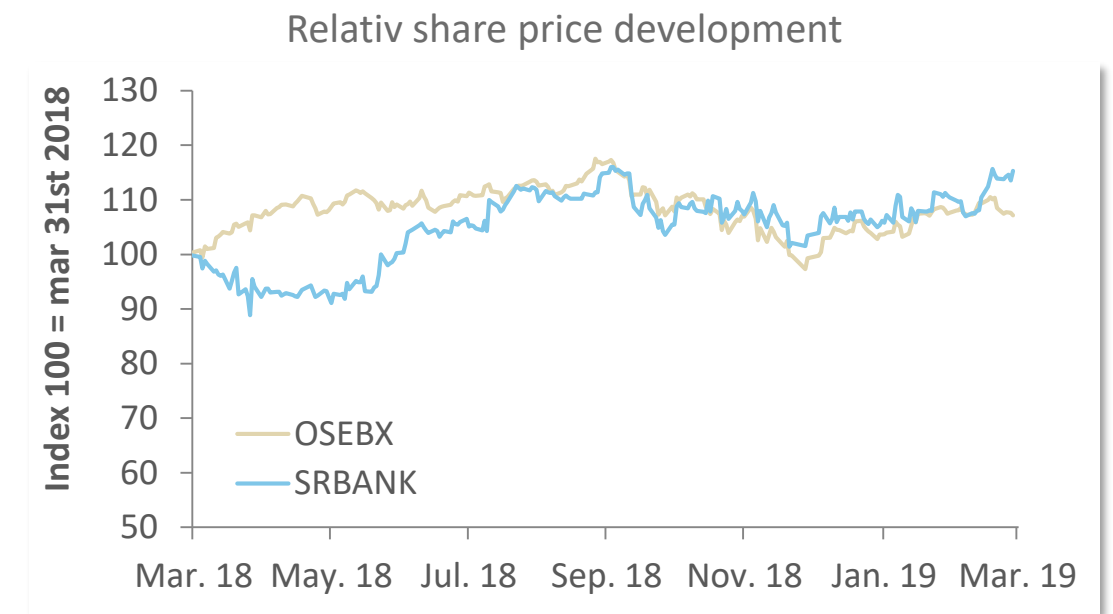
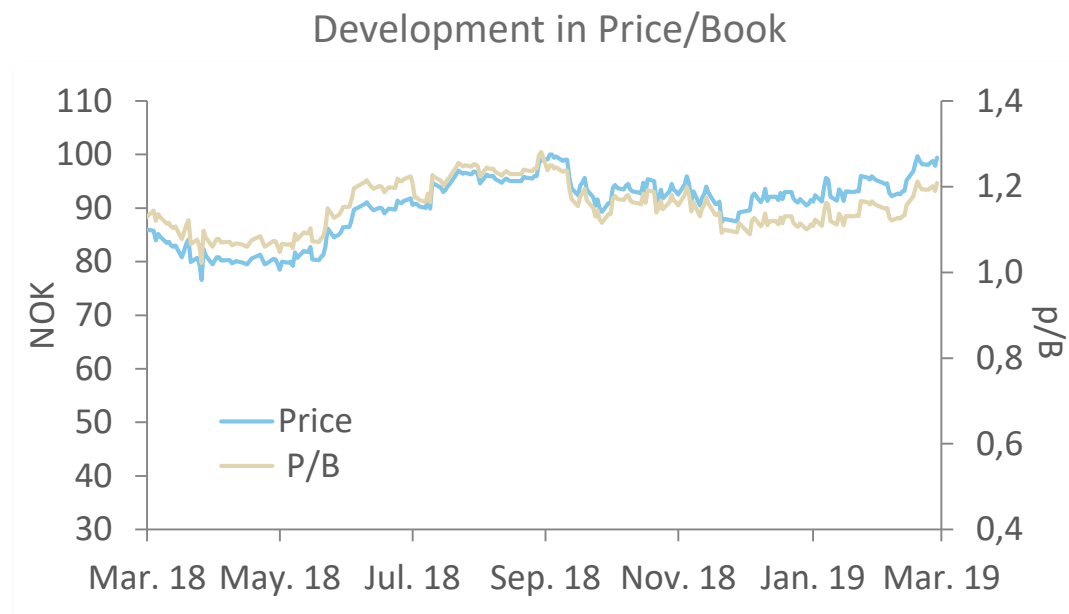
### SpareBank 1 Betaling\*

(19.8%)  
The company behind mobile payment solution  
\*Owner 22% in VBB AS

\*The stake will increase to 35% in the second quarter of 2019 in connection with an agreement on changing the ownership model in BN Bank ASA.

# SRBANK share

- International ownership is 27.7% per 1. quarter 2019.
- Total market value at 1. quarter 2019 is NOK 25.4 billion.



## 20 largest shareholders as at 31 March 2019

- Ownership interests as at 31 March 2019:
  - From Rogaland, Agder-counties and Hordaland: 43.5% (44.6%)
  - International: 27.7% (23.8%)
  - 10 largest: 50.7% (49.6%)
  - 20 largest: 58.4% (57.1%)
- Number of shareholders 31.03.2019: 10 853 (11 030)
- Employees owning 1.5% (1.6%)

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
Folketrygdfondet		18.930.821	7,4%
State Street Bank and Trust Co, U.S.A.	Nominee	11.794.274	4,6%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Vpf Nordea Norge Verdi		3.837.022	1,5%
Danske Invest Norske Instit. II		3.831.045	1,5%
State Street Bank and Trust Co, U.S.A.	Nominee	3.489.276	1,4%
Odin Norge		3.406.393	1,3%
Morgan Stanley & Co, U.K.		2.563.108	1,0%
JPMorgan Chase Bank N.A., U.S.A.	Nominee	2.870.383	1,1%
Verdipapirfondet DNB Norge (IV)		2.829.966	1,1%
Clipper AS		2.457.000	1,0%
Pareto Aksje Norge		2.384.325	0,9%
Danske Invest Norske Aksjer Inst.		1.988.503	0,8%
JP Morgan Securities plc, Belgia		1.964.689	0,8%
Verdipapirfondet Alfred Berg Gambak		1.867.194	0,7%
KLP Aksjenorge Indeks		1.725.655	0,7%
The Bank of New York Mellon SA/NV		1.635.402	0,6%
Handelsbanken Nordiska Småbolagsfond		1.570.000	0,6%
The Bank of New York Mellon SA/NV		1.535.516	0,6%
Top 5		113.208.005	44,3%
Top 10		129.635.068	50,7%
Top 20		149.326.460	58,4%



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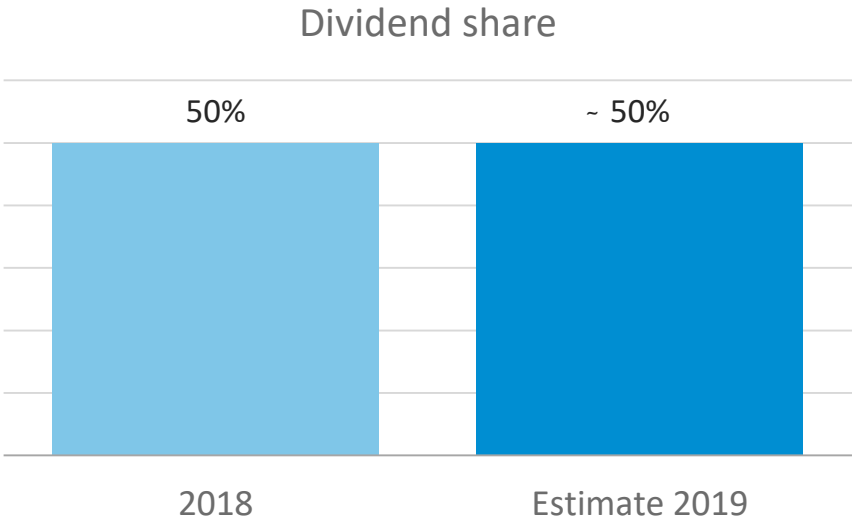
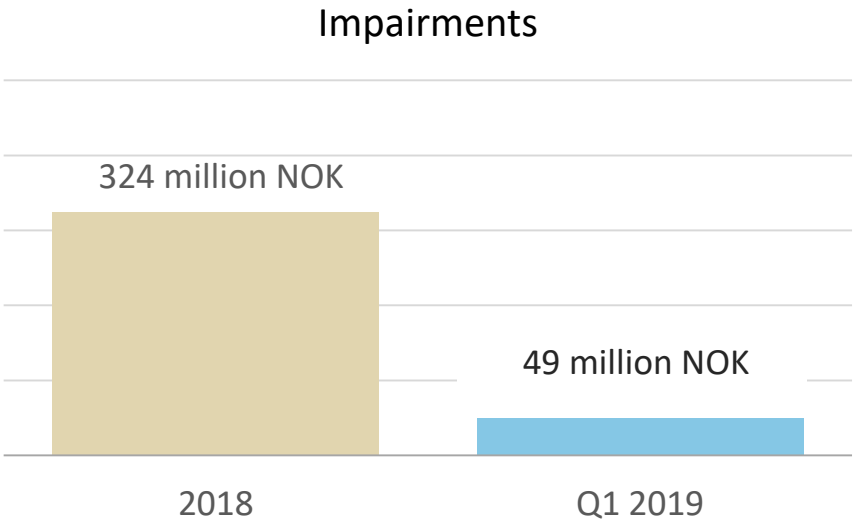
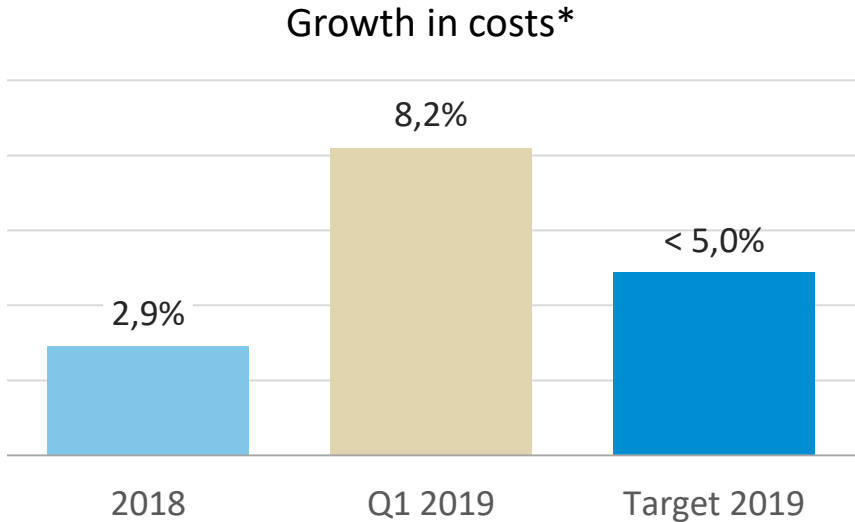
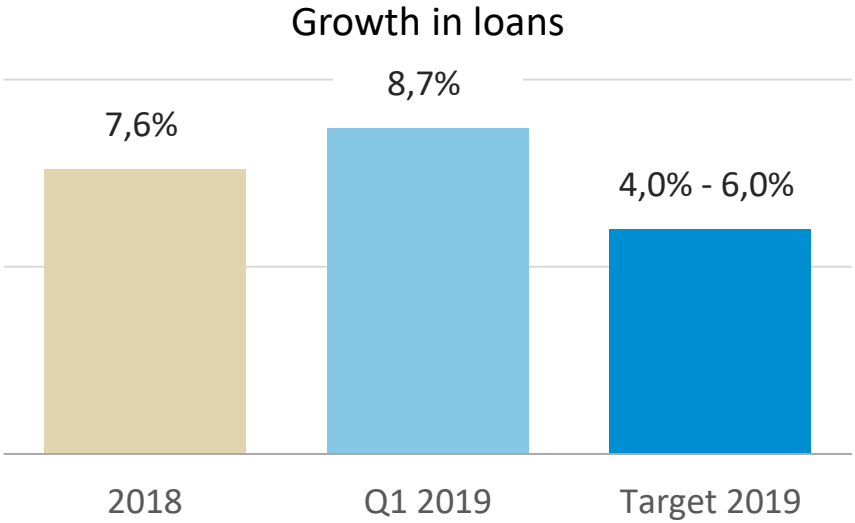
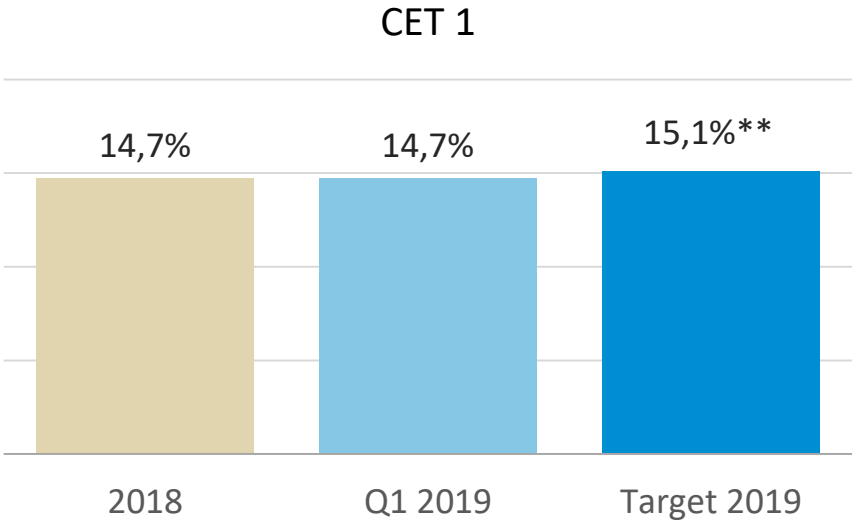
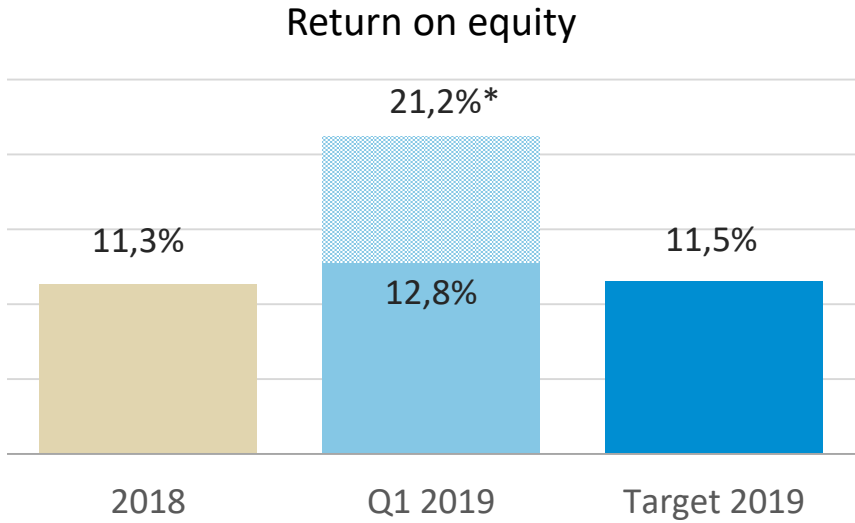


# A good underlying result and a substantial one-off financial gain

- Pre-tax profit for the quarter is NOK 1.323 million compared to NOK 668 million last year
  - Return on equity after tax 21.2%
  - Excluding merger effect Fremtind Forsikring AS return on equity after tax is 12.8%
- Impairments on loans and financial commitments is NOK 49 million compared to NOK 74 million last year
  - 0.10% of gross lending including covered bond companies as at 31 March 2019
- 12 months lending growth of 8.7%
  - Risk-weighted assets (RWA) is increased by 9.7% the last 12 months
- 12 months deposits growth of -0.6%
  - Deposit growth is 4.7% at the end of 1. quarter 2019 excluding public sector
- 12 months costs growth of 8.2%
  - Cost ratio is 29.8%
  - Excluding merger effects Fremtind Forsikring AS cost ratio is 39.0%
- Common equity tier 1 capital ratio is 14.7% compared to 15.0% last year



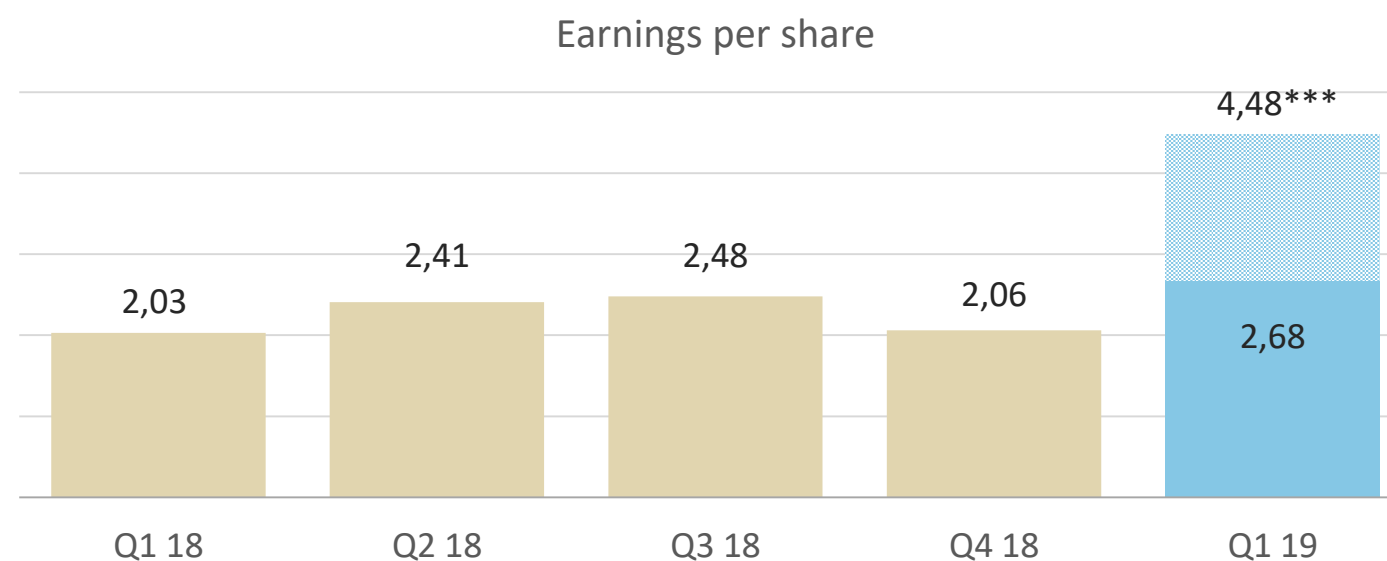
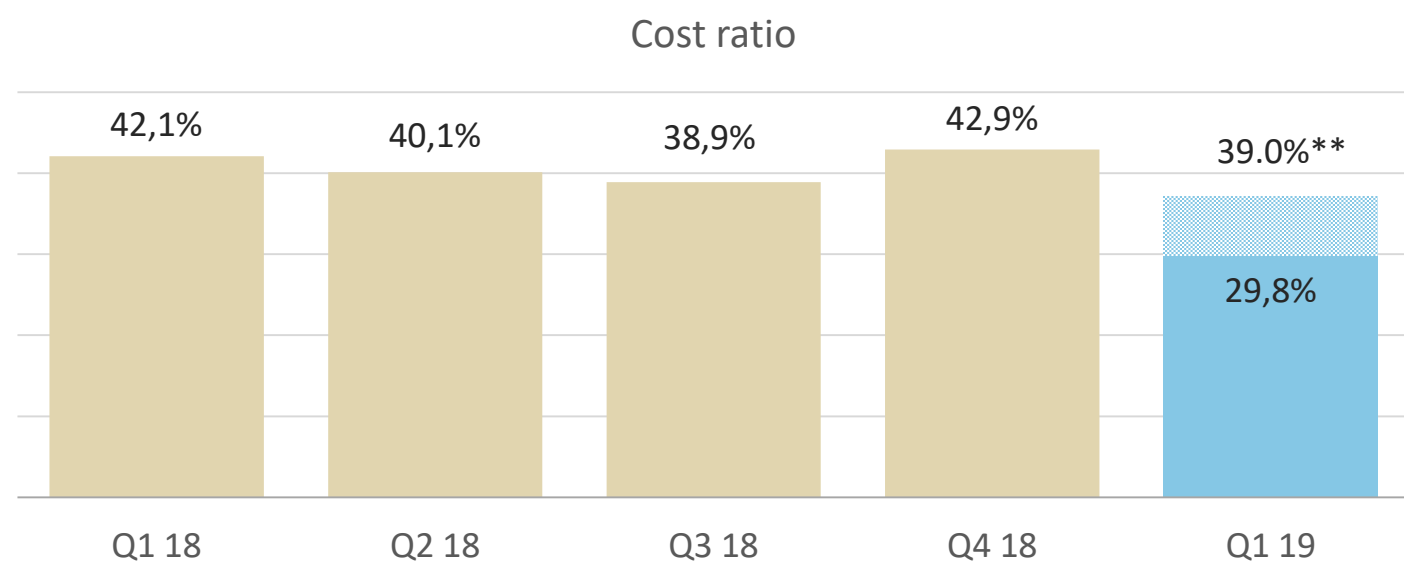
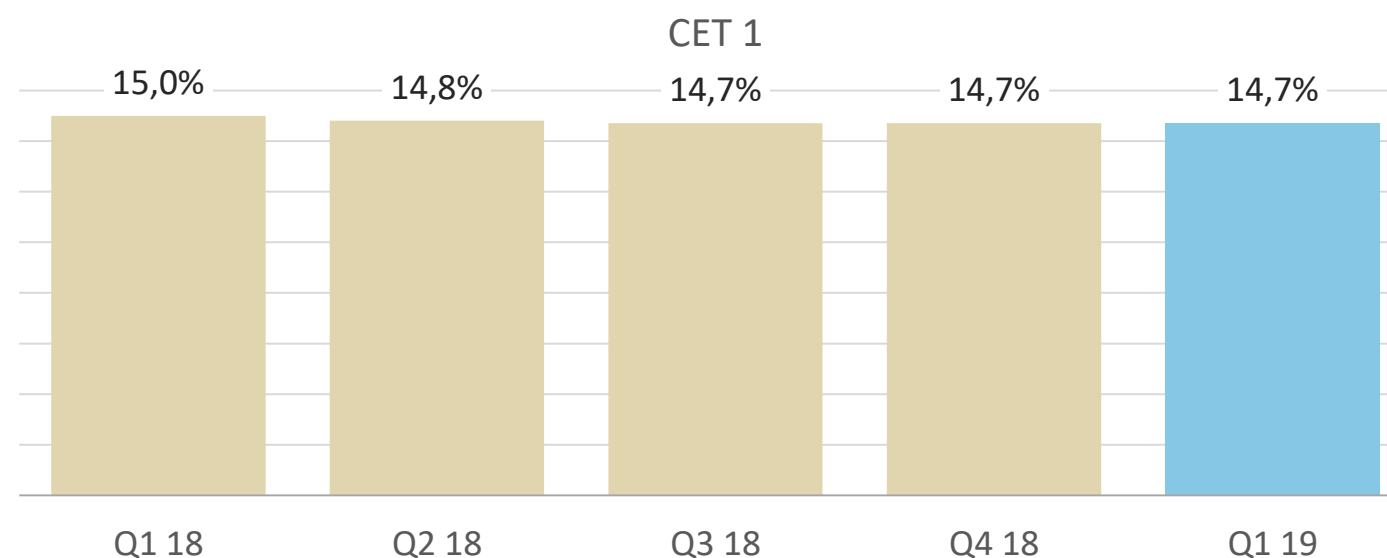
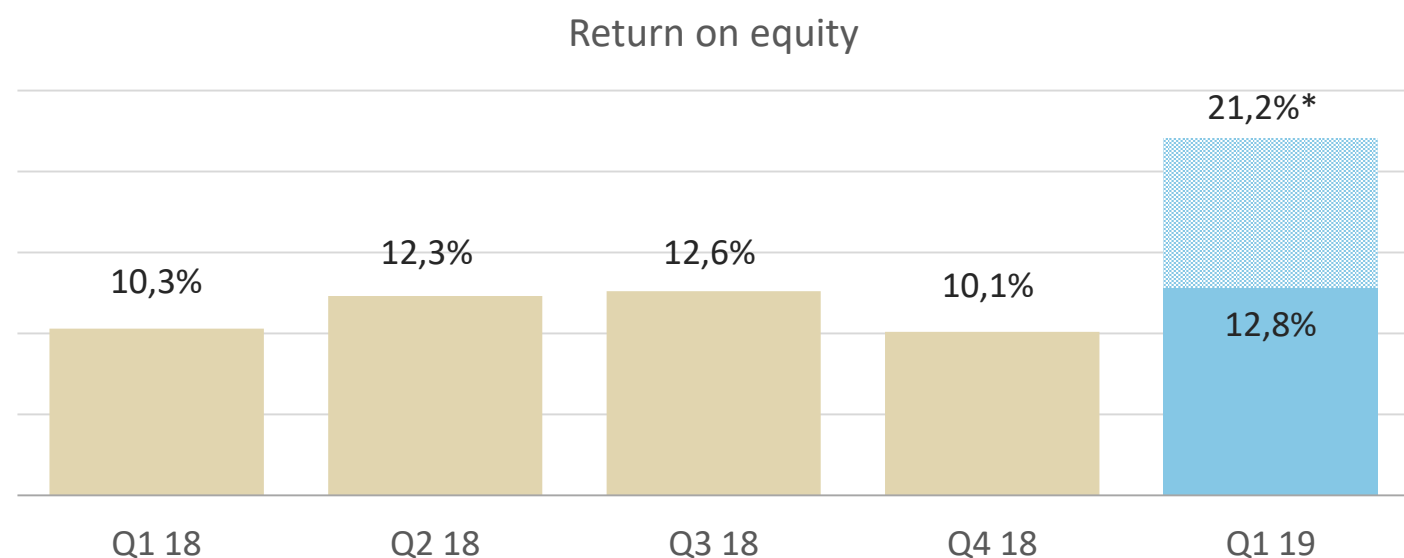
# Financial target and estimate per 31.12.2019



\*Return on equity excluding merger effects Fremtind Forsikring AS is 12.8%.  
 \*\*Target pr 31.03.2019 is 14.6%.



