

Optimism continues – increased activity and employment

Broad-based uplift (oil, manufacturing, export and larger companies) –
increased pressure in the labor market



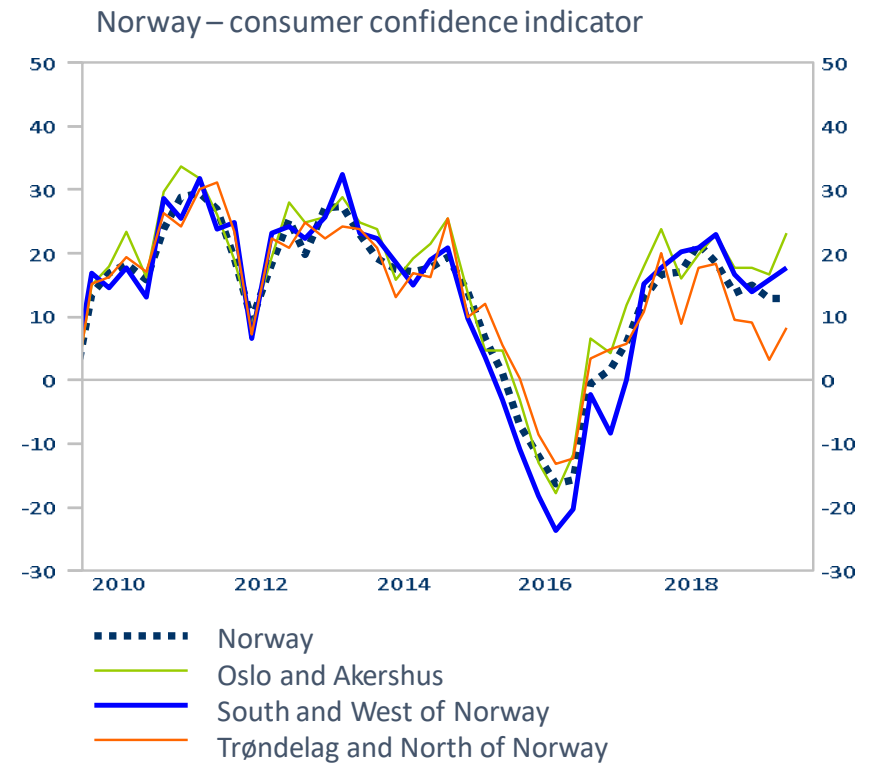
BUSINESS SURVEY

South Norway
May 2019

Norwegian economy improving – businesses expanding and supportive consumer sentiment

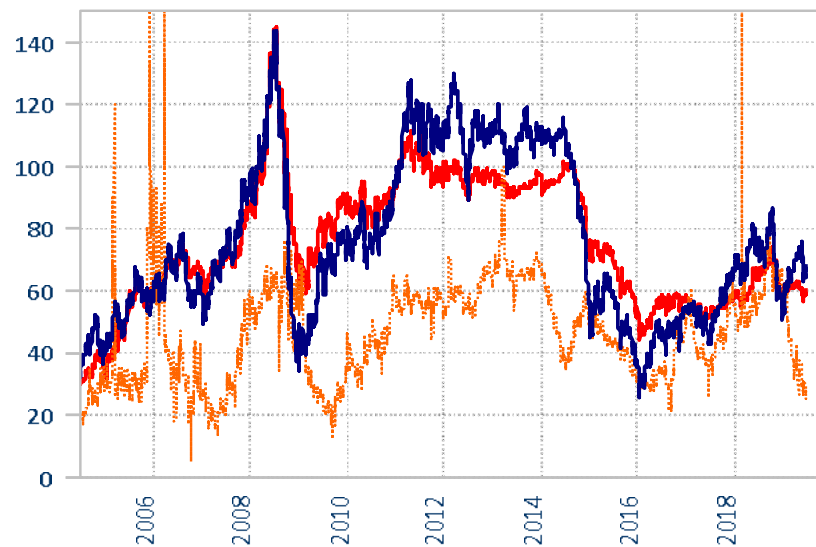


Kilde: Thomson Reuters Datastream, SpareBank 1 SR-Bank



Oil price & activity have rebounded

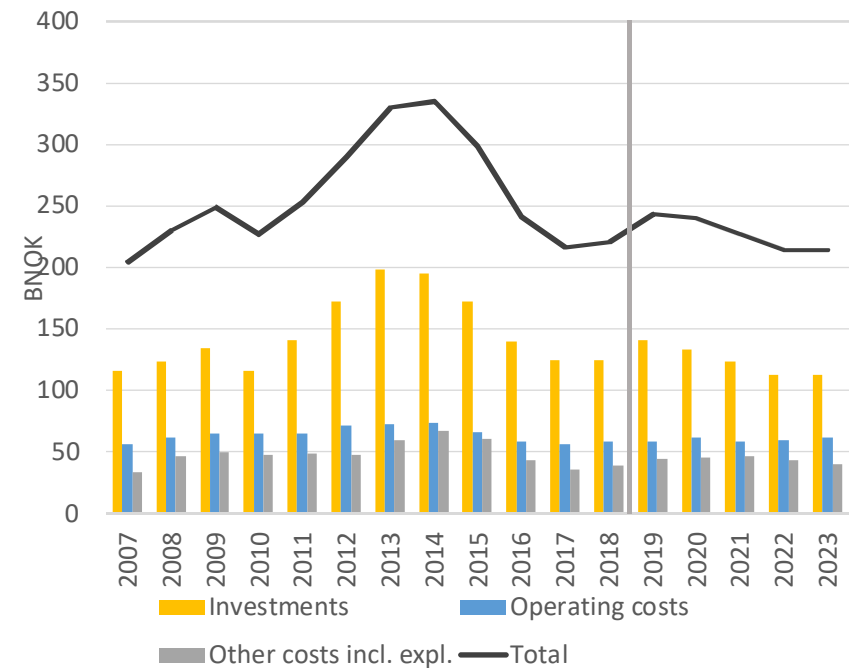
Oil and gas price. Spot and 3 year forward, USD/bbl