# Key figures – quarterly development



\*Return on equity excluding merger effects Fremtind Forsikring AS is 12.8%.

\*\*Cost ratio excluding merger effects Fremtind Forsikring AS is 39.0%.

\*\*\*Earnings per share exclusive merger effects Fremtind Forsikring As is NOK 2.68

## Key figures

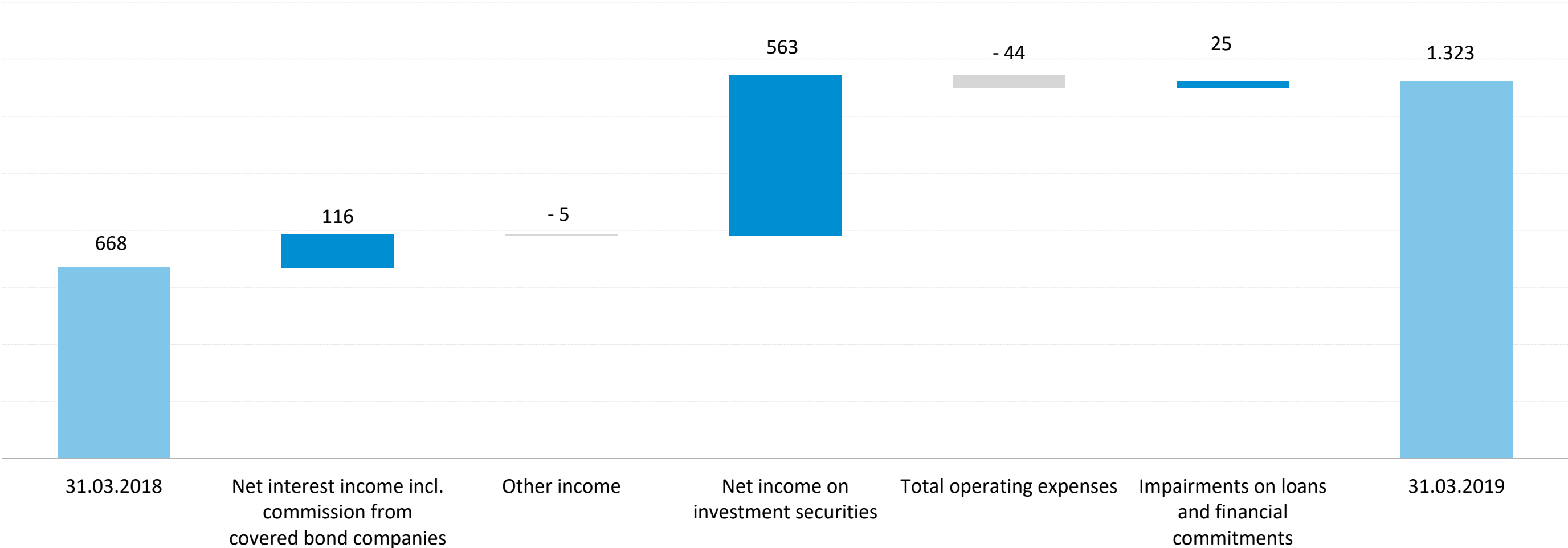
	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Return on equity after tax (%)	21,2	10,1	12,6	12,3	10,3
Net interest margin (%)	1,60	1,59	1,53	1,52	1,50
Impairments on loans in % of gross loans incl. covered bond companies	0,10	0,18	0,12	0,21	0,16
Loans and financial commitments in Stage 3 in % of gross loans incl. covered bond companies	1,40	1,46	1,45	1,54	1,15
Cost to Income ratio	29,8	42,9	38,9	40,1	42,1
Annual growth in loans to customers, gross incl. covered bond companies (%)	8,7	7,6	6,1	5	3,1
Annual growth in deposits from customers (%)	-0,6	3,6	1,7	6,1	7,0
Total assets (BNOK)	241,9	234,1	226,0	224,0	217,4
Portfolio of loans in covered bond companies (BNOK)	8,9	9,3	13,4	14,6	14,6
Risk weighted assets (BNOK)	134,7	130,9	129,2	126,8	122,8
Liquidity Coverage Ratio (LCR) (%)	172	167	151	157	177
Earnings per share (NOK)	4,48	2,06	2,48	2,41	2,03
Book value per share (NOK)	86,55	82,27	80,02	77,28	79,24



# Income statement

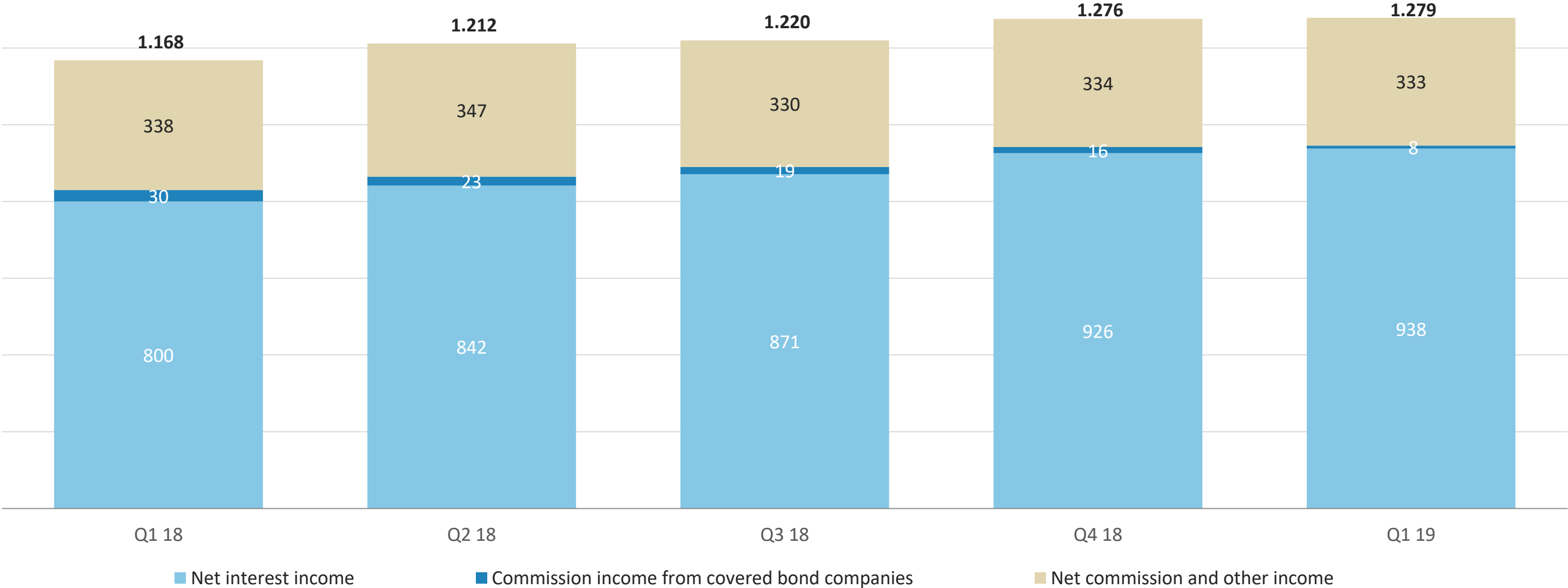
Group Income Statement (MNOK)	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Net interest income	938	926	871	842	800
Net commission and other income	341	350	349	370	368
Net income on investment securities	676	68	175	213	113
<b>Total income</b>	<b>1.955</b>	<b>1.344</b>	<b>1.395</b>	<b>1.425</b>	<b>1.281</b>
<b>Total operating expenses</b>	<b>583</b>	<b>576</b>	<b>542</b>	<b>572</b>	<b>539</b>
Operating profit before impairments	1.372	768	853	853	742
Impairments on loans and financial commitments	49	92	59	99	74
<b>Operating profit before tax</b>	<b>1.323</b>	<b>676</b>	<b>794</b>	<b>754</b>	<b>668</b>
Tax expense	177	149	160	137	150
<b>Net profit</b>	<b>1.146</b>	<b>527</b>	<b>634</b>	<b>617</b>	<b>518</b>

# Change in profit 31.03.2018 – 31.03.2019



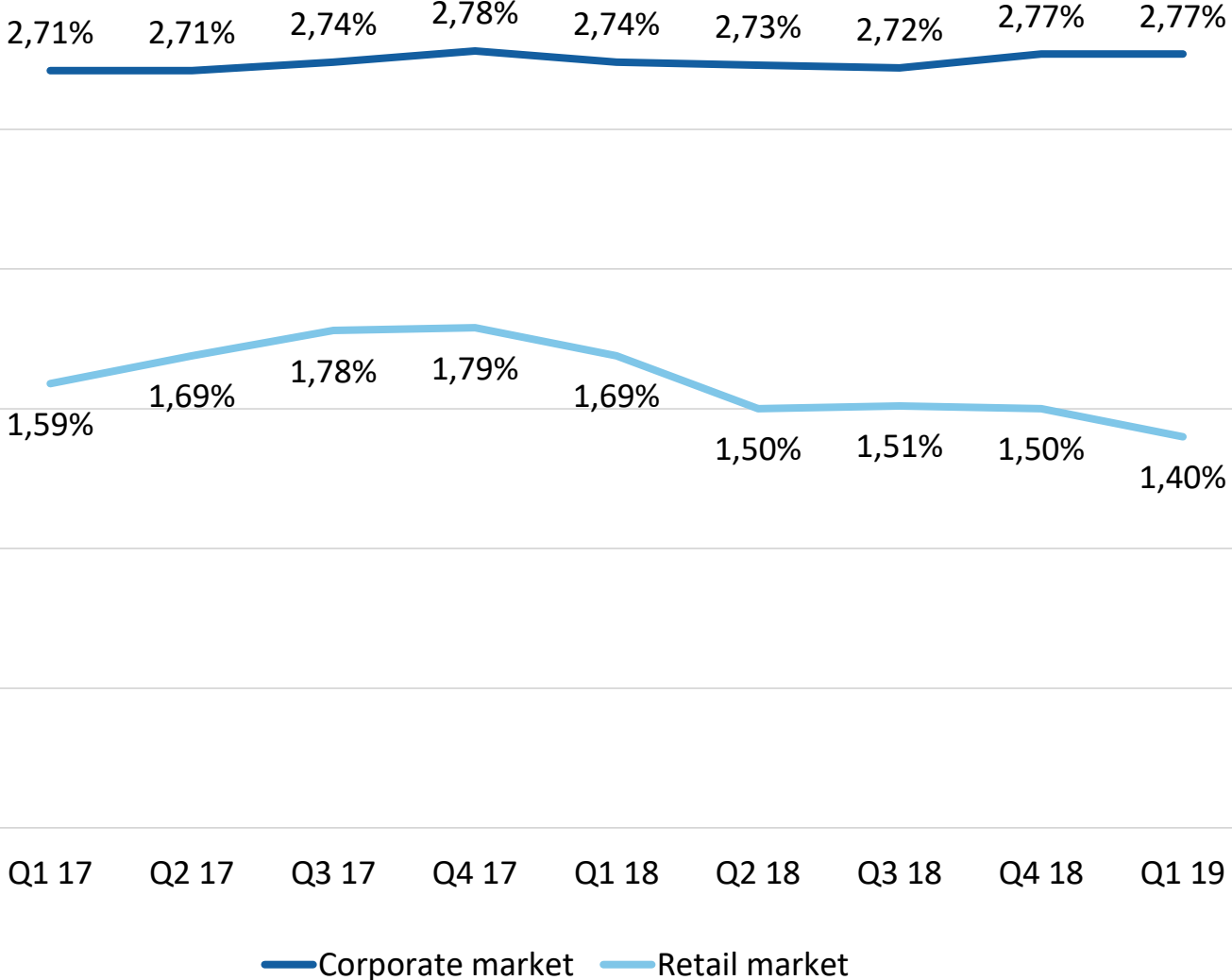


# Consolidated income profile

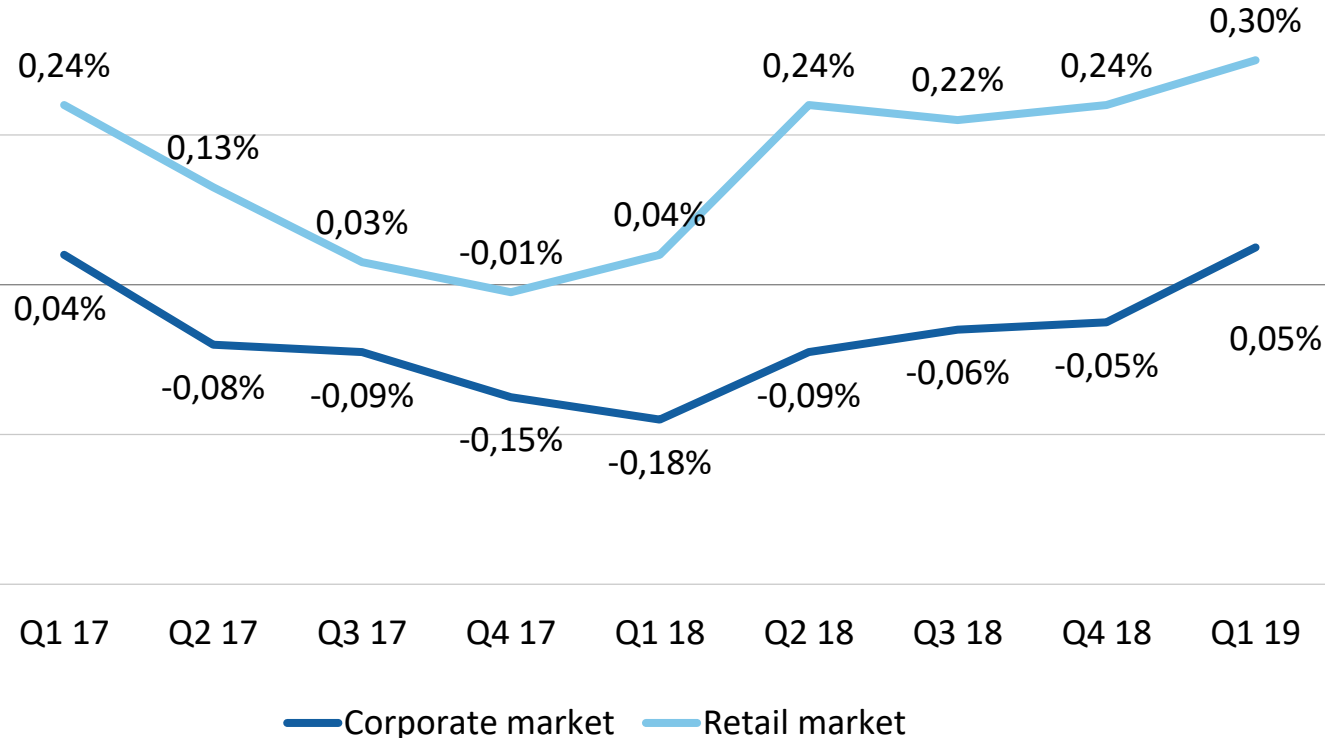


# Lending and deposit margins

Lending margins



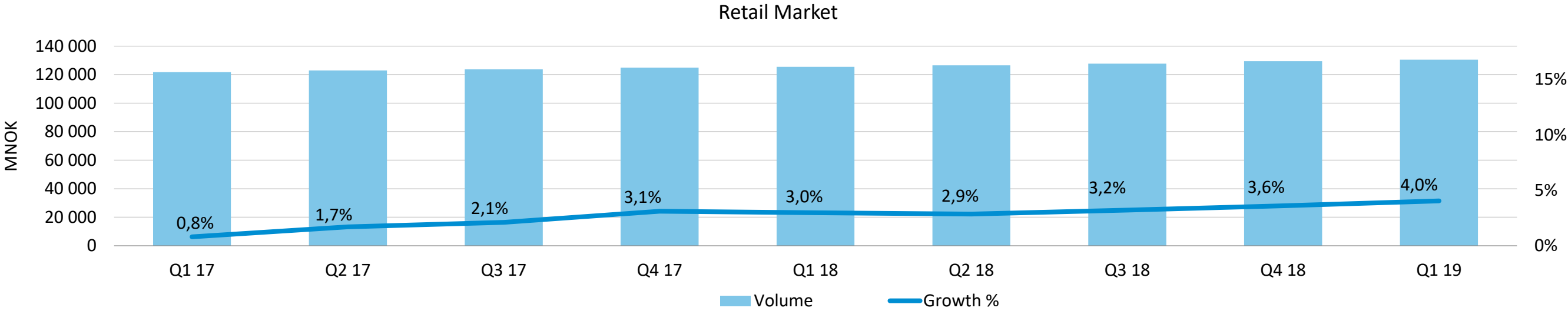
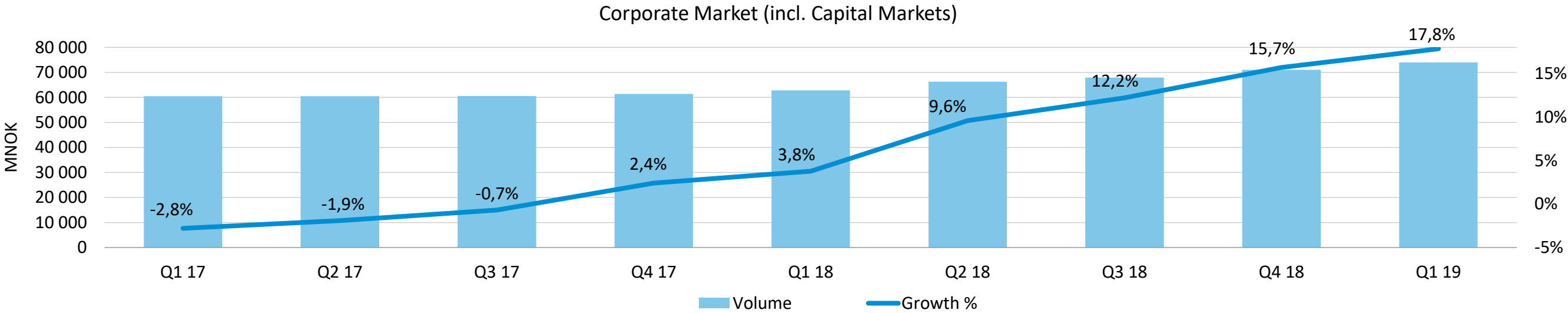
Deposit margins



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

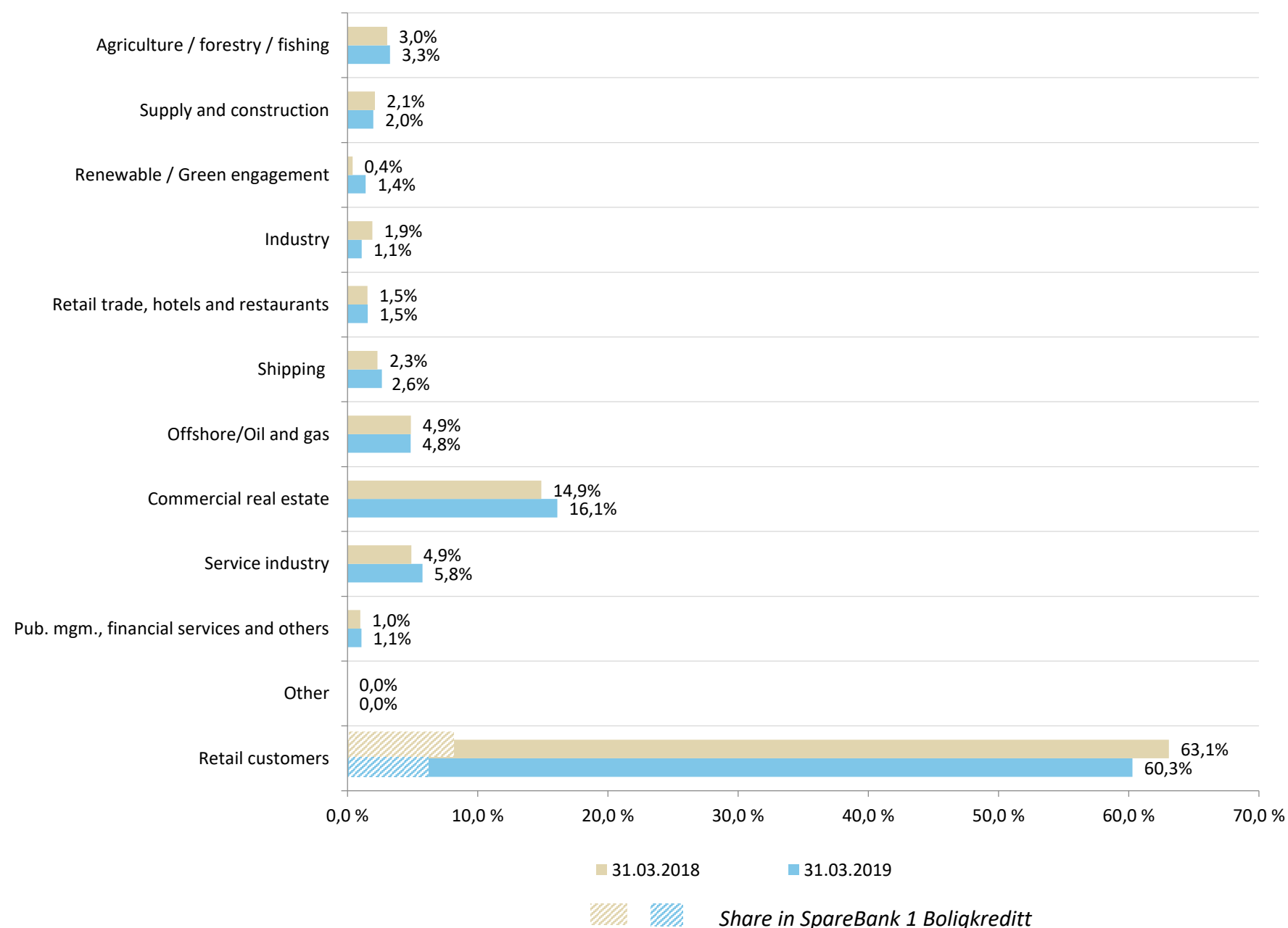


# Lending volume and 12 months growth



# Loan portfolio as at 31.03.2019

- Gross loans (incl. covered bond companies) as at 31 March 2019 amount to NOK 205.4 billion compared with NOK 188.5 billion at the same time the year before.
- 12-month growth in loans of 8.7%.
- Loans to retail customers (incl. covered bond company) account for 60.3% of total loans, of which 4.3%-points is in SpareBank 1 Boligkreditt.