— Oil price, spot, USD/bbl
... Oil price, 3-year forward
— Natural gas price (NBP). Pence/therm

Kilde: Thomson Reuters Datastream, SpareBank 1 SR-Bank

Petroleum activity on Norwegian Continental Shelf. BNOK (2019 NOK). Source: NPD



SpareBank 1 SR-Bank's business survey

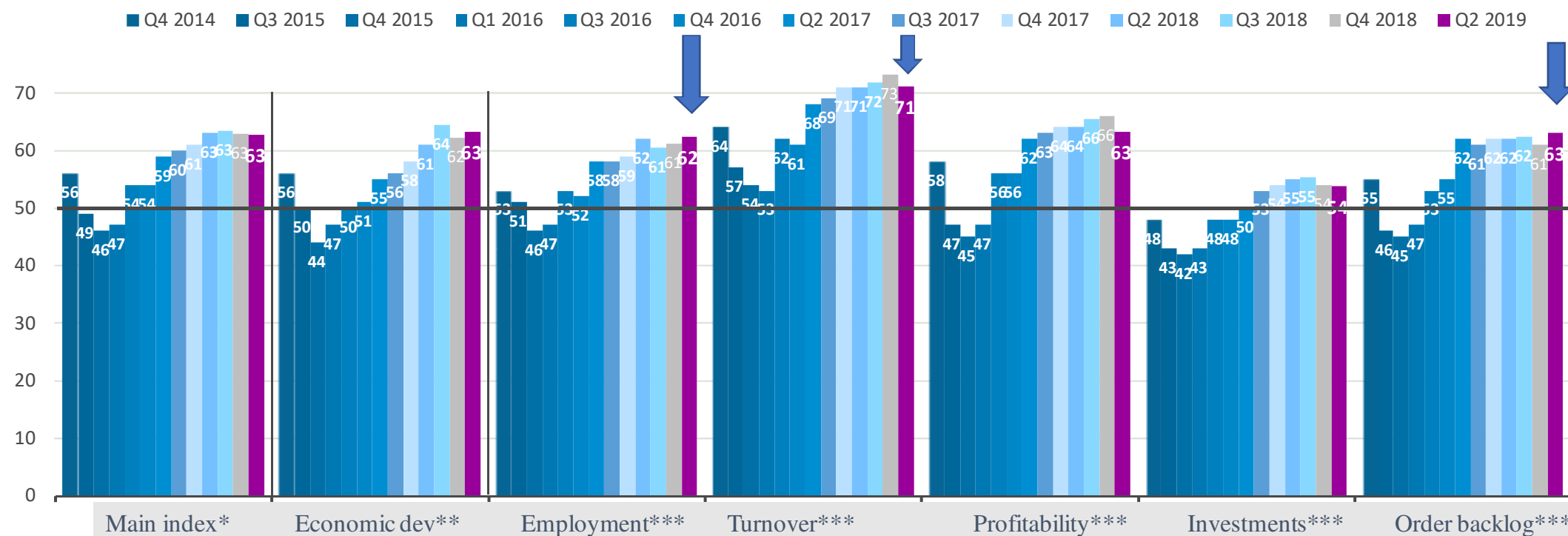
Survey of 800 businesses in SR-Bank's market area in South Norway, counties: Rogaland, Hordaland, Agder & Oslo area (from 2nd quarter 2018)

Business survey including six main questions:

1. Development last 12 months compared to previous 12 months
 2. Businesses expectations the coming 12 months
 - *Employment*
 - *Turnover*
 - *Profitability*
 - *Investments*
 - *Order backlog*
- The indices are presented as a diffusion index (similar to most PMI indices). Businesses respond whether key indicators will increase, be stable or decrease. Indices are constructed by taken share of positive business and half of share of stable businesses. Indices are therefore neutral on 50 (%). Higher than 50 implies more positive than negative business.