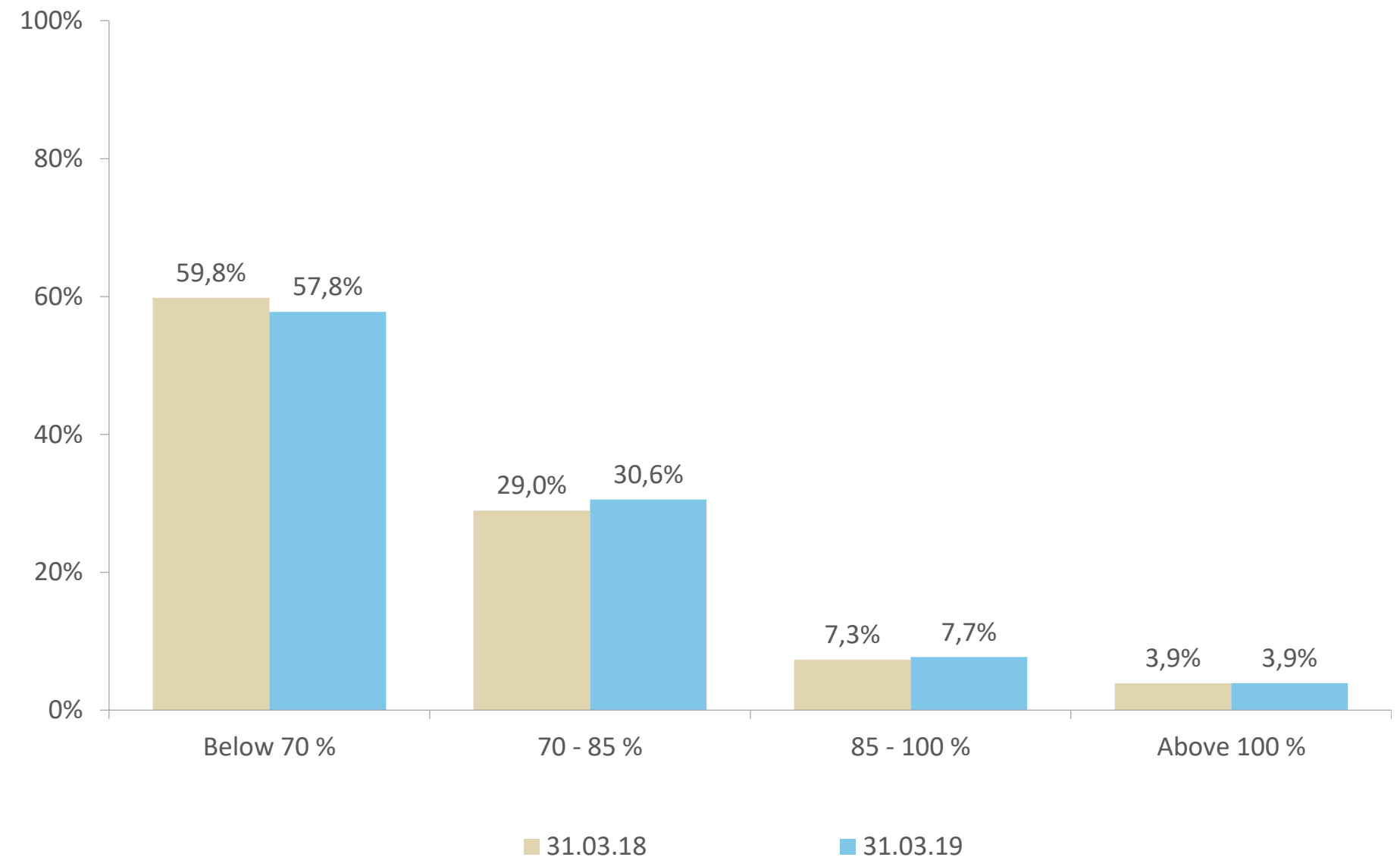


Loans before impairments, nominal amounts. Sector allocation in accordance with the standard categories from Statistics Norway.  
 Process improvements has increased the companies availability for details on loan sector allocation. Historical figures has also been changed.



# Loan to value ratio on home mortgage loans

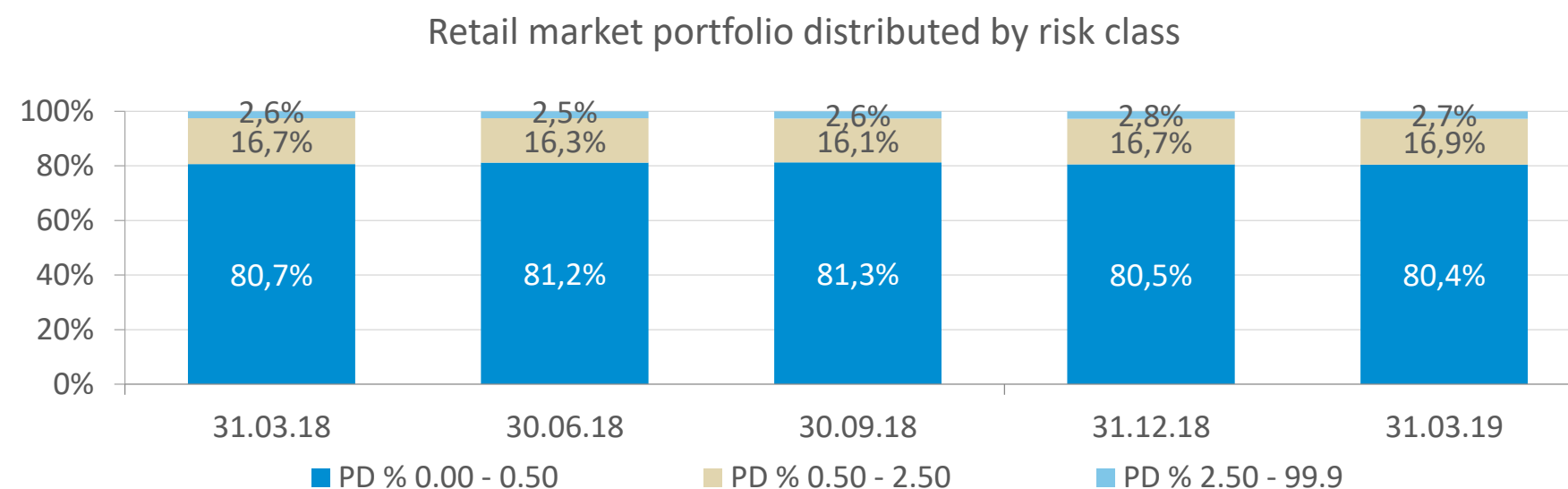
- The proportion of loans with a loan-to-value ratio of less than 85% is high.
  - 88.4% of the exposure is within 85% of the assessed value of collateral.



*In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.  
The figures include the loan portfolio in the covered bond companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).*

# 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 low risk profile is achieved through prudent customer selection and requirements for moderate LTV. Most of the portfolio is secured against a mortgage on real estate, and lending is overall moderate compared to asset value.



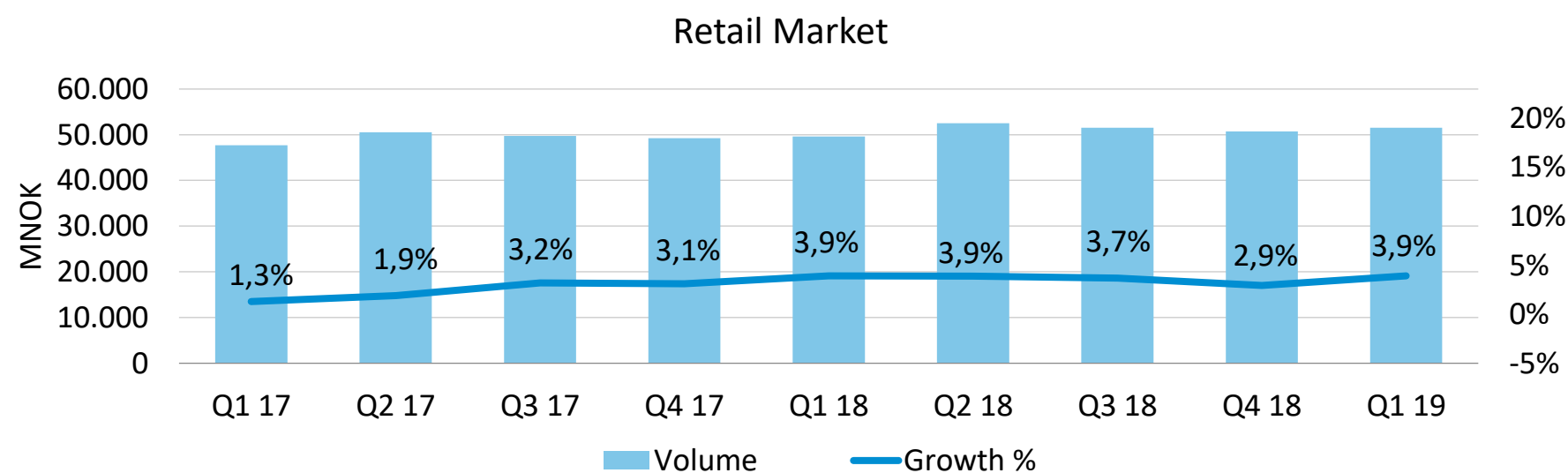
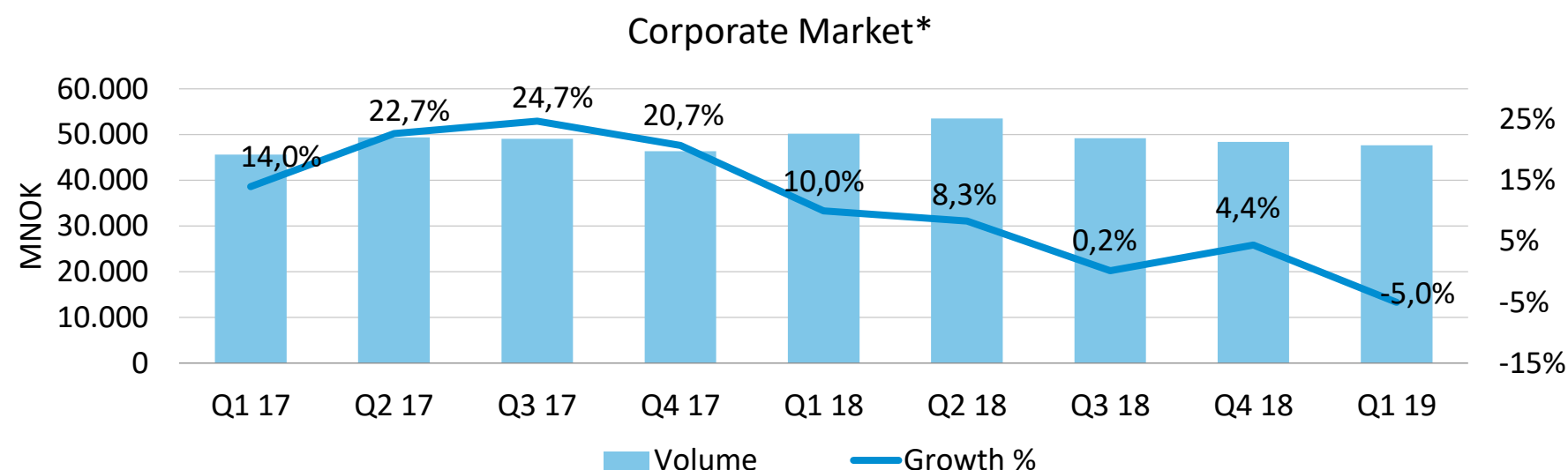
\*Probability of default (PD) through a full cycle of loss.

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



# Deposits volume and 12 month growth

- Last 12 months deposits decreased by NOK 0.6 billion to NOK 99.0 billion.
  - Corresponds to an decrease in the period of 0.6%.
  - Deposit growth is 4.7% at 1. quarter 2019 excl. deposits from public sector.
- Increased deposit growth in the corporate market (incl. capital market) in 2017 is due to larger deposits from public sector.



# Ownership interests

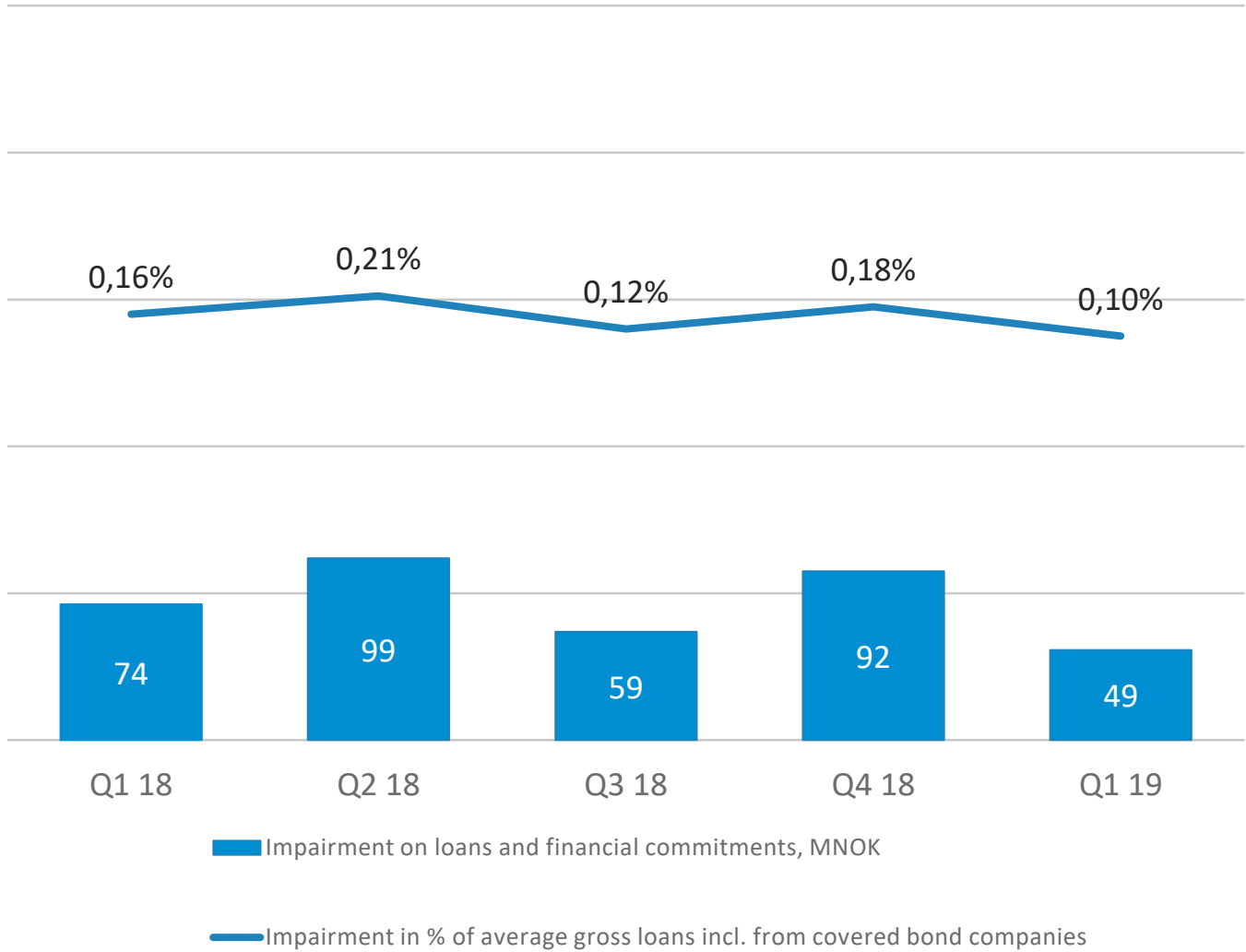
Ownership interests	MNOK	31.03.2019	31.03.2018
SpareBank 1 Gruppen AS	Interest ownership	19,5%	19,5%
	Profit after tax	38	36
	Profit effect merger	460	0
SpareBank 1 Boligkreditt AS	Interest ownership	4,8%	8,0%
	Profit after tax	3	1
SpareBank 1 Næringskreditt AS	Interest ownership	14,4%	19,2%
	Profit after tax	3	2
BN Bank ASA	Interest ownership	23,5%	23,5%
	Profit after tax	17	20
SpareBank 1 Kredittkort AS	Interest ownership	17,8%	17,9%
	Profit after tax	3	6
SpareBank 1 Betaling AS*	Interest ownership	19,8%	19,7%
	Profit after tax	-3	-3
	Adjusted profit previous years	14	-6
Other	Profit after tax	1	1
<b>Total ownership interests</b>	<b>Profit after tax</b>	<b>536</b>	<b>57</b>

\*All the SpareBank 1 banks own jointly SpareBank 1 Betaling AS, where SpareBank 1 SR-Bank ASA has a stake share of 19,8 %. As of 1 November 2018 SpareBank 1 Betaling owns a stock share of 22,04% in VBB AS, where VBB AS is a result of the fusion between Vipps AS, BankID AS and Bank Axxcept AS.

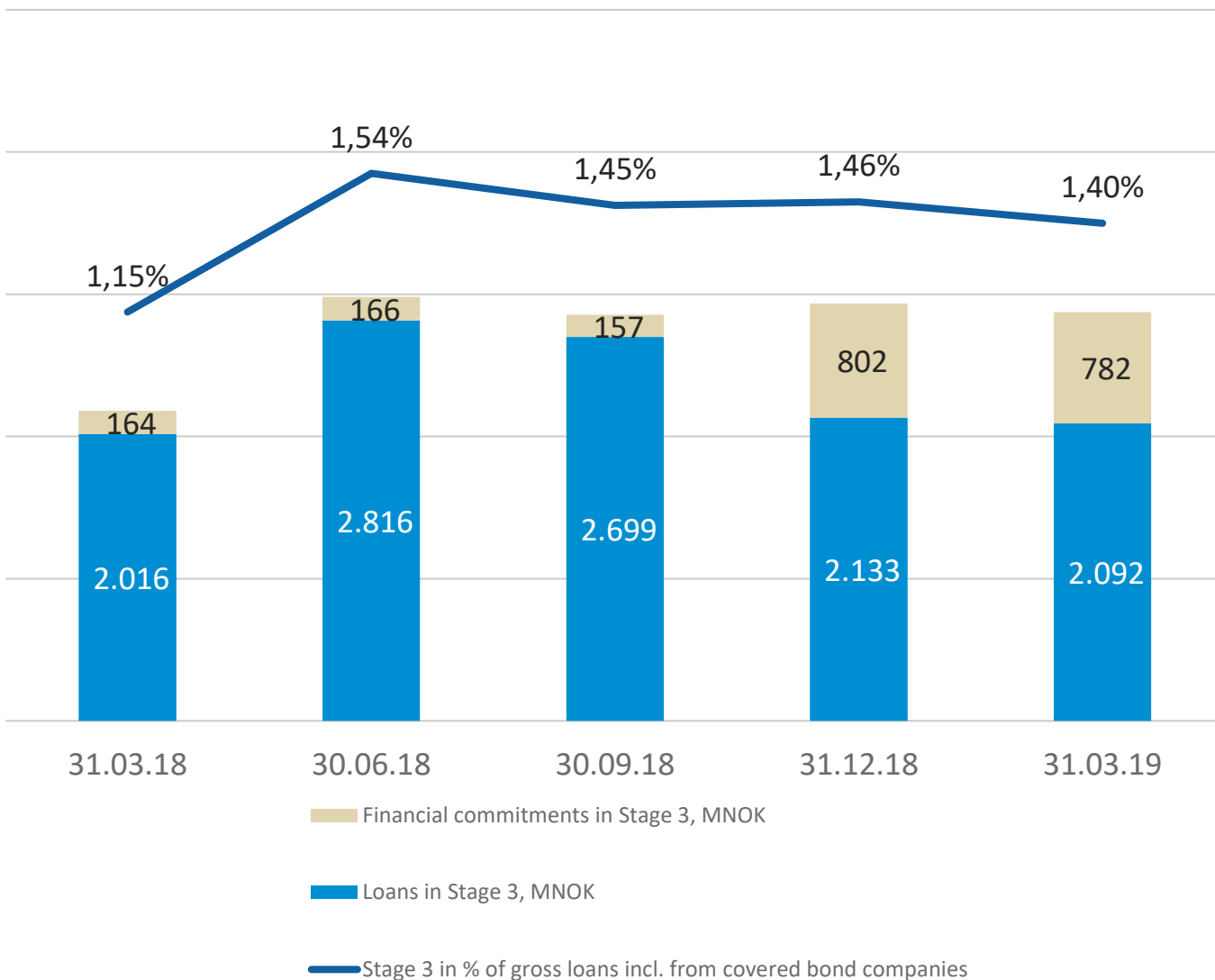


# Impairments on loans and financial commitments / Loans and financial commitments defined as Stage 3

Impairment on loans and financial commitments



Changes in gross loans and financial commitments defined as Stage 3





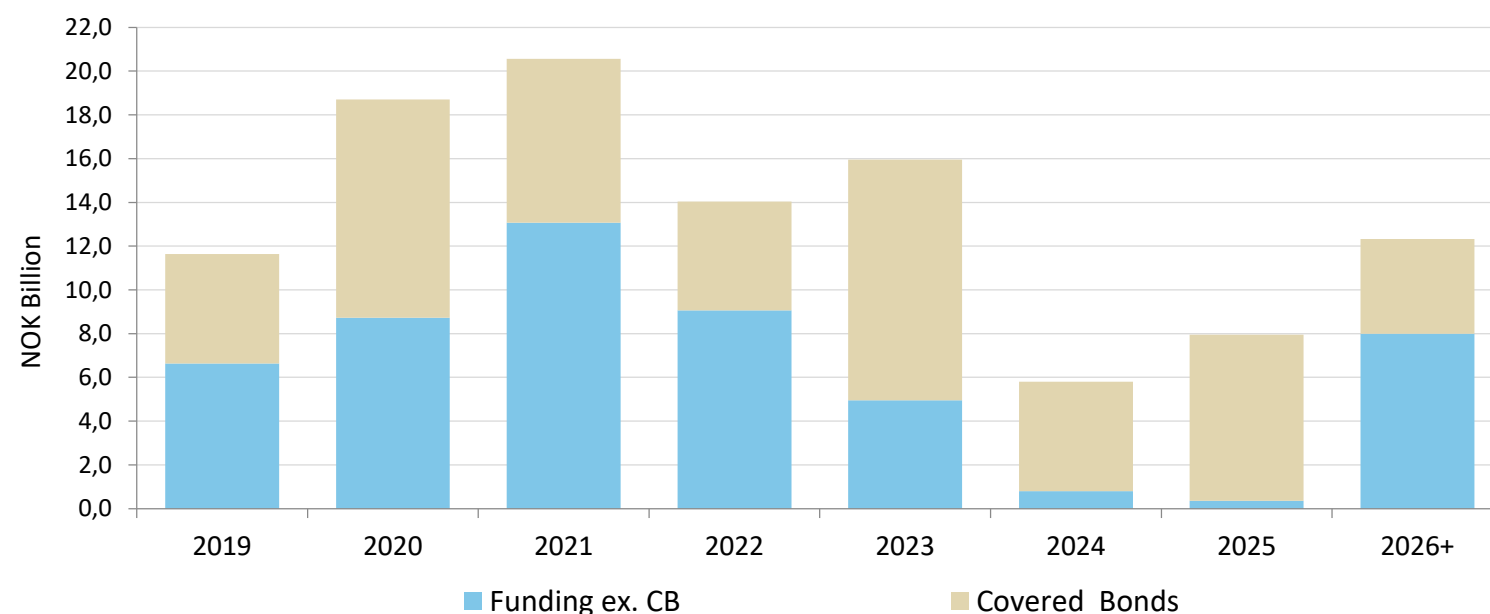
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# Funding

- NSFR\* 124%
- LCR\*\* 172%
- NOK 12.4 billion net refinancing need over the next 12 months
- Deposits to loans ratio 50,4%

Annual funding maturity



## 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.



# MREL

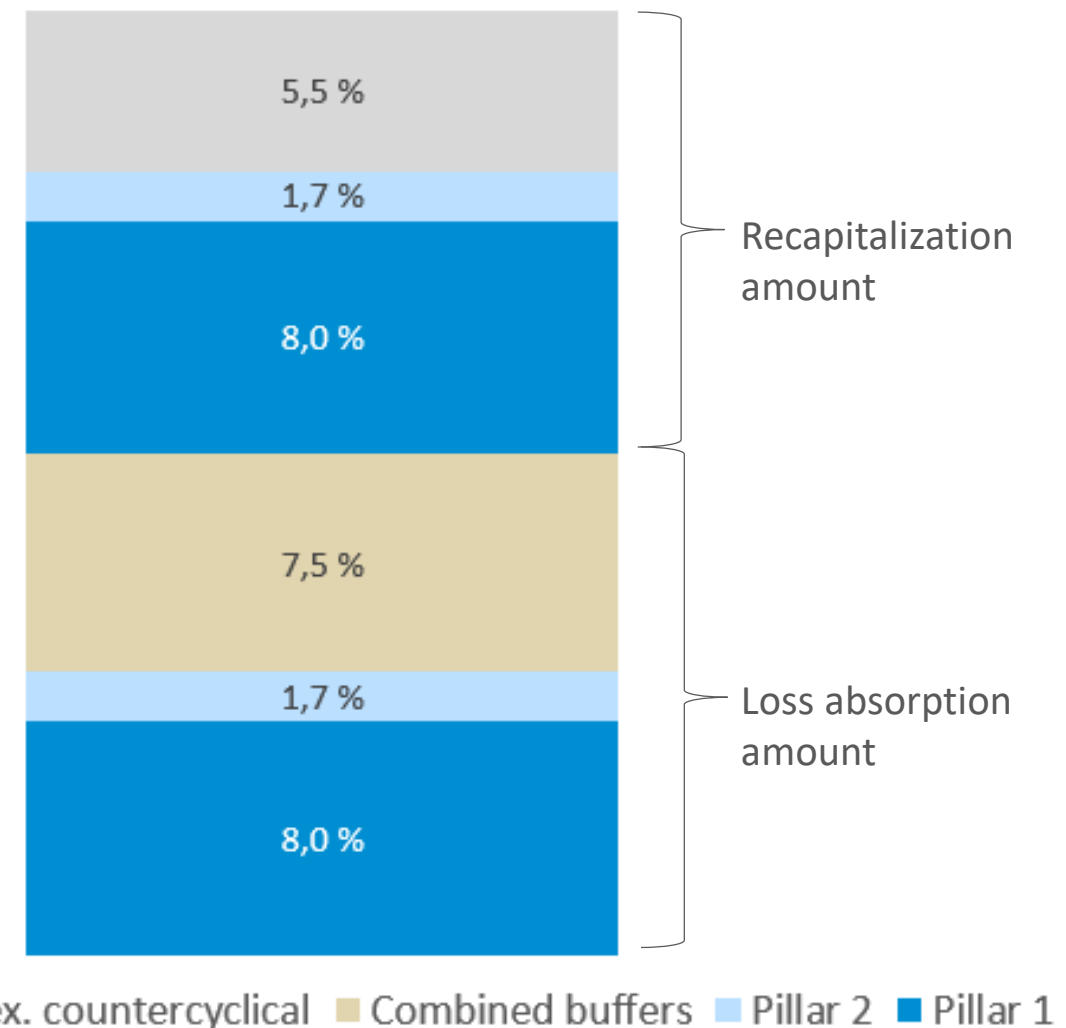
Main features from Ministry of Finance regulation based on «BRRD»:

- Issuers shall be fully MREL compliant by 31 December 2022.
- The FSA will set requirements individually for each bank.
- Covered bond issuers are exempt from MREL, also when the owning bank is consolidating. The FSA states, however, that the exposure the owning bank has towards the covered bonds issuer will be included when setting MREL requirements.

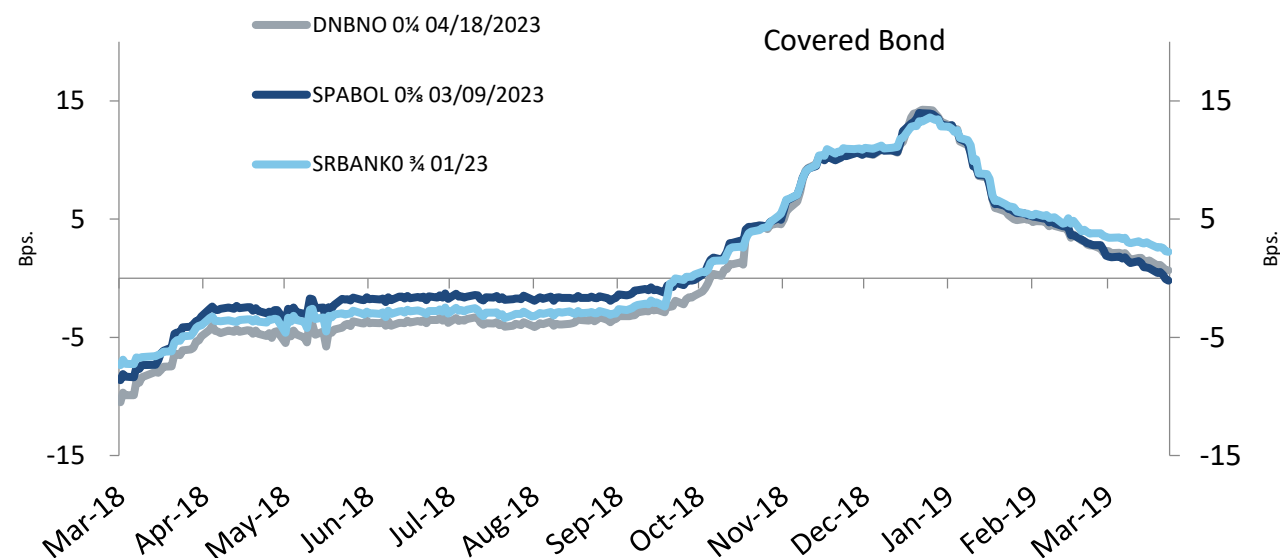
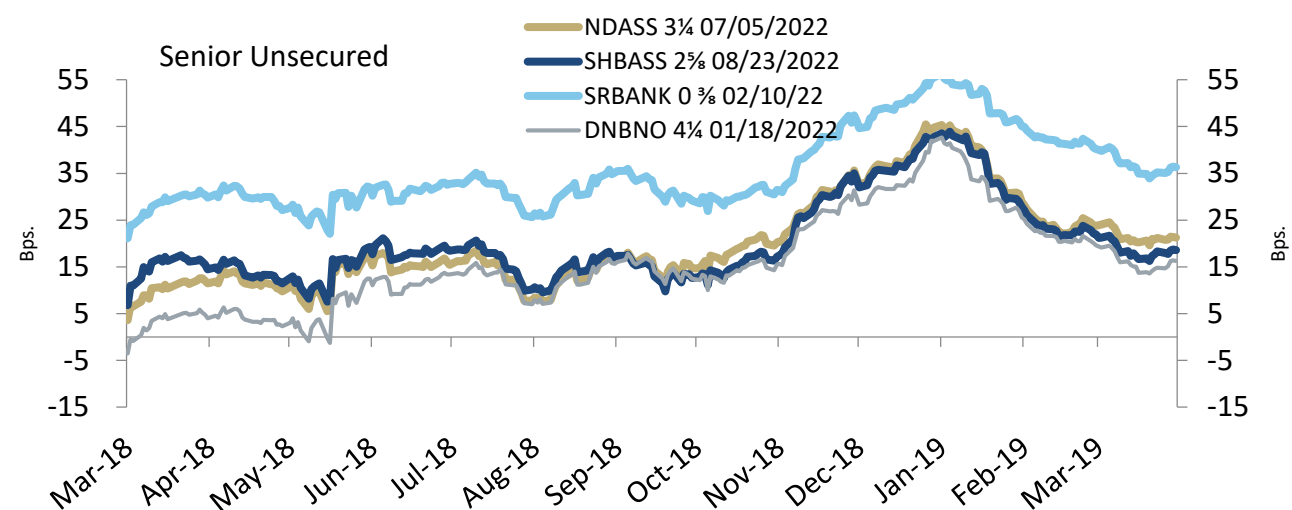
Uncertain outcome for SR-Bank:

- Total capital requirement including MREL = (P1 + P2 + Combined buffer requirement) x 2 - Countercyclical buffer x 1, see figure.
- Negotiations in the EU on «BRRD2» suggest a maximum level of MREL and compliance of requirements by 31 December 2024.
- Should SR-Bank be defined as systemic important the MREL-requirement will increase with 4 percentage points. However it is uncertain whether the need for bail-inable debt will increase since this is dependent on the development of the risk weighted balance.

MREL based on Ministry of Finance



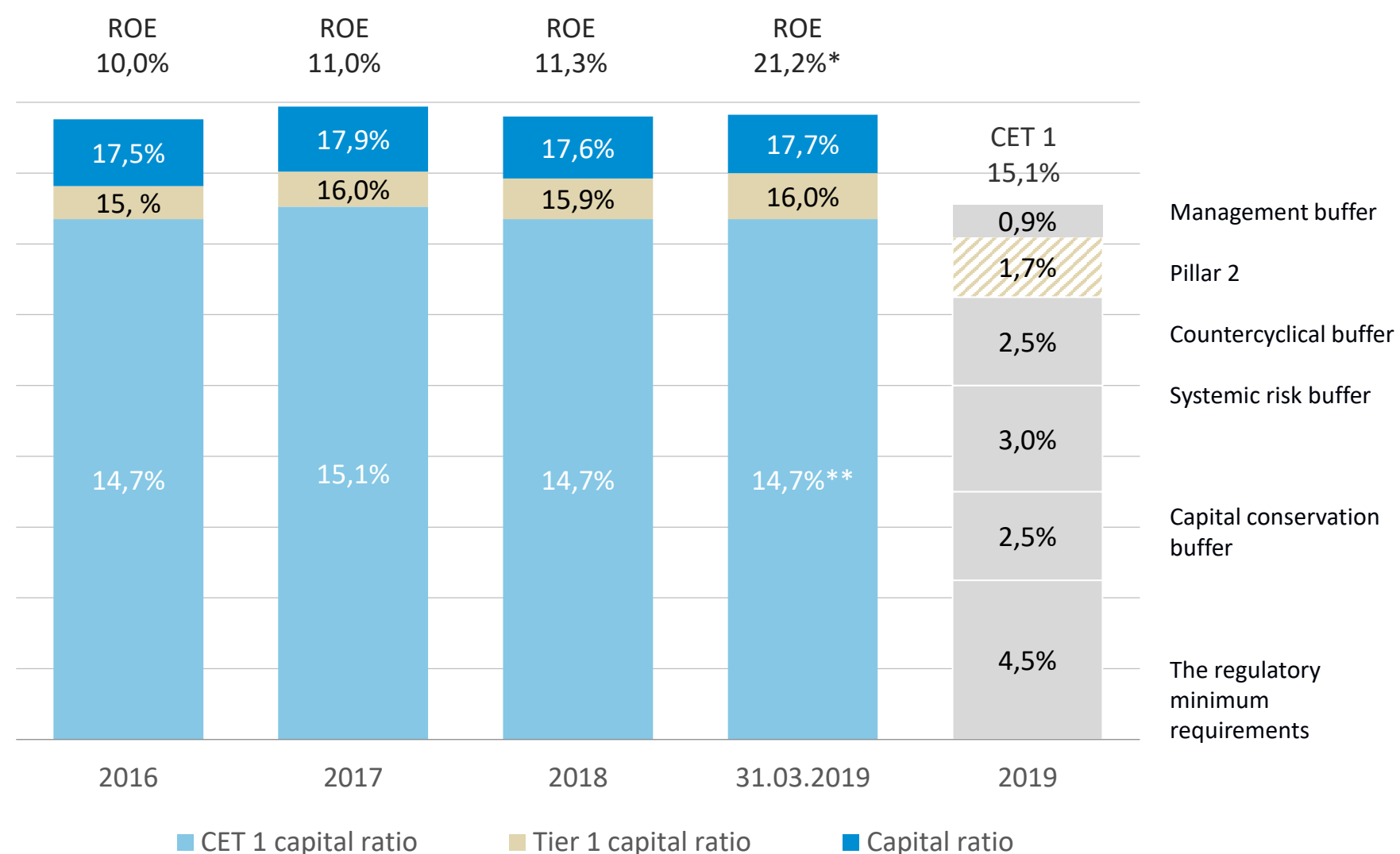
# An established borrower in the Euromarket



Issuer / Ticker	Coupon	Amount	Maturity	ISIN
SR-Bank / SRBANK	2,125%	EUR500mn	03-February-2020	XS0876758664
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%	EUR 500mn	3-October-2024	XS1692489583
SR-BOL / SRBANK	0,750%	EUR 750mn	17-October-2025	XS1894534343
SR-BOL / SRBANK	2,500%	USD600mn	12-April-2022	XS1596016847
SR-BOL / SRBANK	Nibor3m +34	NOK 5.000mm	25-November 2019	NO0010779176
SR-BOL / SRBANK	Nibor3m +35	NOK 5.000mm	10-September 2020	NO0010740152
SR-BOL / SRBANK	Nibor3m +29	NOK 5.000mm	17-November 2022	NO0010841380
SR-BOL / SRBANK	Nibor3m +29	NOK 5.000mm	29-May 2023	NO0010823255

# Solid capital ratio

- As of 31 March 2019, SpareBank 1 SR-Bank met all of the regulatory requirements by a good margin
- SpareBank 1 SR-Bank's Pillar 2 requirement has been set at 1.7%, down from 2.0% (set in 2016), with effect from 31 March 2019.
- The management buffer will be reduced to 0.9% from the first quarter of 2019
- In 2019, the Basel I-floor is expected to be removed and a discount for small and medium-sized loans will be introduced. Calculated positive effect for CET 1 is 1.4%.
- The countercyclical buffer will increase from 2.0% to 2.5% in the fourth quarter of 2019
- SpareBank 1 SR-Bank is not defined as a systemically important financial institution (SIFI).
  - The Financial Supervisory Authority of Norway has recommended that all undertakings that lend more than 10% of their total lending to the corporate market in one or more defined regions should be regarded as systemically important. SpareBank 1 SR-Bank ASA is covered by this proposal.
- The leverage ratio was 7.7% as at 31 March 2019, well above the minimum requirement being discussed and recommended internationally.



\*Return on equity excluding merger effects Fremtind Forsikring AS is 12.8%.

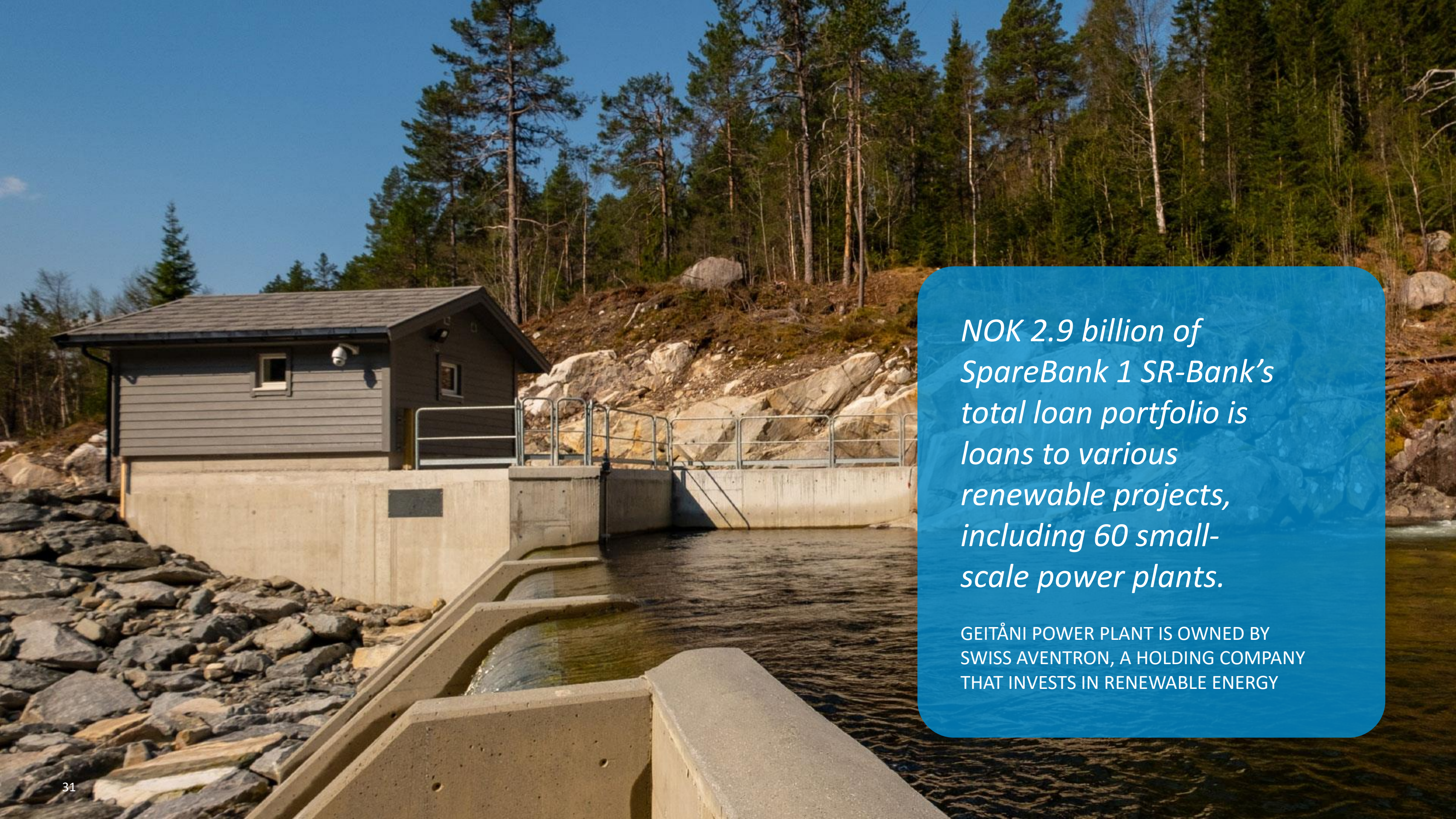
\*\*Calculation of CET 1 capital as of 31 March 2019 includes 50% of extraordinary income due to merger effects from Fremtind Forsikring AS. Alone this is an increase of 0,2% of the CET 1 capital



## Outlook – Expectations of further growth

- Positive growth in the Norwegian economy for 2019 will continue to produce increased growth in the group's market areas.
- Optimism in the business. Companies are reporting increased investments and improved profitability.
  - Norwegian unemployment rate reduced to lowest in 10 years
- Norges Bank raised its key rate by 0.25 percentage points in March 2019 and one new rate hike are expected going further into 2019.
- The housing market is expected to be stable with some increase in price and a moderate increase in the number of new housing projects starting up.
- Profitable lending growth, moderate impairments on loans and financial commitments, growth in other operating income and good cost control will contribute to achieving the group's long-term return on equity target of a minimum 12%.
- Solid earnings from a robust business model and capital optimisation of the balance sheet means the group is well-positioned to maintain a solid capital base, while ensuring good competitiveness and normalised dividends.
- Meeting the future head on, including by establishing a separate business area for strategy, innovation and development.
  - Investing in new technology and intensifying the focus on developing new products to ensure customers have the best products on the market.
- Geographic expansion, digitalisation and growth will provide the basis for transforming from a regional savings bank to a bank for the whole of Southern Norway.





*NOK 2.9 billion of SpareBank 1 SR-Bank's total loan portfolio is loans to various renewable projects, including 60 small-scale power plants.*

GEITÅNI POWER PLANT IS OWNED BY SWISS AVENTRON, A HOLDING COMPANY THAT INVESTS IN RENEWABLE ENERGY





## More than 100 years of experience with renewable energy

- In 1913, we funded the first renewable project - the 'small power plant' at Himsfossen in Suldal.
- The bank has more than 60 different small power plants as part of its overall lending portfolio.
- Number 13 of the UN's Sustainable Development Goals is 'Stop climate change' and this has been chosen as one of the three goals that we will place extra focus onto from now.
- Going forward, we have committed to increasing our proportion of loans to renewable energy.





## Fighting money laundering is high up on our agenda

- Significant resources are used by the group to fight financial crime, laundering the proceeds of crime and the funding of terrorist activities.
- In recent years, both our general and specific expertise in AML has increased and expanded across the group.
- Good routines and systems have been established to minimise the risk of money laundering through the bank, which has been confirmed in a recently received report from the Financial Supervisory Authority of Norway.
- These systems and routines uncover more transactions in a positive way that are reviewed thoroughly before they are reported to the relevant authorities, if applicable.
- The status of anti-money laundering work is a fixed agenda item for the group management team.





GRÜNDER  
HUB

## We have invested in the future and created new jobs in communities

- 19 different classes have been conducted since autumn 2015.
- More than 145 startups have taken part.
- 275 entrepreneurs have acquired new knowledge.
- More than 300 new jobs have been created.
- Total turnover close to NOK 100 million.
- More than NOK 110 million in equity has been built up.
- Company assets totalling NOK 1.3 billion have been created.