Share of businesses (%) expecting growth including Oslo area from Q2 2018

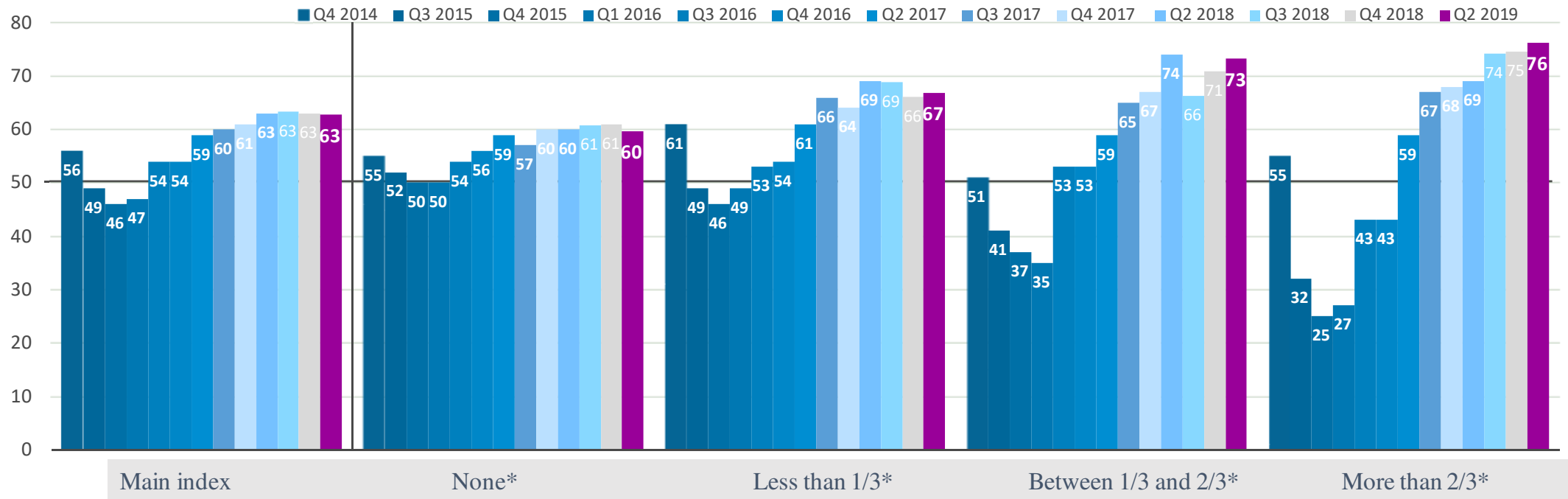


• Main index is average of the six subindices. ** Economic development last 12 months compared to previous 12 months. *** Expectations next 12 months

1 Optimism continues – increased activity and employment

Business survey. Main index by oil exposure

Share of businesses (%) expecting growth



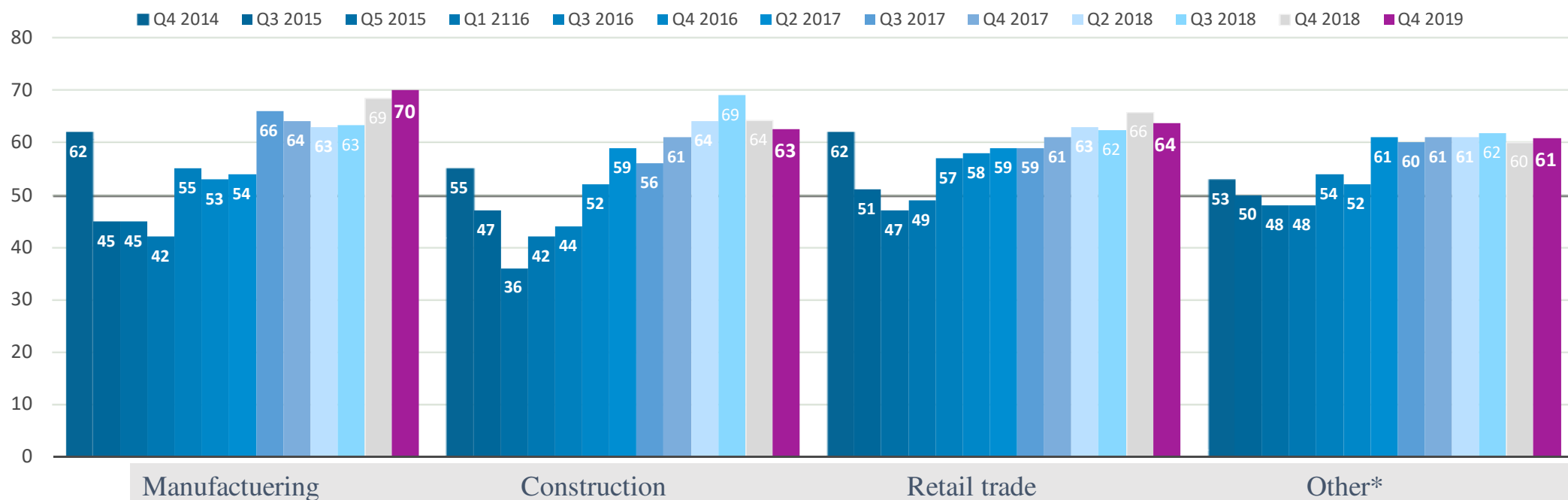
* Share of turnover towards oil and gas

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Oil-exposed companies most optimistic

Business survey. Main index by sector

Share of businesses (%) expecting growth



*Other include public sector, private services, primary sector (farming, fisheries etc)