## APPENDIX

1) Macro

1) SpareBank 1 SR-Bank



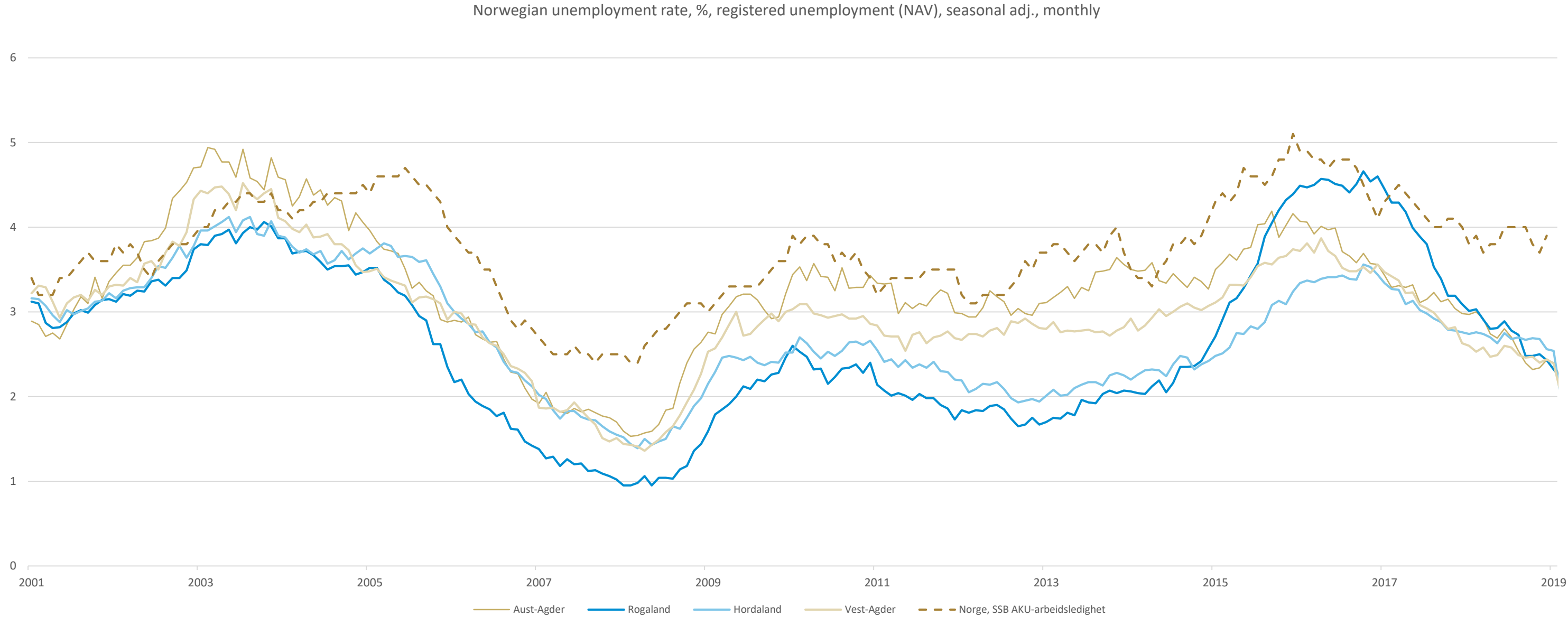
# Robust economy supported by a large sovereign wealth fund and a sound framework for annual spending



Economic Indicators (%)	2011	2012	2013	2014	2015	2016	2017	2018	2019P	2020P	2021P	2022P
GDP mainland, annual change (%)	1,9	3,7	2,3	2,2	1,4	1,1	2,0	2,2	2,4	2,3	2,0	1,9
Household consumption, annual change (%)	2,3	3,5	2,8	2,1	2,6	1,3	2,2	2,0	2,2	2,3	2,3	2,3
Public consumption, annual change (%)	1,0	1,6	1,0	2,7	2,4	2,1	2,5	1,5	1,8	1,8	1,6	1,6
Investment mainland, annual change (%)	5,0	7,4	2,9	0,4	-0,2	10,7	7,0	0,7	2,1	1,7	1,0	1,0
Investment public sector	1,1	-1,8	11,8	4,4	0,2	6,7	3,6	6,6	1,7	1,4	1,3	1,0
Investment offshore oil and gas, annual change (%)	11,4	14,6	19,0	-1,8	-12,2	-16,0	-3,8	3,3	12,9	-0,6	1,0	1,5
Oil price, USD/bbl. Actual	111	112	109	99	53	45	55	72	65			
Inflation rate (CPI) %	1,2	0,8	2,1	2,0	2,1	3,6	1,8	2,7	2,3	1,7	1,9	2,1
3 month NIBOR %	2,9	2,2	1,8	1,7	1,3	1,1	0,9	1,1	1,4	1,9	2,3	2,3
Mortgage rate %	3,6	3,9	4,0	3,9	3,2	2,6	2,6	2,6	3,0	3,4	3,8	3,8
Household savings ratio	5,9	7,1	7,4	8,2	10,3	7,1	6,9	6,5	6,7	7,5	8,2	8,2
Unemployment rate (registered at labour office)*	2,6	2,6	2,7	2,7	3,0	3,0	2,7	2,4	2,3	2,2	2,3	2,4
HH sector real disposable income, annual change (%)	4,1	4,4	3,9	2,9	5,5	-1,7	1,4	2,4	2,1	2,7	2,6	2,2
Current account surplus, share of GDP (%)	12,4	12,5	10,3	10,5	8,1	4,0	5,7	8,1	8,1	9,7	9,7	9,4
Sovereign Wealth Fund, share of mainland-GDP (%). Actual	150	160	190	230	270	270	290	290				

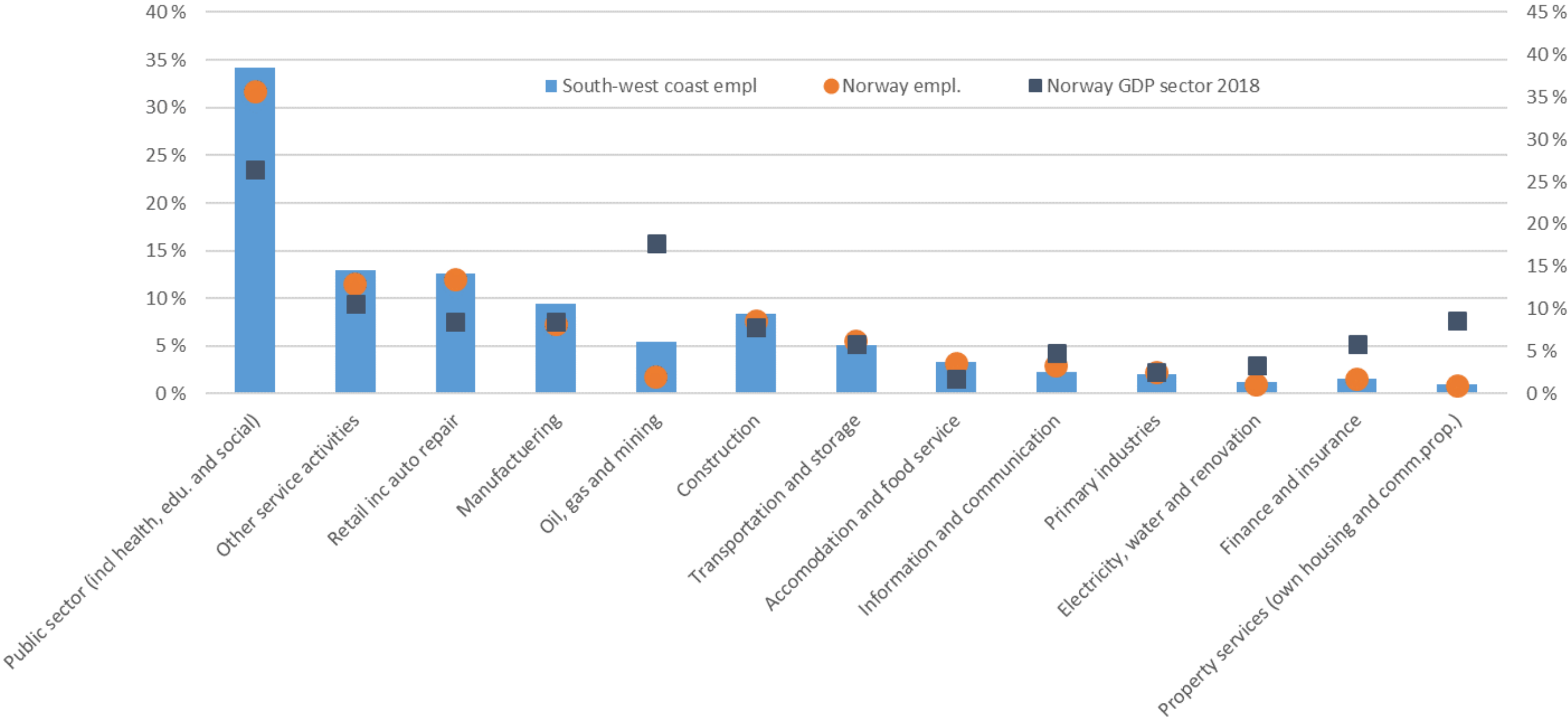
# Norwegian unemployment rate (NAV\*) reduced to lowest in 10 years

Marked reduction in Rogaland and lower than country average



# Employment (and GDP) by sector

Employment (and sector GDP) in Norway and the region in 2018. Share (%) in sectors



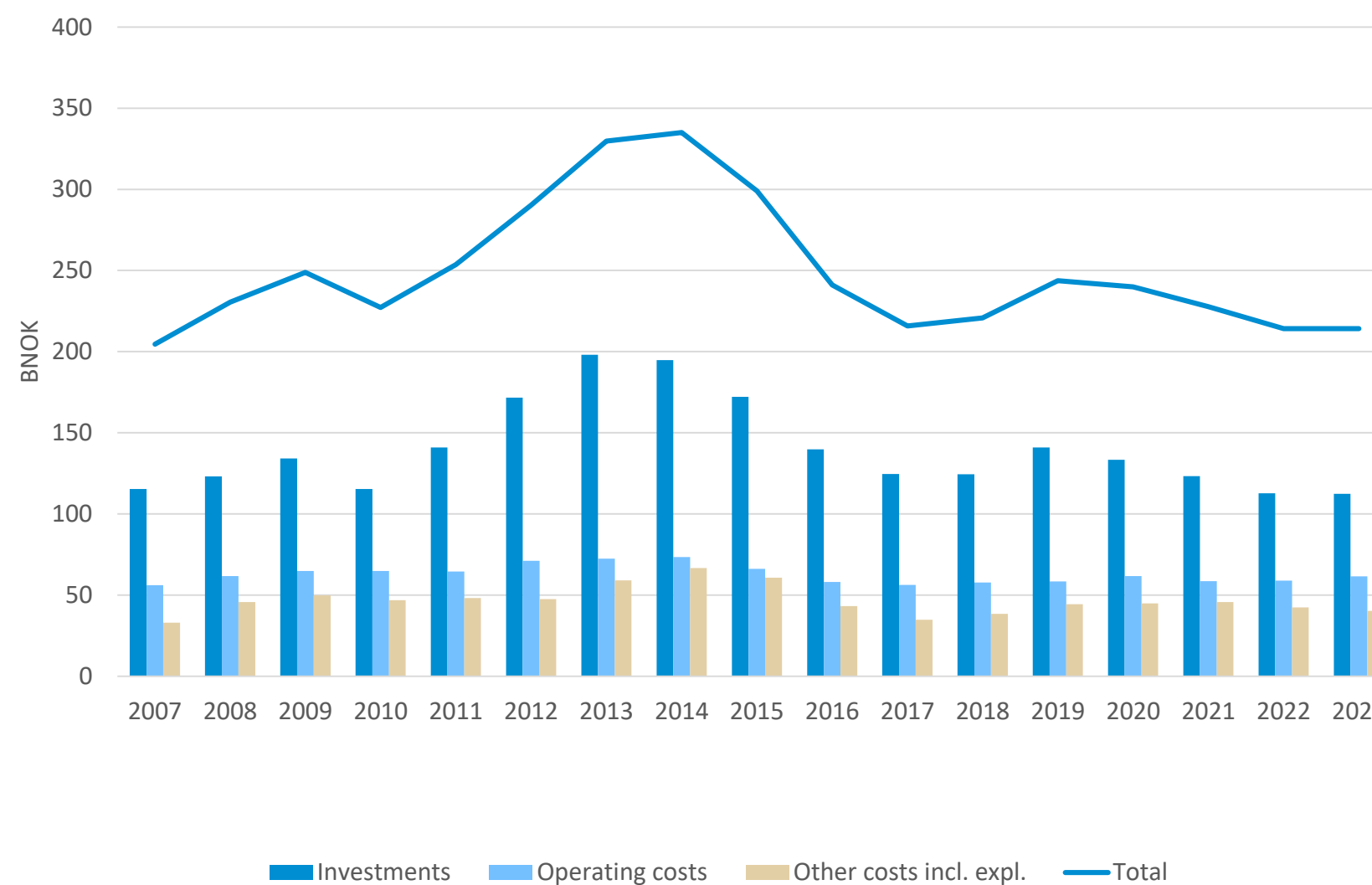


# Petroleum activity on the NCS increasing by 10-15% in 2019

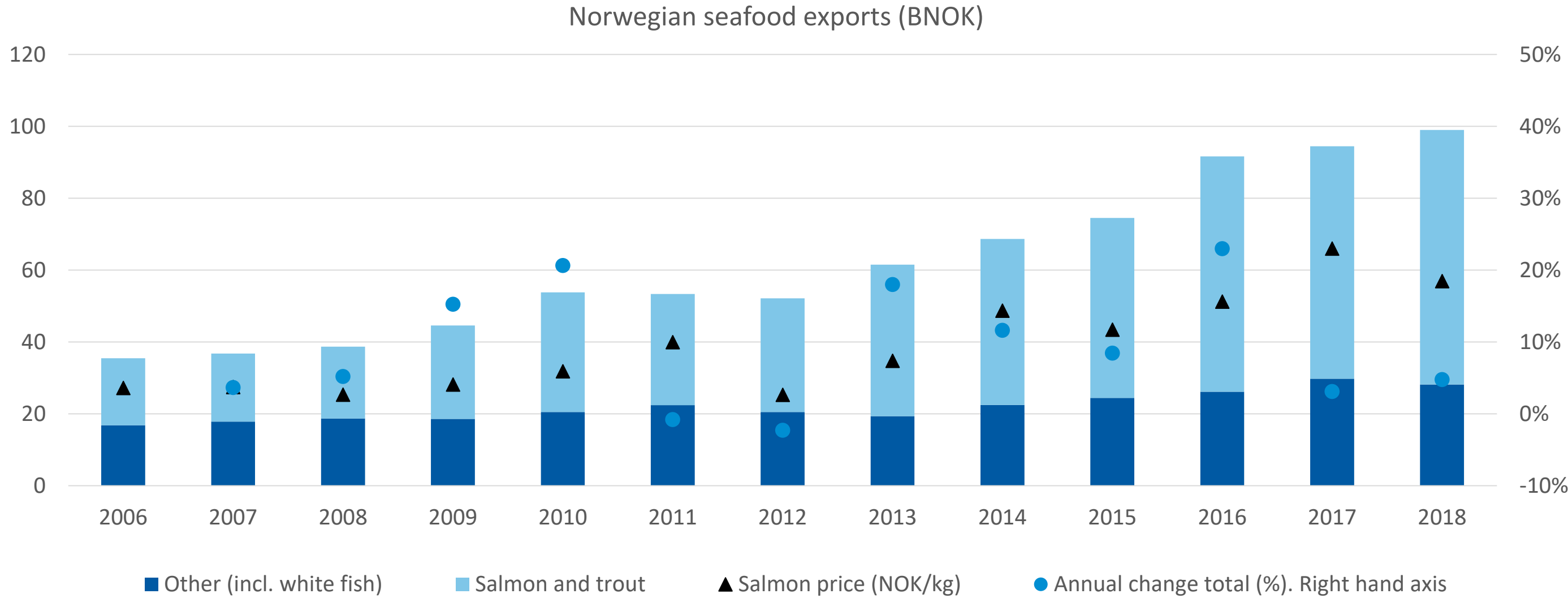
Following marked reduction from 2014 to 2017 the activity is now increasing in 2019

- Total activity increased by over 60% from 2007 to 2014. Thereafter, total activity was reduced by 35% to 2017. Activity increased by 2% in 2018. The NPD expects an increase in total activity of 10% in 2019 and then somewhat lower as a result of lower investments.
- Investments are more volatile than operating costs. According to investment statistics from Statistics Norway (not shown in the graph), investments increased by 3% in 2018 and will increase by 14% in 2019 and level out in 2020 and 2021.
- The operating costs, which are important for the activity in the region, are more stable. According to NPD these were reduced by about 25% from 2014 to 2017 and are expected to be stable in 2019 and increase somewhat in 2020.