2b

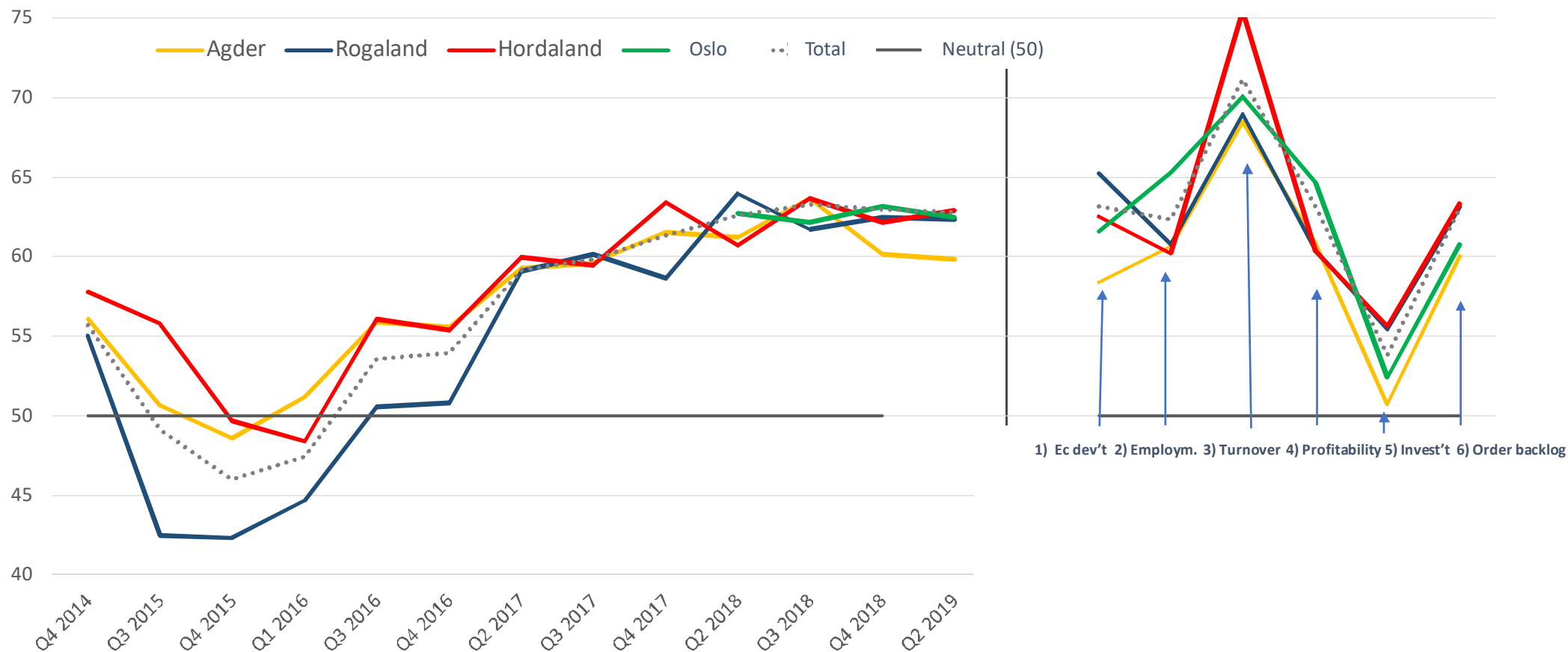
Highest optimism in manufactuering

A glass globe is the central focus, resting on a dark, textured surface that resembles wet sand or gravel. The globe is illuminated from the right, casting a warm, golden glow across its surface and highlighting its internal structure and imperfections. The background is a soft, out-of-focus sunset or sunrise, with warm orange and yellow light blending into a dark blue sky. The overall mood is contemplative and serene.

3

Nuances in expectations in counties in South-Norway

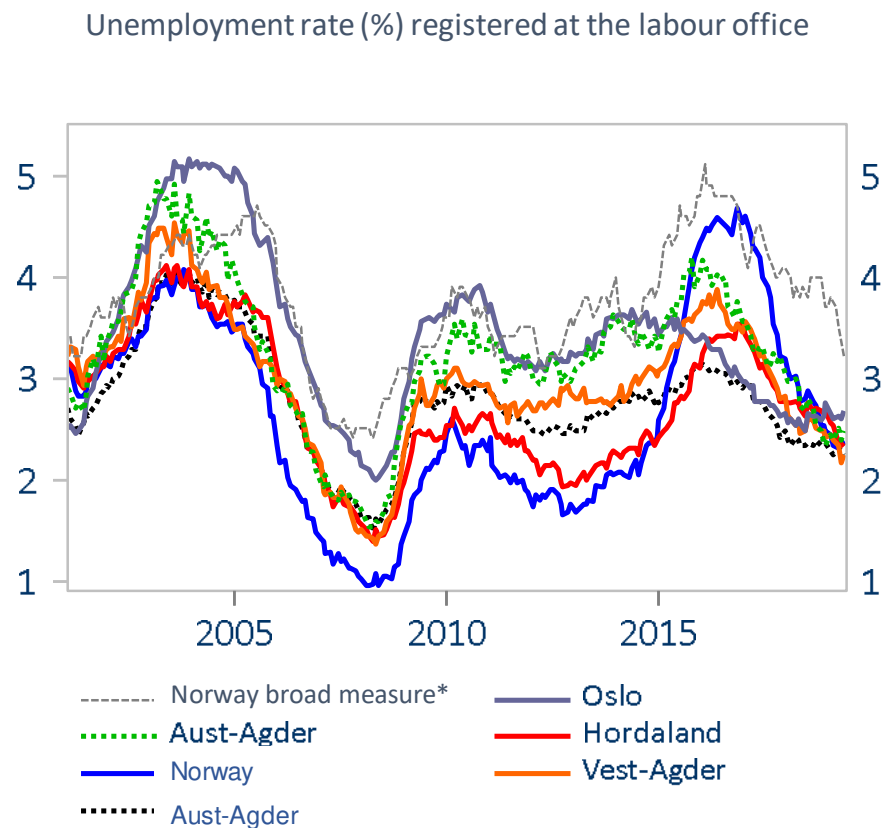
Counties. Main and subindices (as of last survey)



3

Growth expectations in all counties – also subindices indicate growth (above 50- neutral)

Lower unemployment rate (especially in oil-county Rogaland)



Kilde: Thomson Reuters Datastream, SpareBank 1 SR-Bank

*Statistics Norway Labour Force Survey

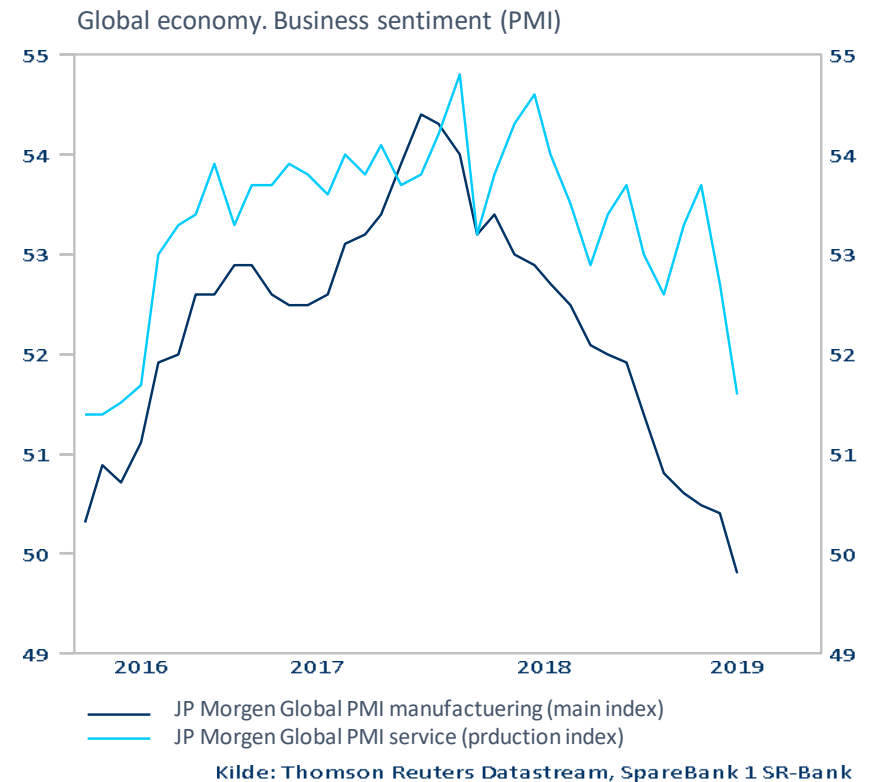
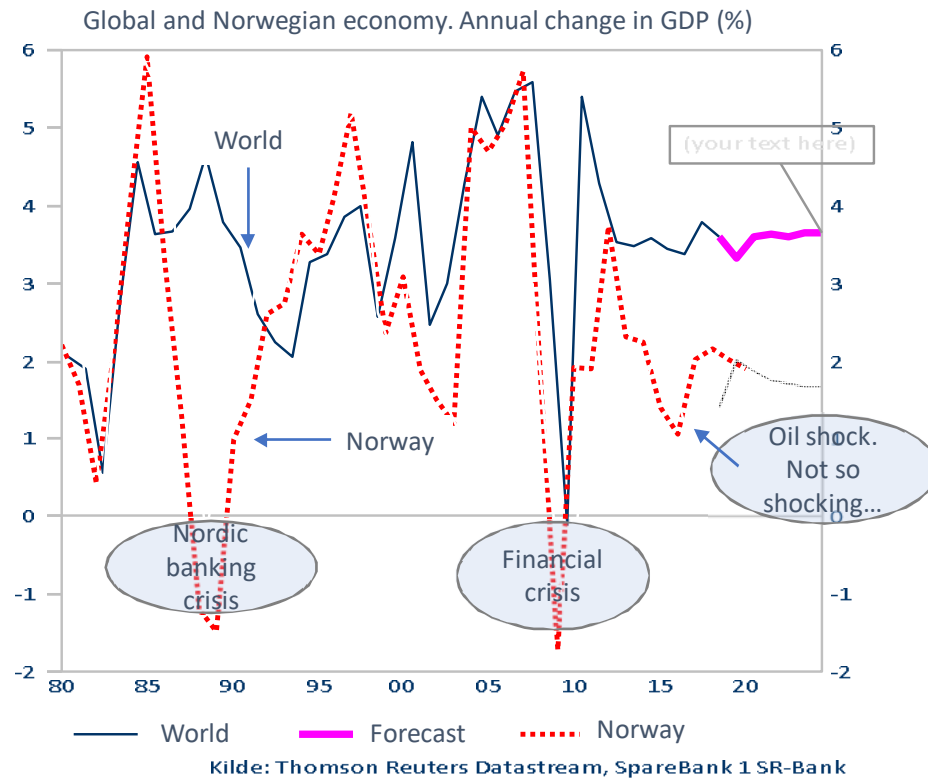