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

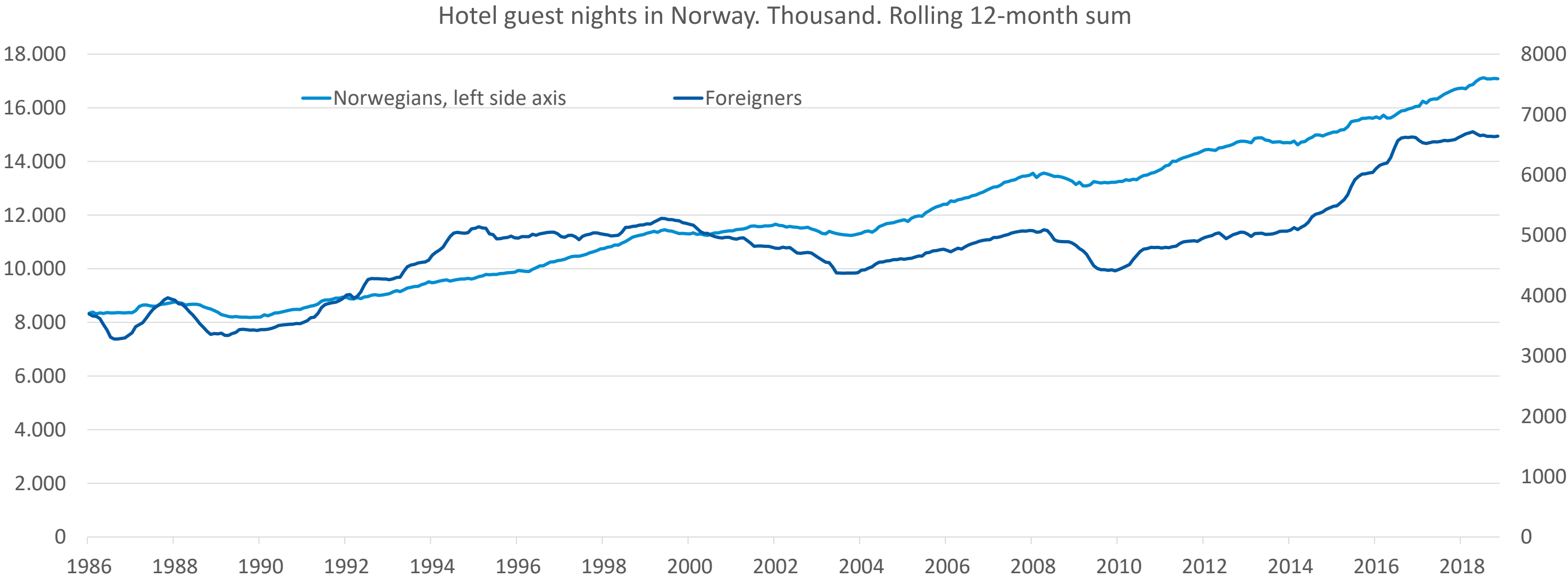


# Norwegian seafood exports doubled since 2012



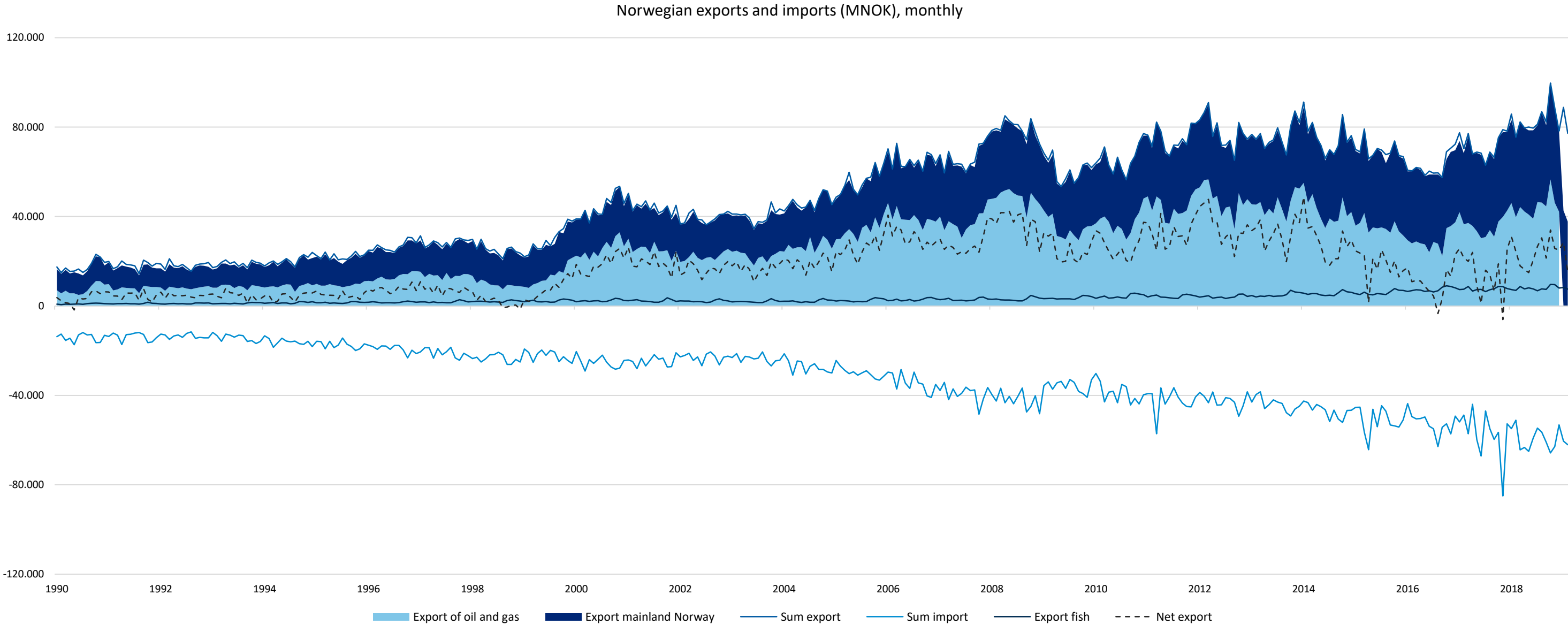
Source: Norwegian Seafood Council

# Norwegian hotels – guest nights by foreign and domestic

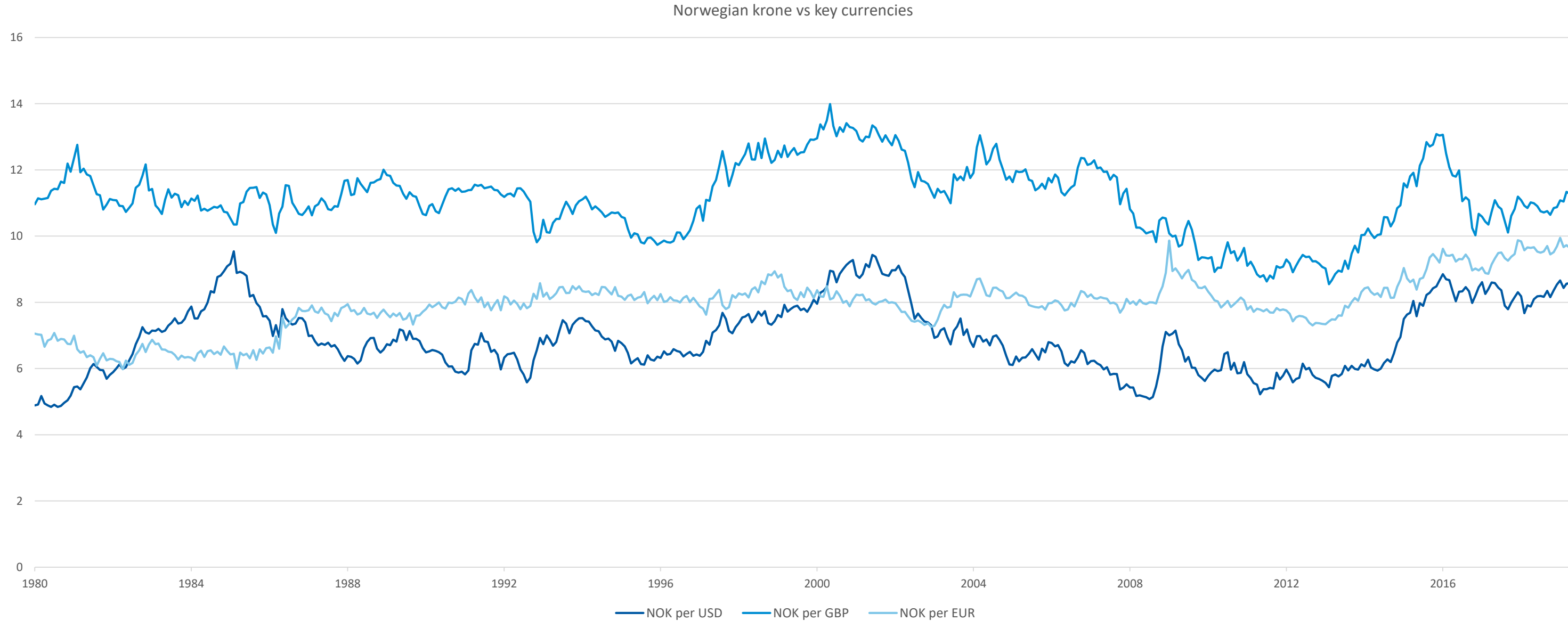




# Norwegian exports and imports

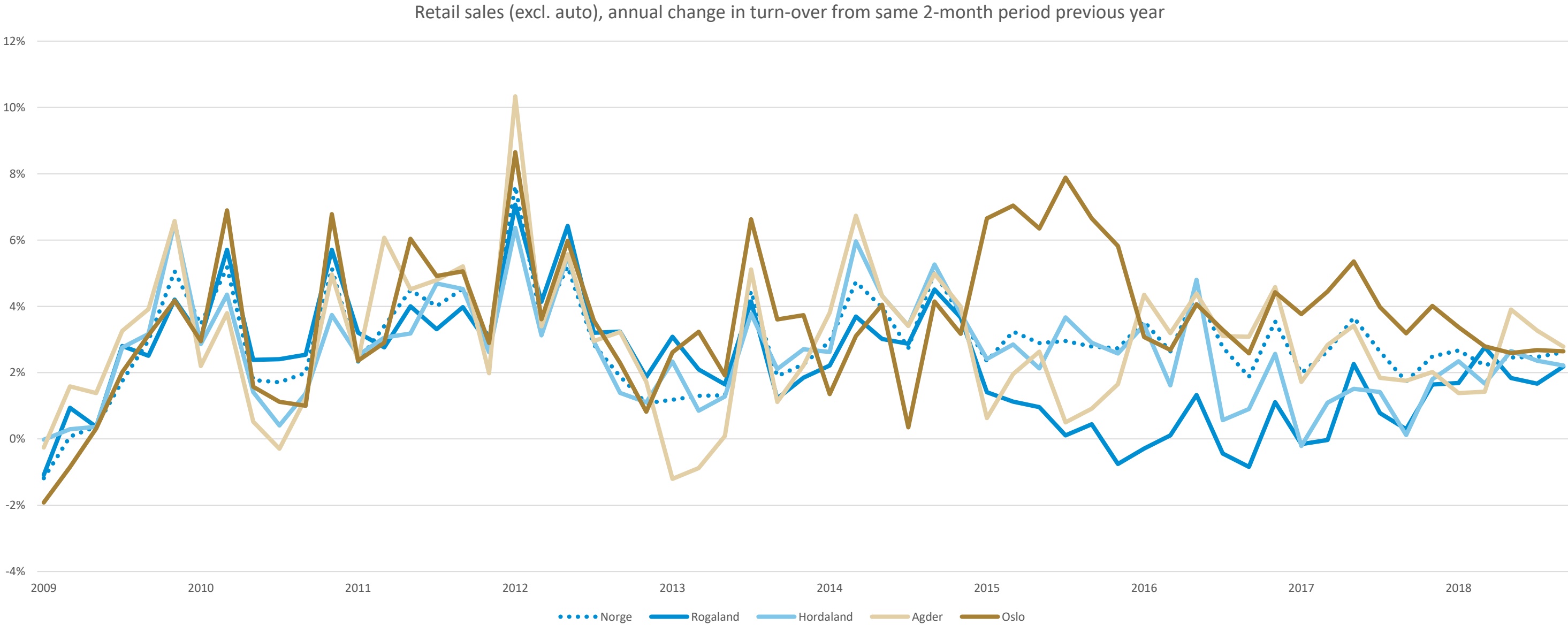


# Norwegian krone vs key currencies



# Retail trade in Norway has increased by two to four percent

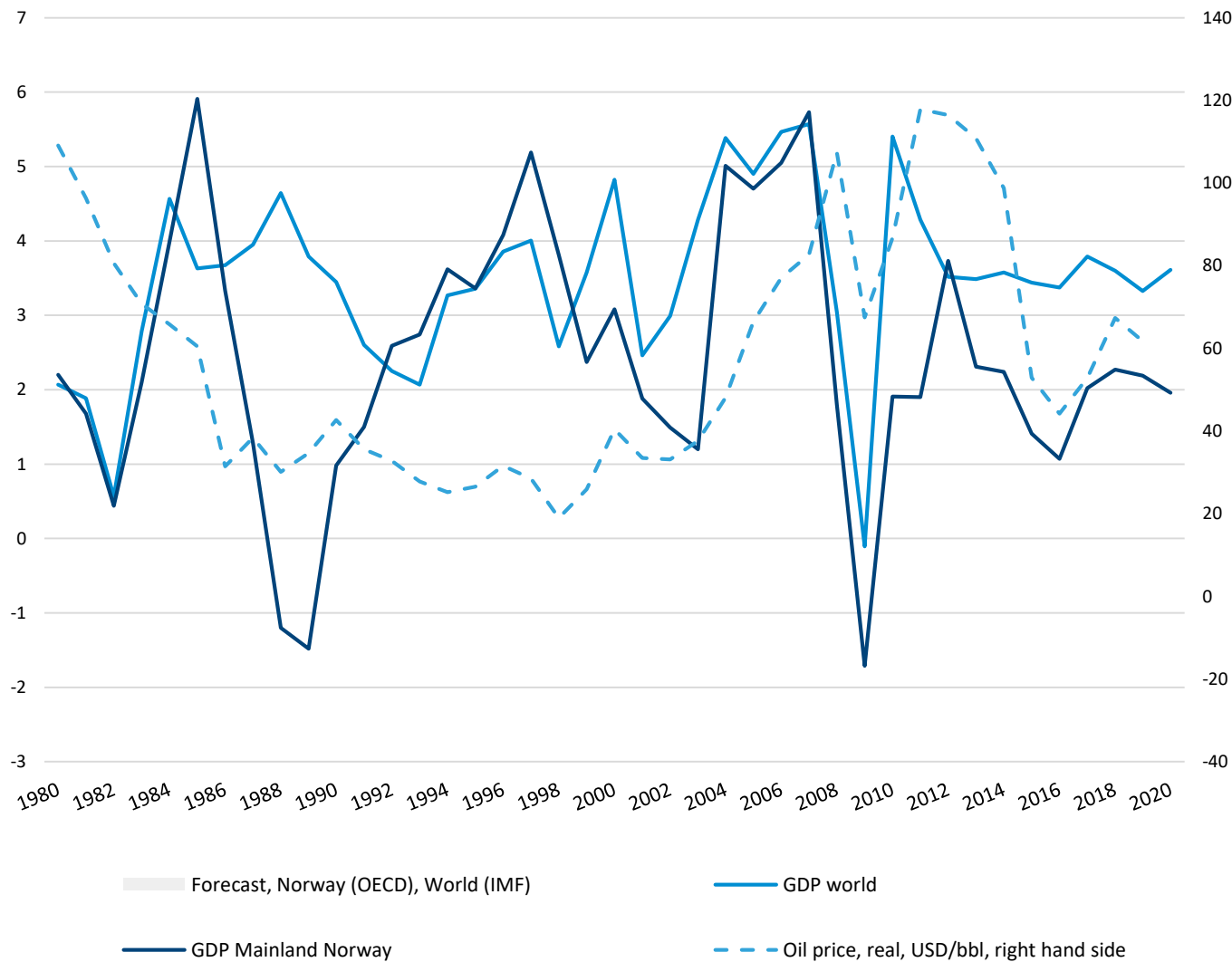
Growth has been highest in Oslo, but growth abated and is now around 2-3% in the counties



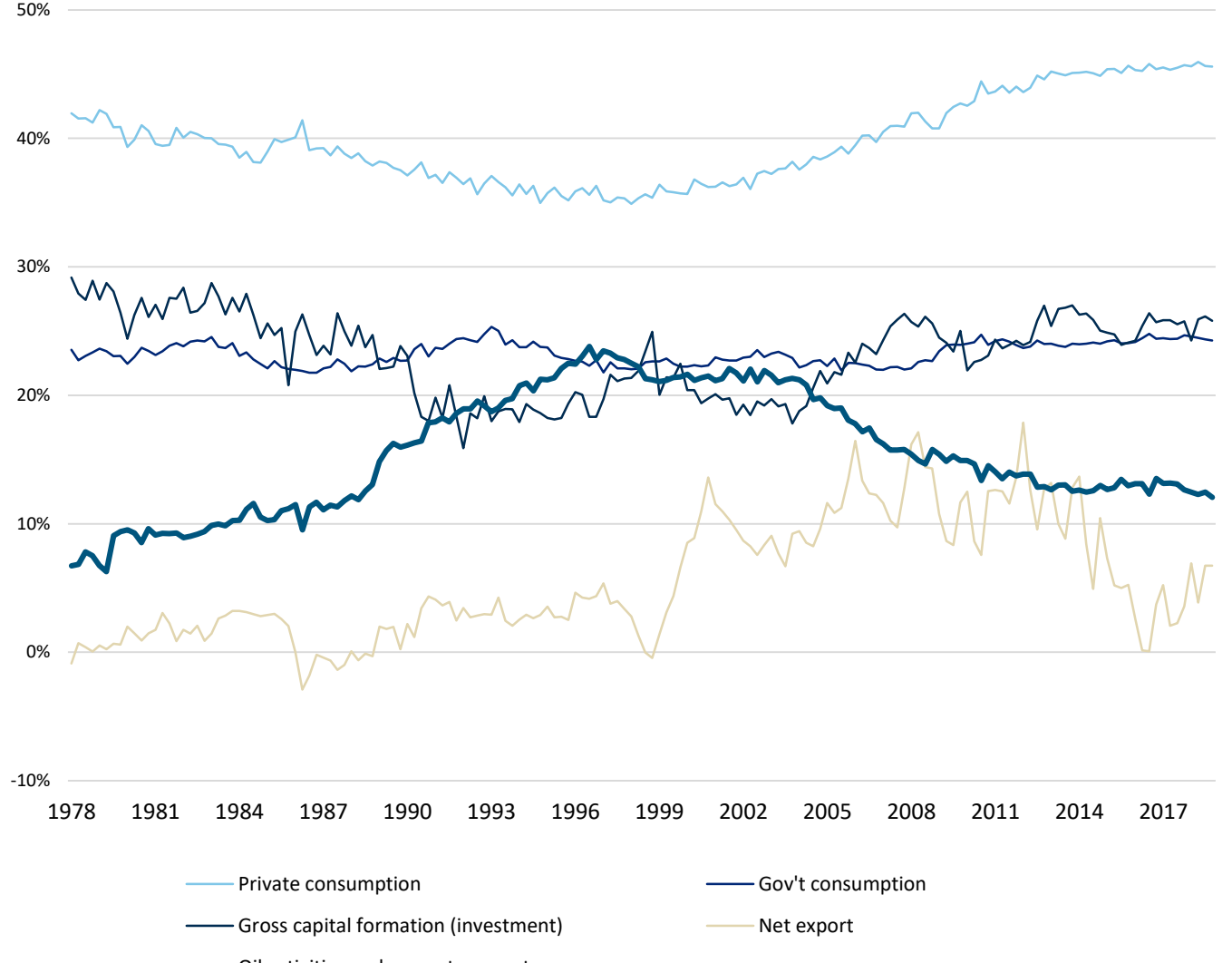


# Norwegian Economy – GDP

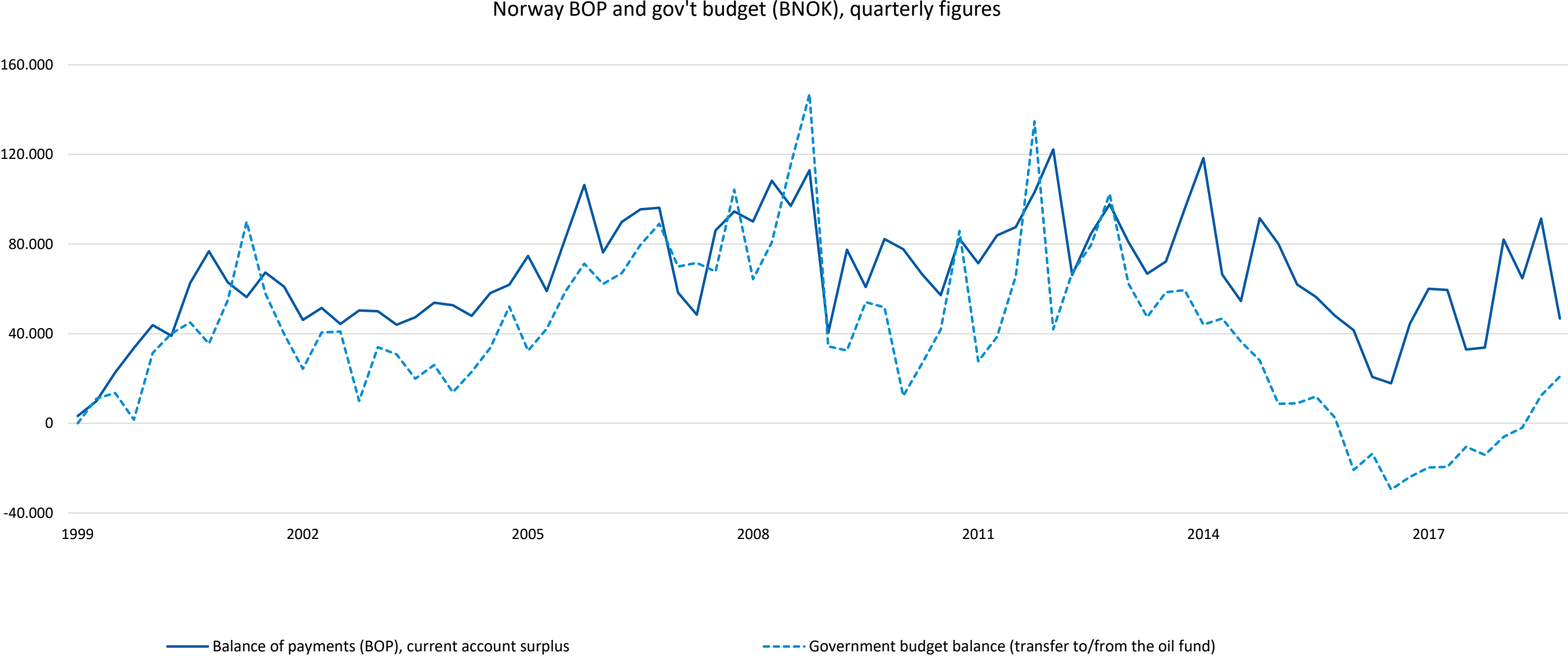
Norwegian economy, global economy and the oil price, annual change (%)



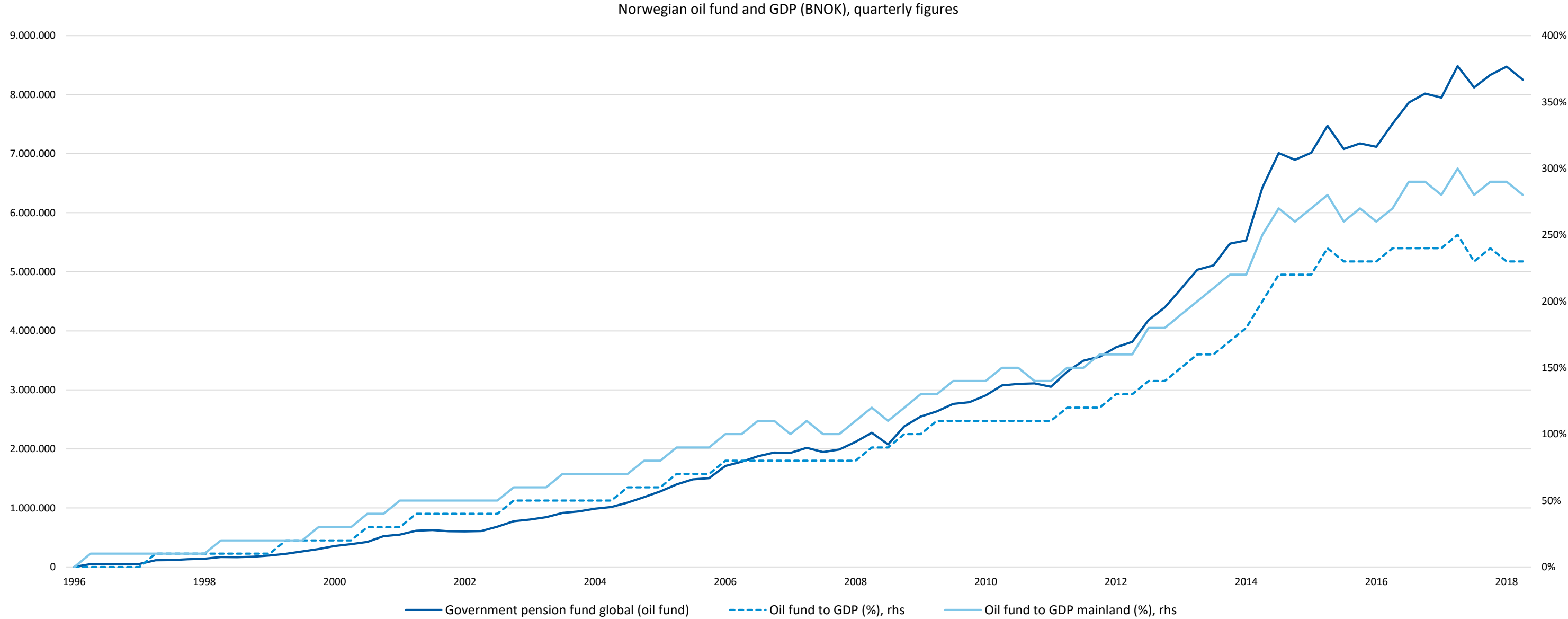
Norwegian economy, GDP decomposed, share of GDP



# Norway balance of payments and government budget



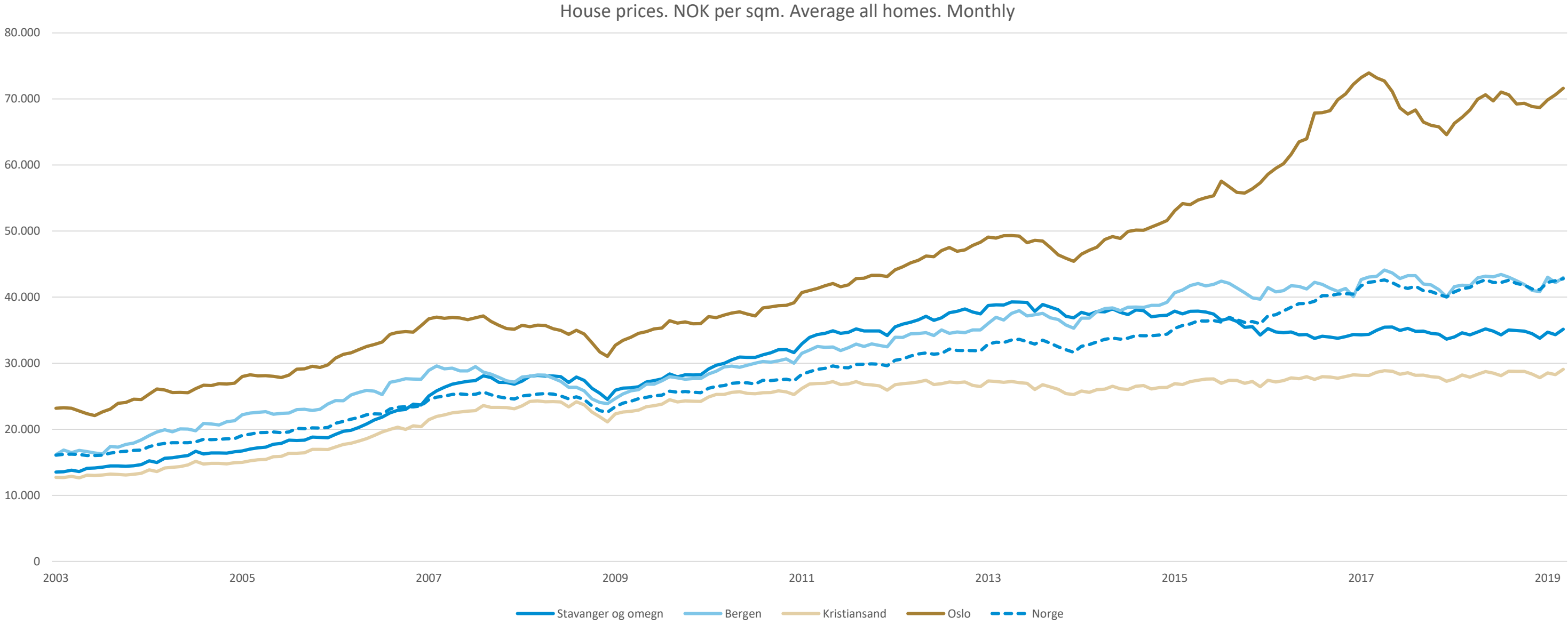
# Norway oil fund and GDP





# House prices in Norway slightly higher last 12 months

## Stable in most counties, but somewhat more volatile in Oslo





# APPENDIX

1) Macro

1) 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

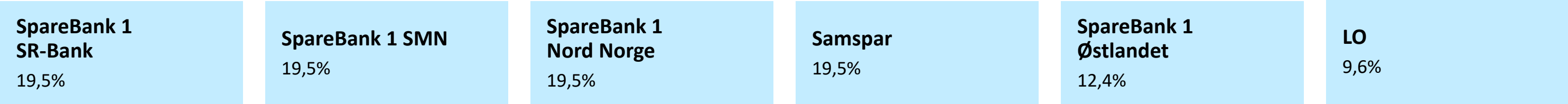
- Return on equity of 11.5% after tax in 2019. The longer term (2020) target is a minimum of 12%.
- Top 50% return on equity and cost/income in a Nordic benchmark