Key takeaways

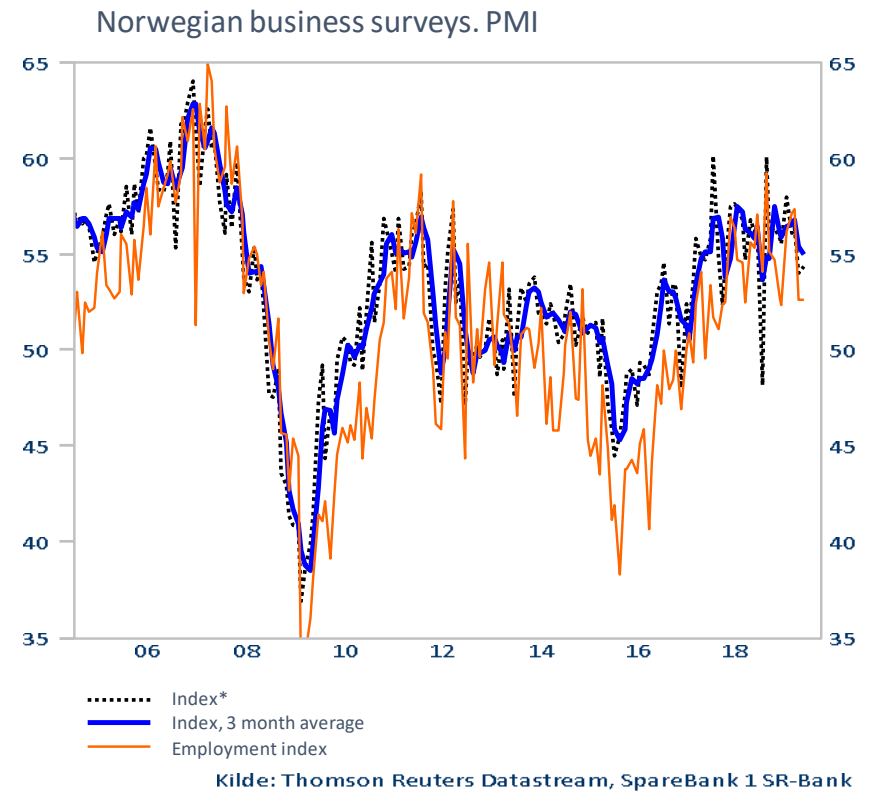
- Healthy rebound for the Norwegian economy in 2018 and 2019 – broad-based uplift including employment
- Optimistic business outlook for 2019
- Oil, manufacturing and exports lift the outlook
- Still challenges, but also many opportunities
- Resilience, competitiveness and robustness
- Key risks: spillover from global setback, lower oil price, housing market

Appendix

Global and Norwegian economy correlating (but Norwegian economy supported by oilrelated uplift in 2019)