## Strategic focus

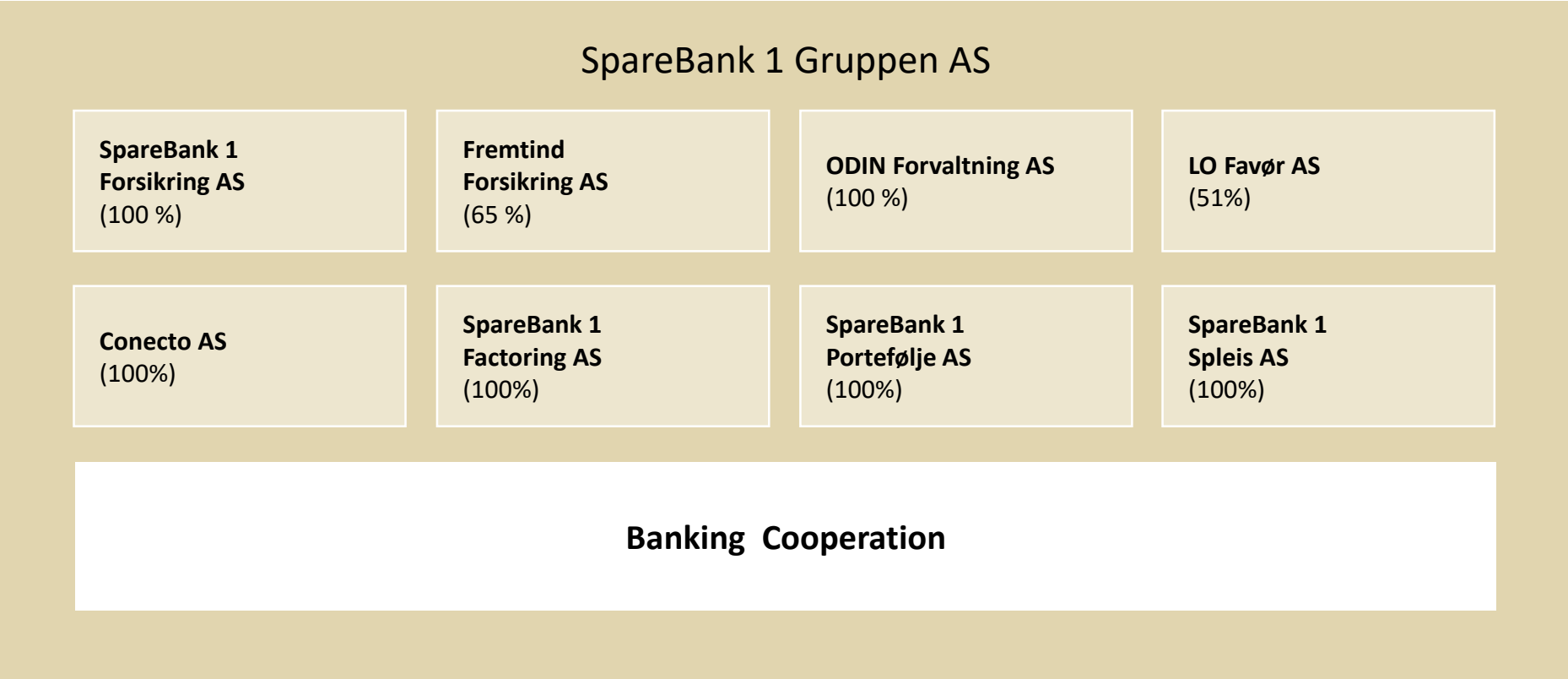
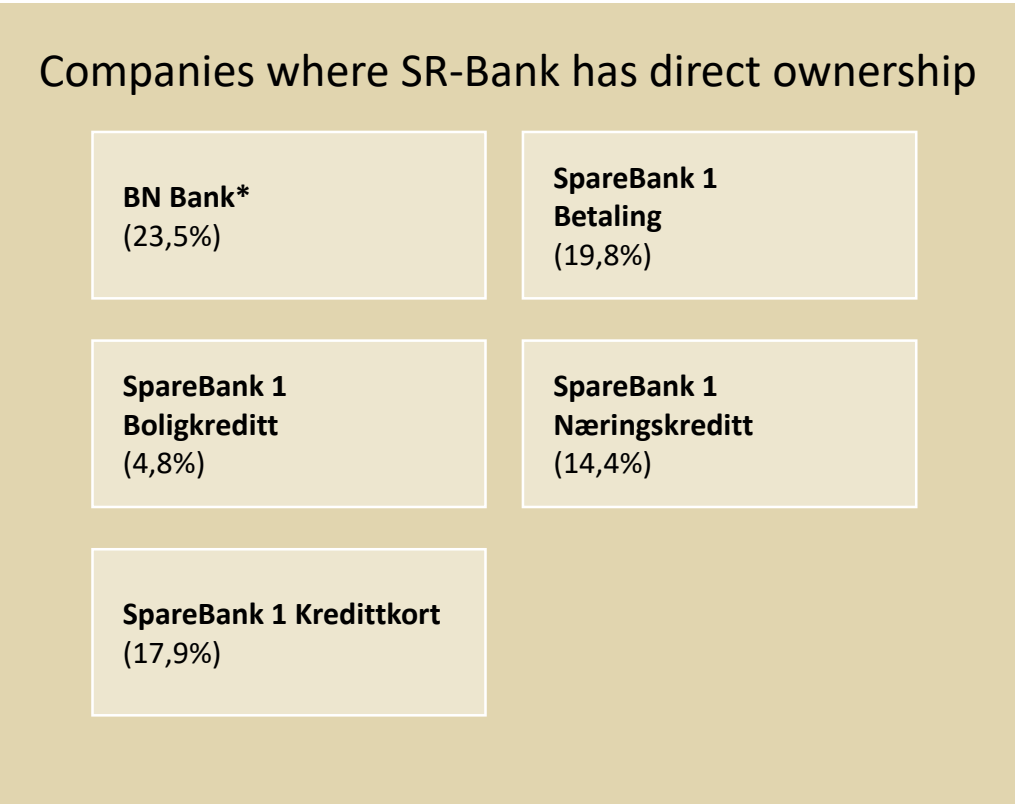
- Digital development and transformation of existing business models
- Innovation by use of partnership, technology and data
- Cost-effective and selective growth, increased product- and diversification portfolio.
- High portfolio quality



# 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

\*The stake will increase to 35% in the second quarter of 2019 in connection with an agreement on changing the ownership model in BN Bank ASA.

# Balance sheet

Balance sheet (MNOK)	31.03.2019	31.03.2018
Cash and balances with central banks	468	217
Balances with credit institutions	1.750	5.060
Net loans to customers	195.229	173.008
Certificates, bonds and other fixed-income securities	32.477	28.876
Financial derivatives	4.868	3.870
Shares, ownership stakes and other securities	928	738
Business available for sale	0	0
Investment in associates	3.931	4.026
Other	2.275	1.575
<b>Total assets</b>	<b>241.926</b>	<b>217.370</b>
Balances with credit institutions	998	2.351
Deposits from customers	98.991	99.626
Listed debt securities	110.021	87.860
Financial derivatives	3.491	2.216
Other liabilities	2.558	1.751
Additional Tier 1 and Tier 2 capital instruments	2.753	3.166
<b>Total liabilities</b>	<b>218.812</b>	<b>196.970</b>
<b>Total equity</b>	<b>23.114</b>	<b>20.400</b>
<b>Total liabilities and equity</b>	<b>241.926</b>	<b>217.370</b>

## Net commission and other income

MNOK	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Payment facilities	62	66	72	59	63
Savings/placements	46	47	49	48	52
Insurance products	46	46	47	47	49
Commission income real estate broking	99	98	94	109	81
Guarantee commission	24	25	29	20	34
Arrangement- and customer fees	26	22	17	32	28
Accounting services SpareBank 1 Regnskapshuset SR	27	24	20	28	27
Other	3	6	2	4	4
<b>Net commission and other income excl. covered bond companies</b>	<b>333</b>	<b>334</b>	<b>330</b>	<b>347</b>	<b>338</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	8	16	19	23	30
<b>Net commission and other income incl. covered bond companies</b>	<b>341</b>	<b>350</b>	<b>349</b>	<b>370</b>	<b>368</b>



## Net income on investment securities

MNOK	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Dividends	19	0	0	1	11
Investment income, associates	536	113	94	102	57
Securities gains/losses	90	-51	42	69	5
- of which capital change in shares and certificates	62	11	56	90	6
- of which capital change in certificates and bonds	-3	-57	-70	-50	-72
- of which derivatives; bonds and certificates	31	-5	56	29	71
Currency/interest gains/losses*	31	6	39	41	40
- of which currency customer- and own-account trading	29	24	21	48	42
- of which value change basis swap spread	-13	-33	10	-13	-2
- of which counterparty risk derivatives including CVA	1	-1	1	0	0
- of which IFRS-effects	14	16	7	6	0
<b>Net income on investment securities</b>	<b>676</b>	<b>68</b>	<b>175</b>	<b>213</b>	<b>113</b>

\*On 1 January 2018, the group changed its accounting policies for recognizing the effects of basis swaps due to the implementation of IFRS 9. When a basis swap is designated as 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	31.03.2019	31.03.2018
EiendomsMegler 1 SR-Eiendom AS	Number of sales	1.633	1.466
	Operating profit before tax	2	0
SR-Forvaltning AS	Capital under management (BNOK)	12	11
	Operating profit before tax	7	9
FinStart Nordic AS	Operating profit before tax	9	23
SpareBank 1 Regnskapshuset SR AS	Operating profit before tax*	1	1
SR-Boligkreditt AS	Operating profit before tax	106	107
Other	Operating profit before tax	-9	-14
<b>Total subsidiaries</b>	<b>Operating profit before tax</b>	<b>116</b>	<b>126</b>

\*The result to Regnskapshuset SR includes amortization of intangible assets of NOK 0.5 million (NOK 0.5 million per 31.03.2018).

# Ownership interests

Ownership interests	MNOK	31.03.2019	31.03.2018
SpareBank 1 Gruppen AS	Interest ownership	19,5%	19,5%
	Profit after tax	38	36
	Profit effect merger	460	0
SpareBank 1 Boligkreditt AS	Interest ownership	4,8%	8,0%
	Profit after tax	3	1
SpareBank 1 Næringskreditt AS	Interest ownership	14,4%	19,2%
	Profit after tax	3	2
BN Bank ASA*	Interest ownership	23,5%	23,5%
	Profit after tax	17	20
SpareBank 1 Kredittkort AS	Interest ownership	17,8%	17,9%
	Profit after tax	3	6
SpareBank 1 Betaling AS**	Interest ownership	19,8%	19,7%
	Profit after tax	-3	-3
	Adjusted profit previous years	14	-6
Other	Profit after tax	1	1
<b>Total ownership interests</b>	<b>Profit after tax</b>	<b>536</b>	<b>57</b>

\*The stake will increase to 35% in the second quarter of 2019 in connection with an agreement on changing the ownership model in BN Bank ASA.

\*\*All the SpareBank 1 banks own jointly SpareBank 1 Betaling AS, where SpareBank 1 SR-Bank ASA has a stake share of 19,8 %. As of 1 November 2018 SpareBank 1 Betaling owns a stock share of 22,04% in VBB AS, where VBB AS is a result of the fusion between Vipps AS, BankID AS and Bank Axccept AS.



# Impairments on loans and financial commitments

Impairments in income statement (MNOK)	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Impairments Corporate customers	41	96	62	100	66
Impairments Retail customers	8	-4	-3	-1	8
<b>Net impairments on loans</b>	<b>49</b>	<b>92</b>	<b>59</b>	<b>99</b>	<b>74</b>

Impairments on loans and financial commitments (MNOK)*	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018
Impairments Corporate customers	1.172	1.168	1.300	1.274	1.208
Impairments Retail customers	164	166	167	192	186
<b>Total impairments on loans and financial commitments</b>	<b>1.336</b>	<b>1.334</b>	<b>1.467</b>	<b>1.466</b>	<b>1.394</b>

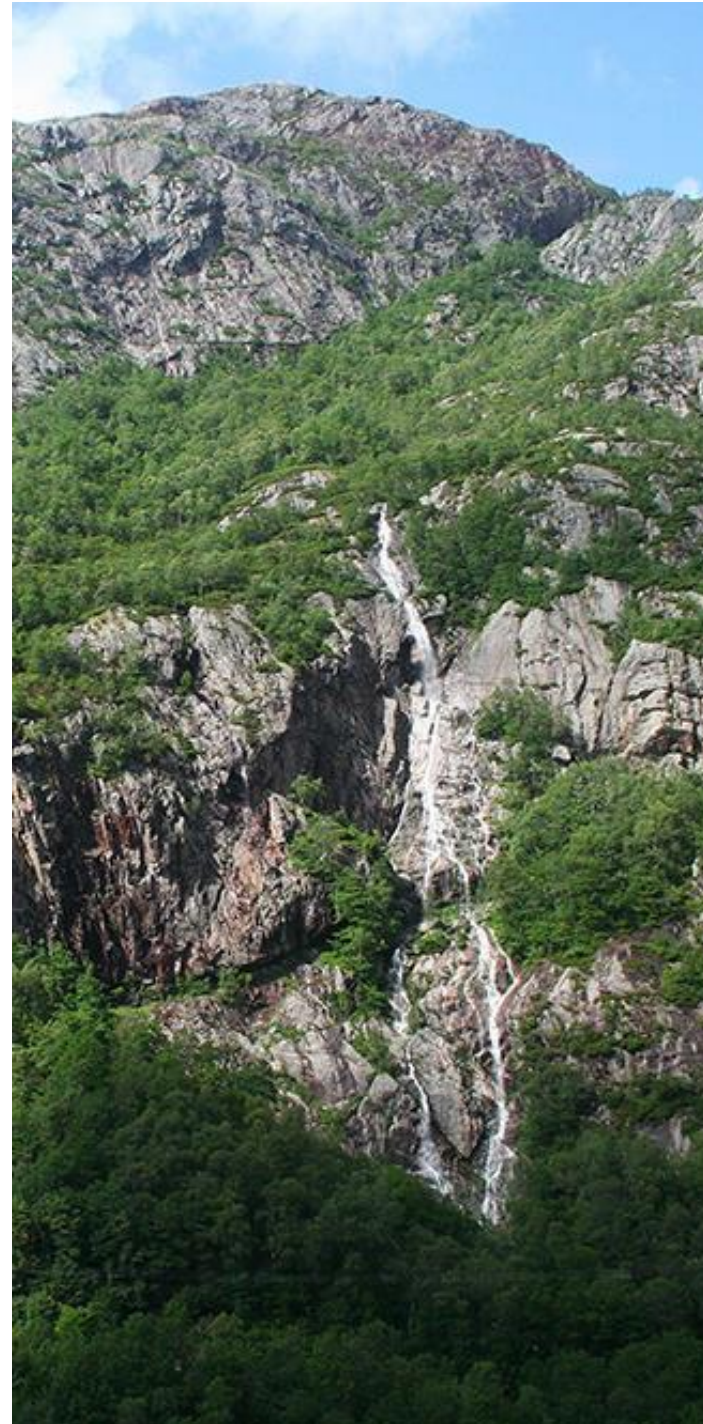
\*31 March 2018 is recalculated due to updated data.

**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, the Agder counties and Hordaland as well as Oslo and Akershus within the large customer segment
- The bank's set clear requirements for loan activities in the corporate market
  - The activities that are financed must have a long-term perspective
  - The group must be very familiar with the ownership and management of the company
  - All financing decisions are based on the customer's debt-servicing capacity and a lack of debt-servicing capacity may not be compensated for through higher security
  - Shipping and offshore related financing (including significant parts of oil-related activities) are handled by centralized expertise



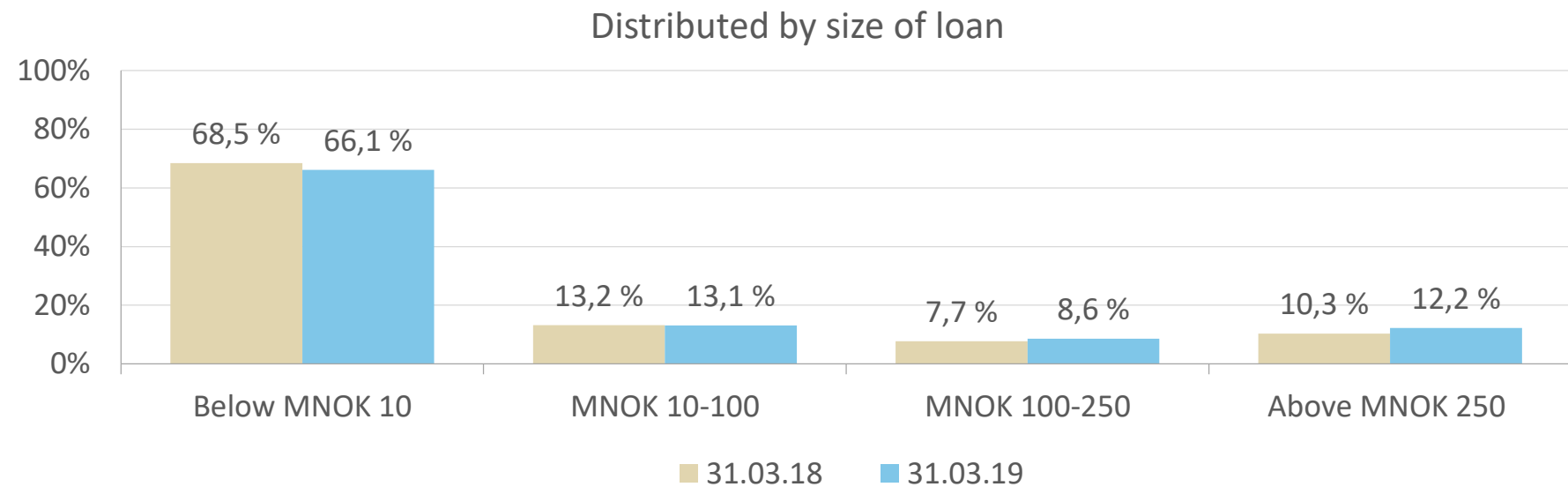
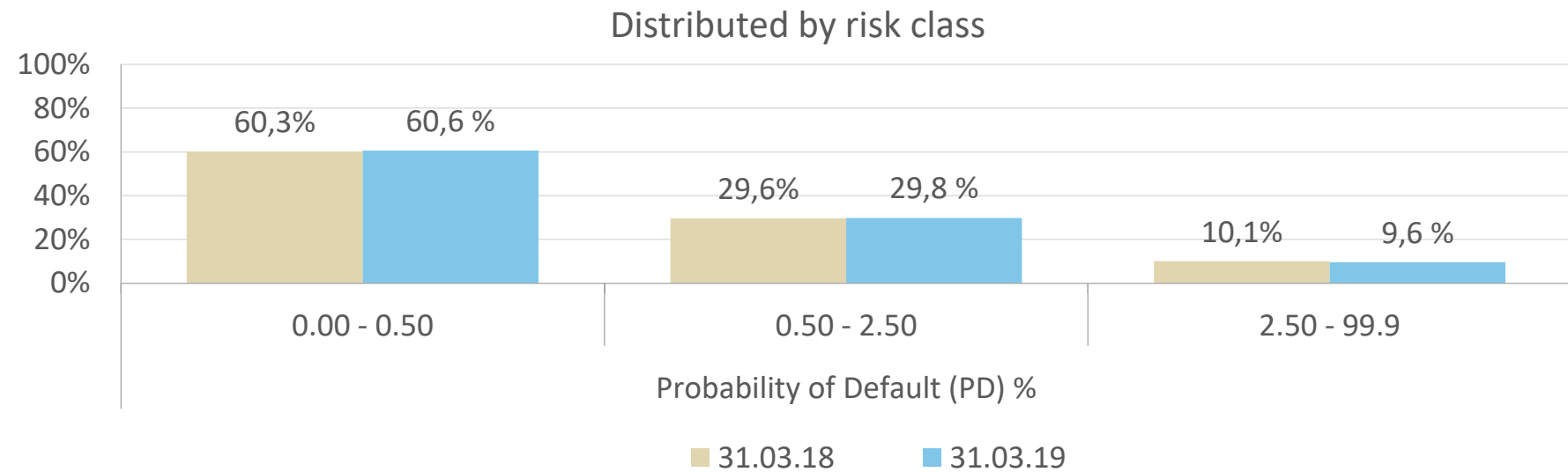


- The bank sets specific limits for the size of commitments as well as requirements concerning industry diversification
  - The maximum total exposure to an individual customer must be significantly lower than the regulatory requirements
  - The maximum unsecured exposure to an individual customer must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

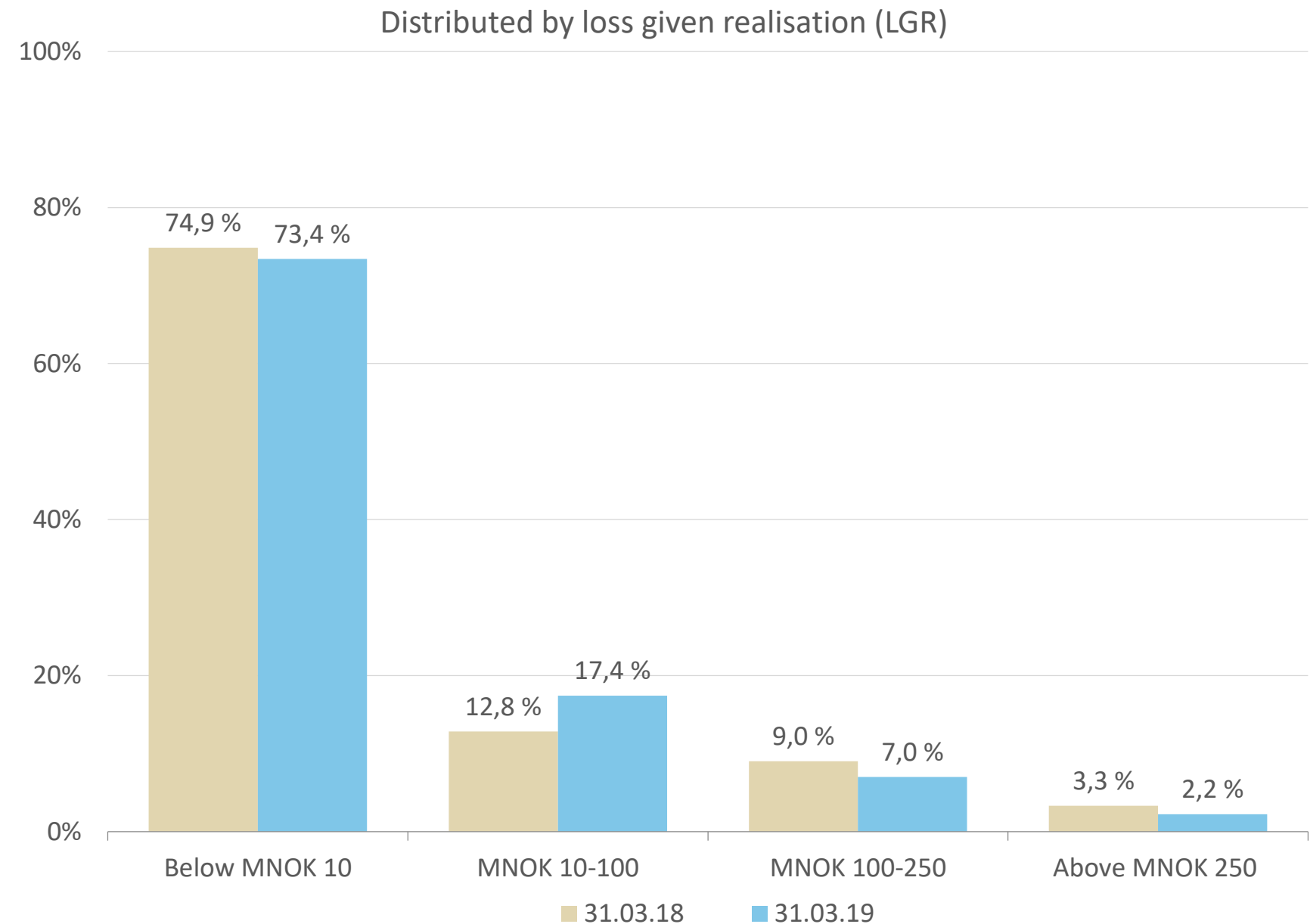


\*Probability of default (PD) through a full cycle of loss.