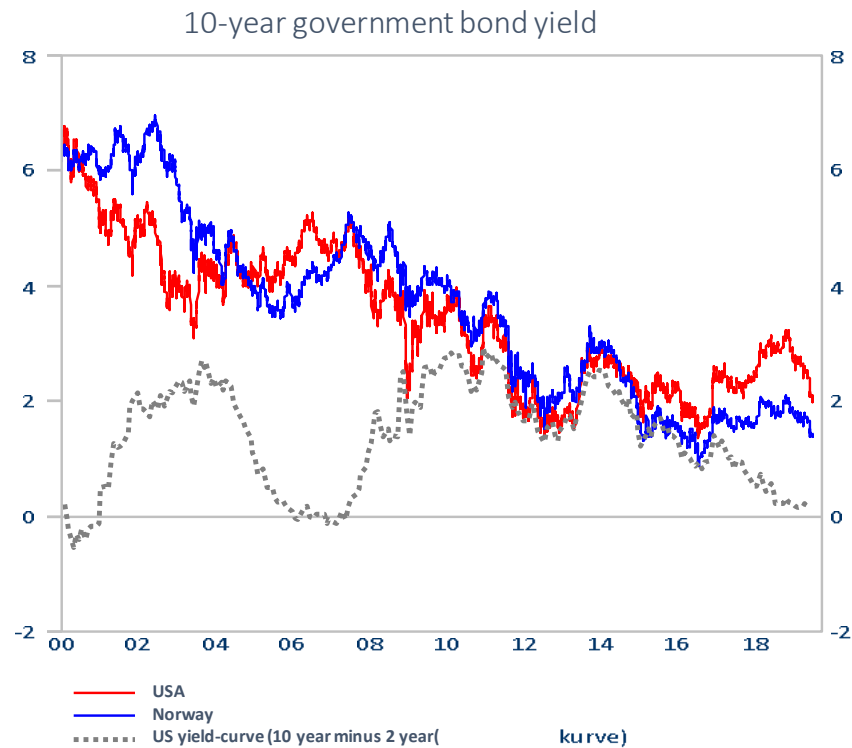


Norwegian economy has improved since 2016

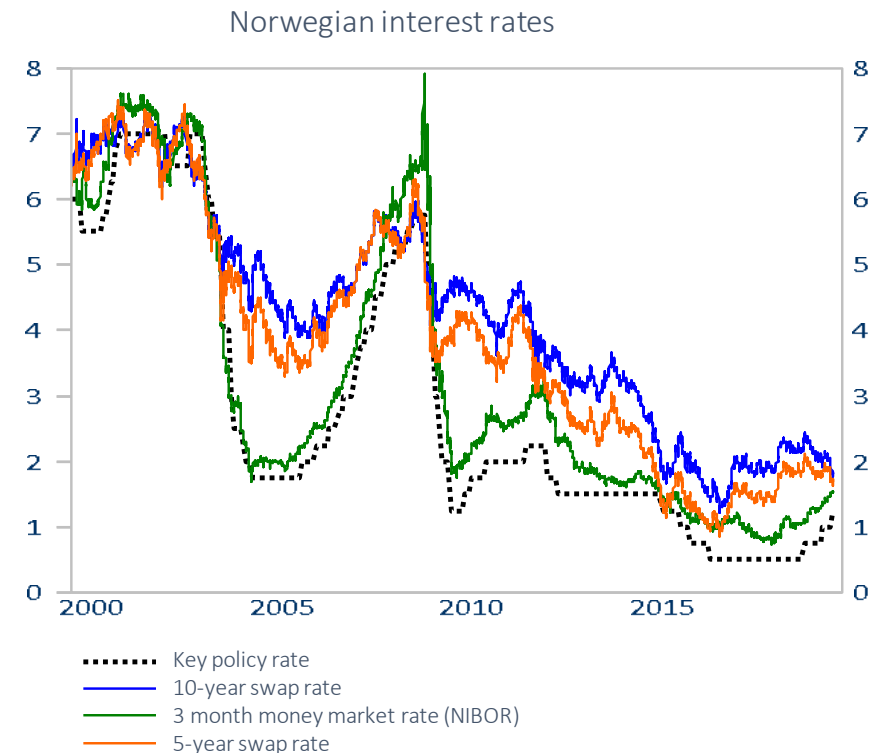


*PMI in July «distorted» by few companies responding

Interest rates still at low levels – next hike in Norwegian key policy probably to 1,5 percent in Q3 2019



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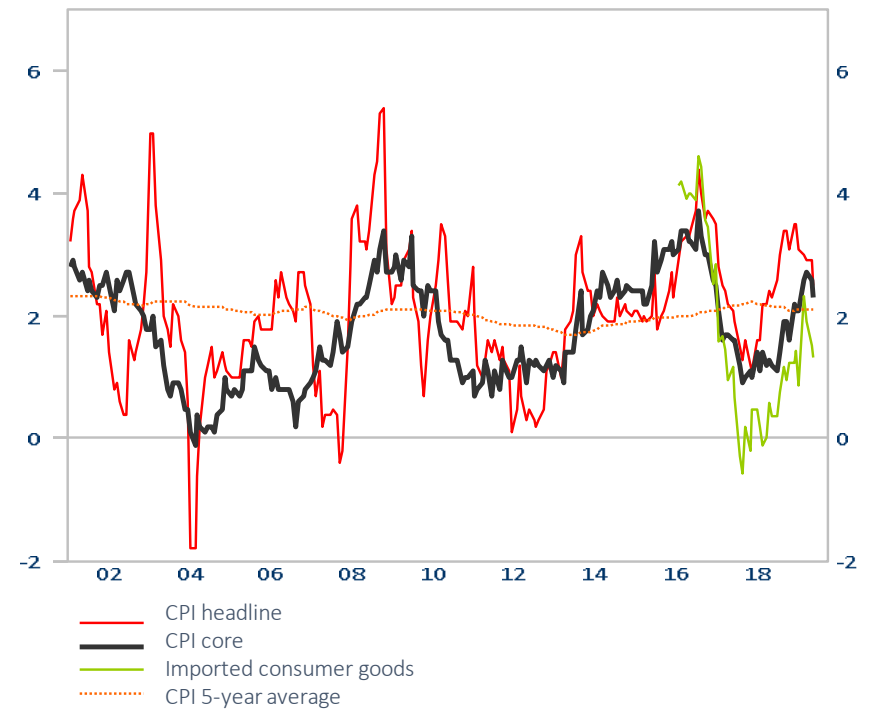
Weak foreign exchange rate (NOK) & volatile inflation due to being a small open economy