The figures include the loan portfolio in the covered bond companies (SpareBank 1 Næringskreditt AS, SpareBank 1 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.



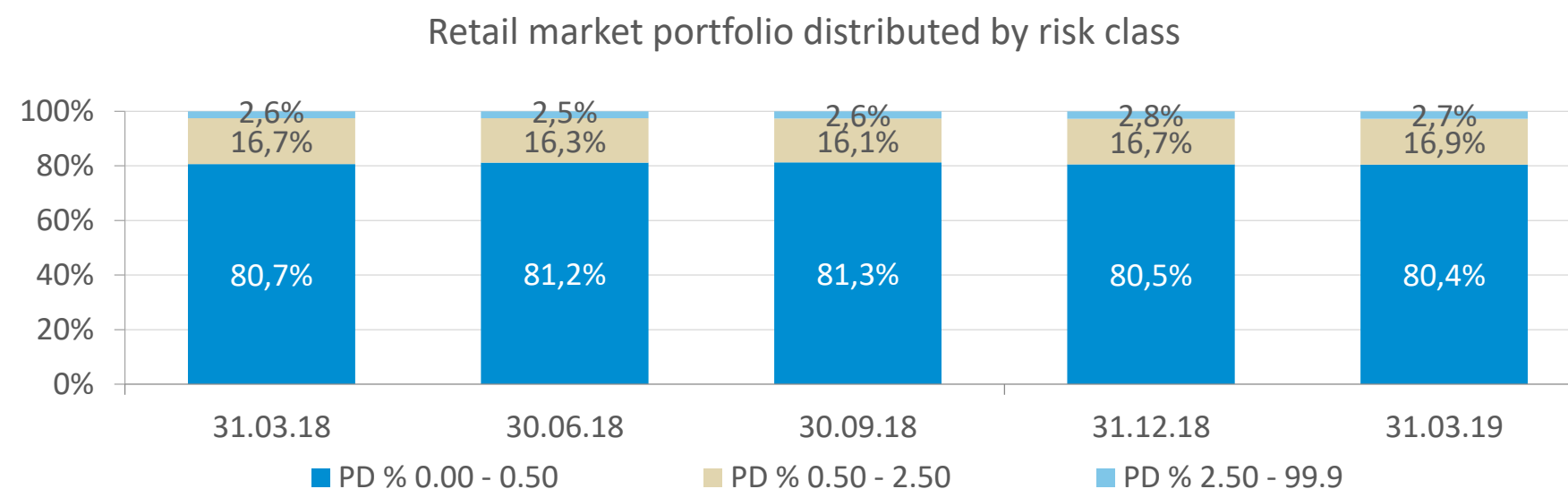
LGR (Loss Given Realisation). Estimated loss on realising a single loan. Corresponds to LGD without statistical correction for certain non-performing loans being reclassified as recoverable prior to collection. The calculation is based on the realisation value of assets pledged as security in an economic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

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



# Risk profile – Lending to the retail market

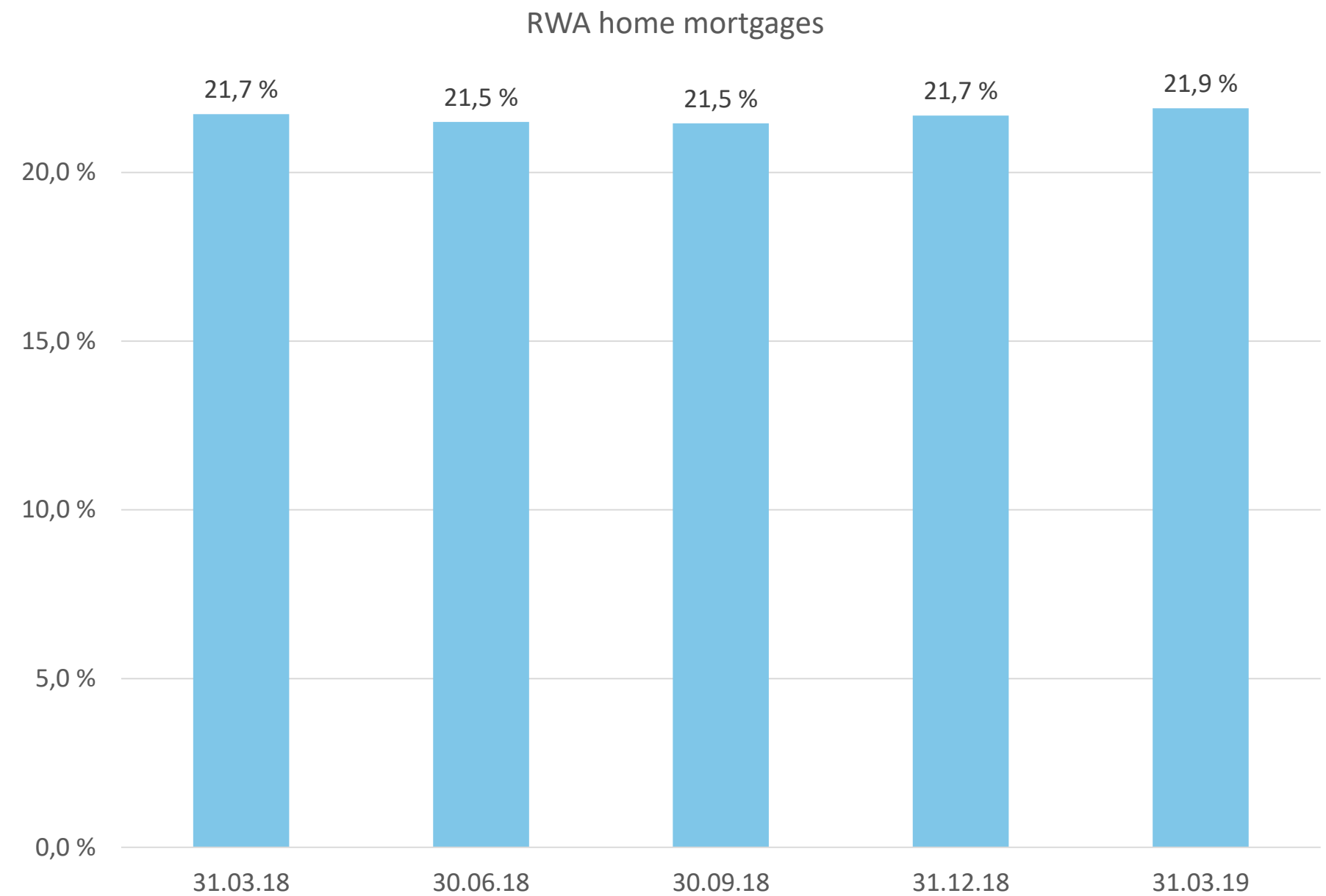
- The quality of the retail market portfolio is considered to be good and has low potential losses.
- The low risk profile is achieved through prudent customer selection and requirements for moderate LTV. Most of the portfolio is secured against a mortgage on real estate, and lending is overall moderate compared to asset value.



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

# RWA home mortgages

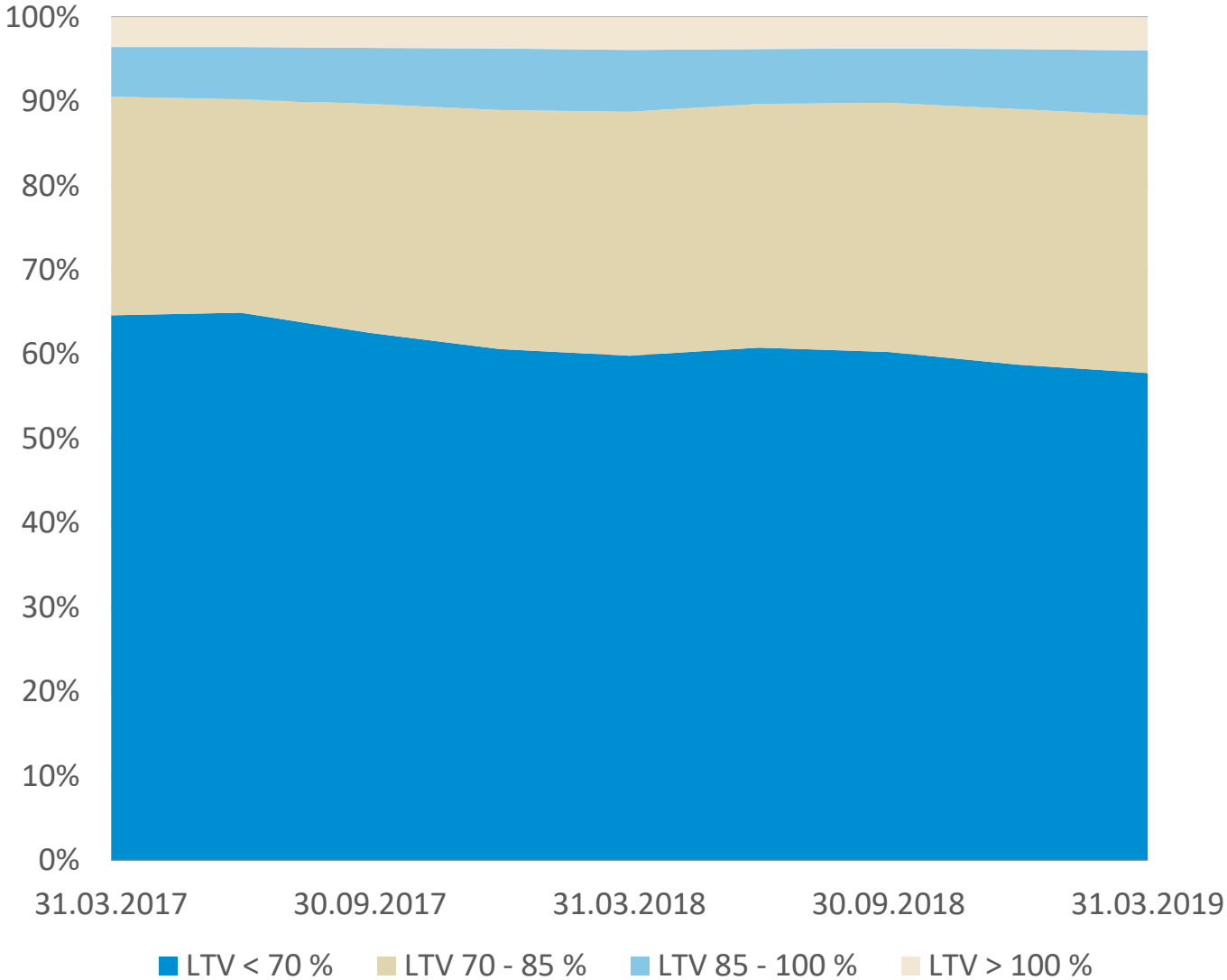
- RWA on home mortgages reflects a solid and stable portfolio.



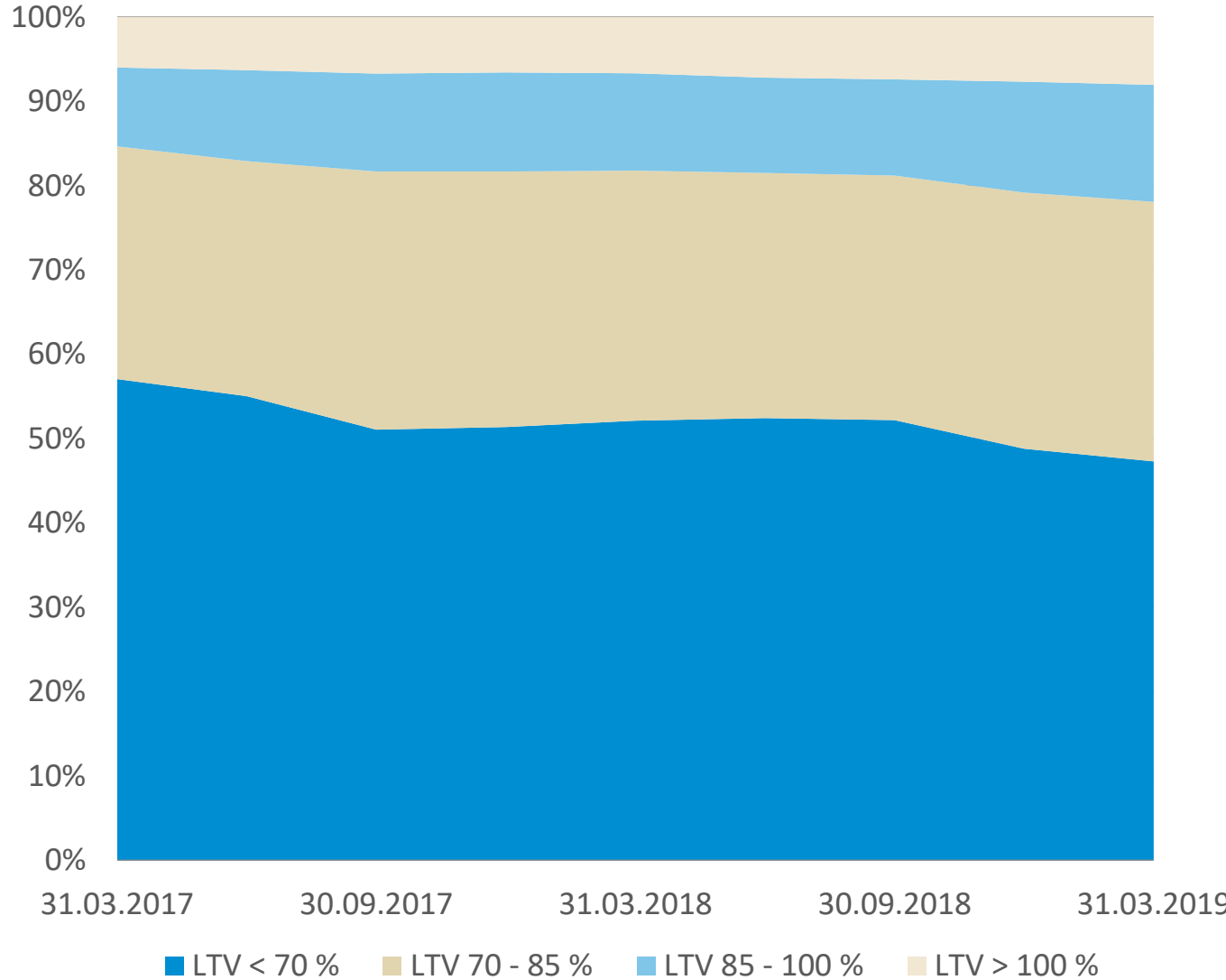
Home mortgages as defined in the Norwegian IRB framework; residential property must be at least 30 % of a loan's security. The figures include the loan portfolio in the covered bond companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).

# Historical LTV development for home mortgage loans

Total home mortgages incl. loans in cover pool



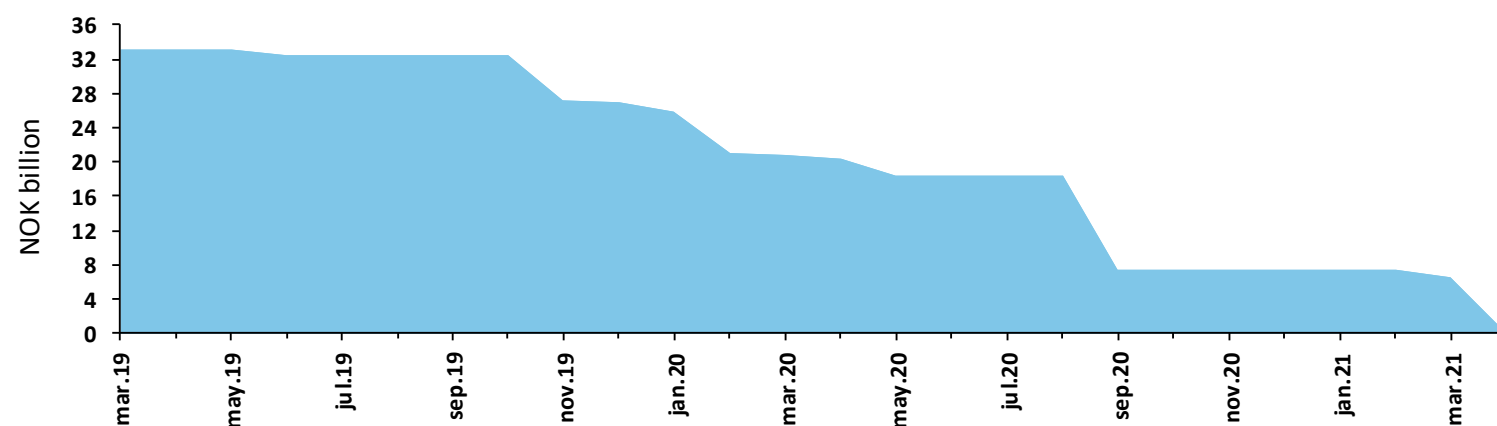
Home mortgages in SpareBank 1 SR-Bank ASA





# Liquidity portfolio

Liquidity buffer – survival period



Liquidity portfolio

Category	NOK million	Share %	Of which classified to amortised cost, MNOK
Norwegian government/municipal	0	0 %	0
SSA/Foreign guaranteed	9.853	31 %	1.329
Covered bonds (Norwegian/foreign)	22.387	69 %	4.773
<b>Total liquidity portfolio</b>	<b>32.240</b>	<b>100 %</b>	<b>6.101</b>

- Liquidity buffer at the end of the quarter: NOK 33.2 billion
- Other liquid assets:
  - Home mortgages prepared for covered bond funding: NOK 23.3 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.

# Investments in bonds and certificates

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	32.242	99,0 %
Low risk	A+, A and A-	0	0,0 %
Moderate risk	Not rated	57	0,2 %
High risk	Not rated	102	0,3 %
Very high risk	Not rated	163	0,5 %
<i>Total portfolio</i>		32.564	100,0 %

## *Of which liquidity purposes:*

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	32.242	99,9 %
Low risk	A+, A and A-	0	0,0 %
Moderate risk	Not rated	18	0,1 %
High risk	Not rated	0	0,0 %
Very high risk	Not rated	0	0,0 %
<i>Total liquidity purposes</i>		32.260	100,0 %

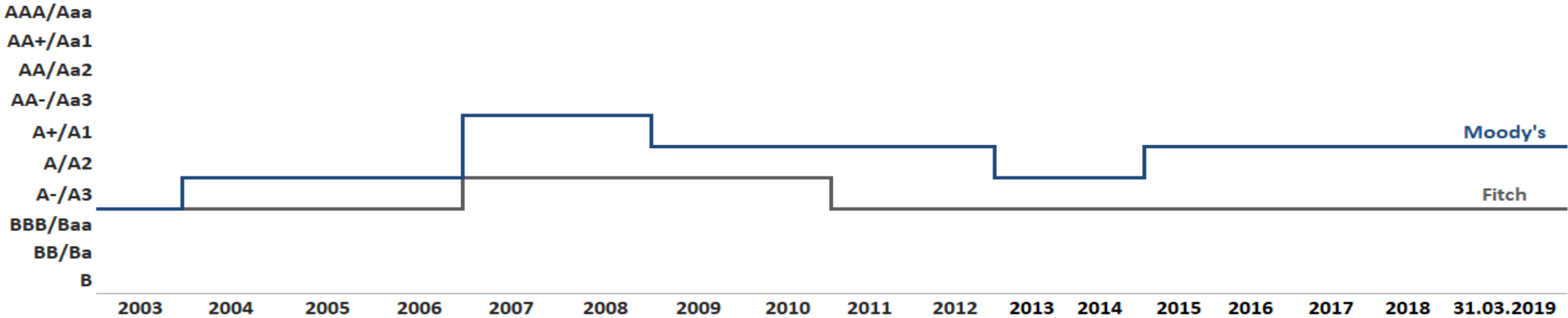
## *Of which SR-Bank Markets:*

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	39	12,9 %
High risk	Not rated	102	33,5 %
Very high risk	Not rated	163	53,6 %
<i>Total SR-Bank Markets portfolio*</i>		305	100,0 %

# Rating

Moody's		Fitch	
Long-term debt	A1	Long-term IDR	A-
Outlook	Negative	Outlook	Stable
Updated	14 May 2018	Updated	28 September 2018

## Ratinghistory





## SR-Bank pr 31.03.2019

	31.03.2019	2018	2017	2016	2015	2014	2013
Share price	99,40	89,20	87,00	60,75	39,30	52,50	60,25
Stock value (MNOK)	25.422	22.813	22.250	15.537	10.051	13.427	15.409
Book value per share, NOK (group)	86,55	82,27	77,24	71,54	66,14	60,28	55,00
Earnings per share	4,48	8,98	8,16	6,87	6,83	8,20	7,28
Dividend per share	n.A	4,50	4,25	2,25	1,50	2,00	1,60
P/E	5,54	9,93	10,66	8,84	5,75	6,40	8,28
P/BV (group)	1,15	1,08	1,13	0,85	0,59	0,87	1,10

Number of shares issued 255.8 million

Trading volume in Q1 2019: 5.3% (5.3%)

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

## 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.”



# Contact Details

## Adress

Bjergsted Terrasse 1  
Postboks 250  
4066 Stavanger

Tel: +47 915 02002  
[www.sr-bank.no](http://www.sr-bank.no)

## Management



### Arne Austreid

CEO

Tel.: +47 900 77 334

E-post: [arne.austreid@sr-bank.no](mailto:arne.austreid@sr-bank.no)



### Inge Reinertsen

CFO

Tel.: +47 909 95 033

E-post: [inge.reinertsen@sr-bank.no](mailto:inge.reinertsen@sr-bank.no)

## Investor Relations



### Stian Helgøy

Investor Relations

Tel.: +47 906 52 173

E-post: [stian.helgoy@sr-bank.no](mailto:stian.helgoy@sr-bank.no)