Norwegian foreign exchange rate (NOK) vs key currencies



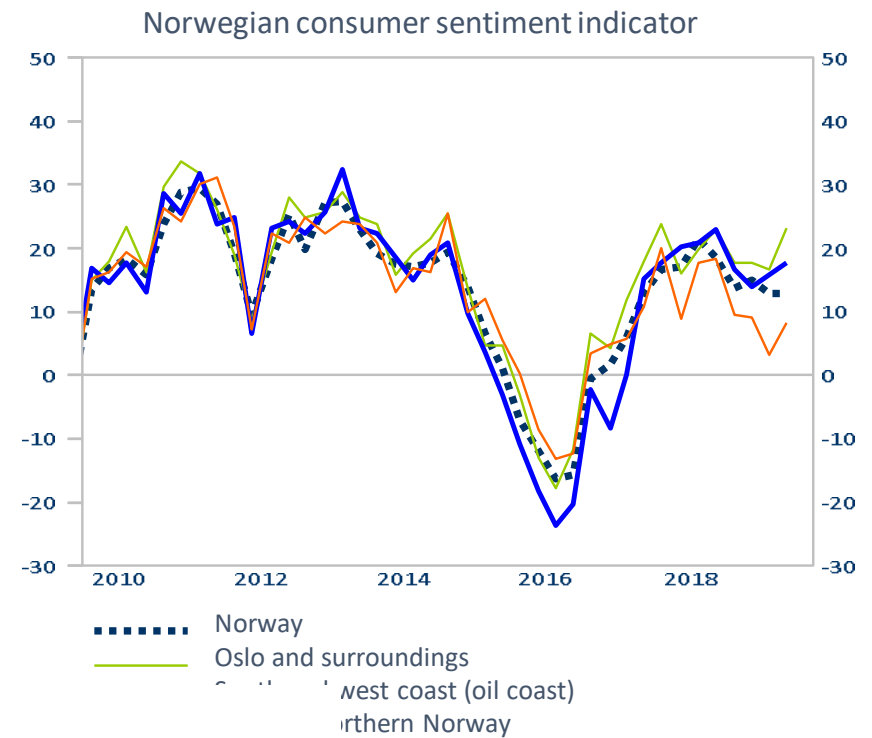
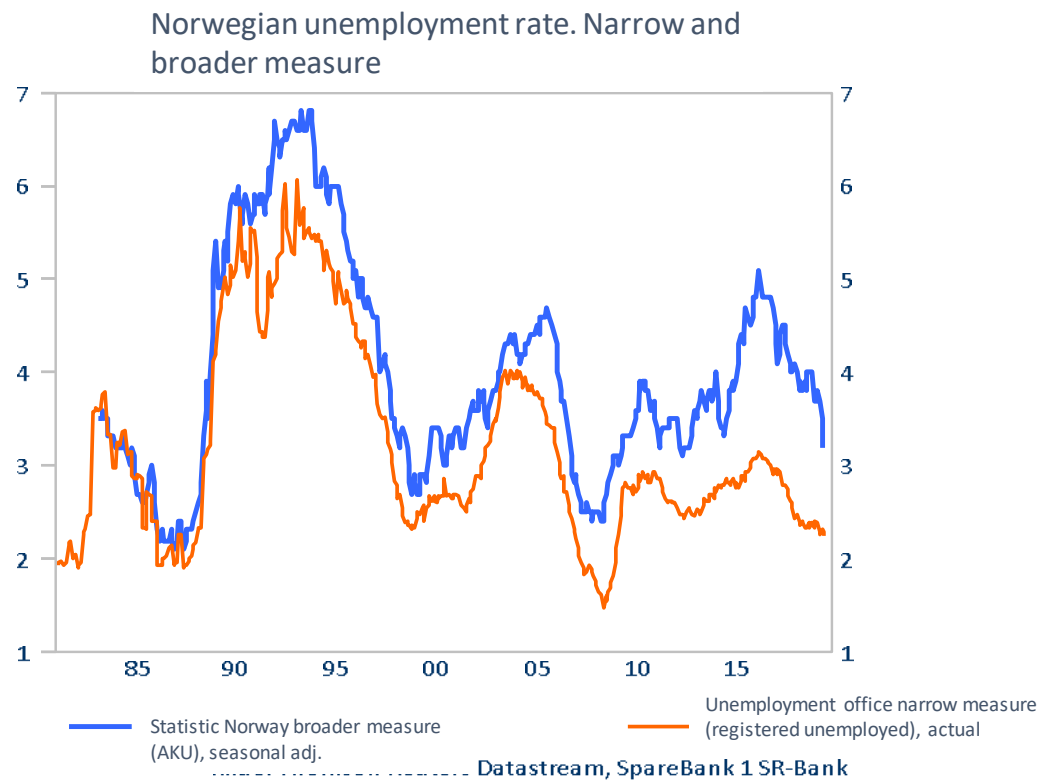
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Norway inflation different measures. Annual change (%)



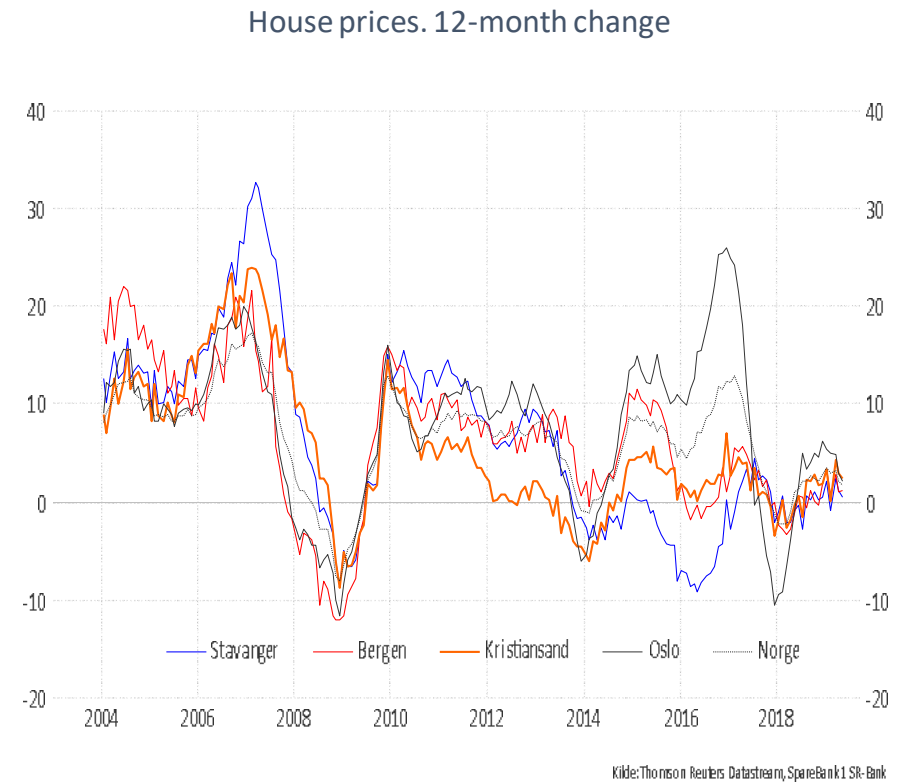
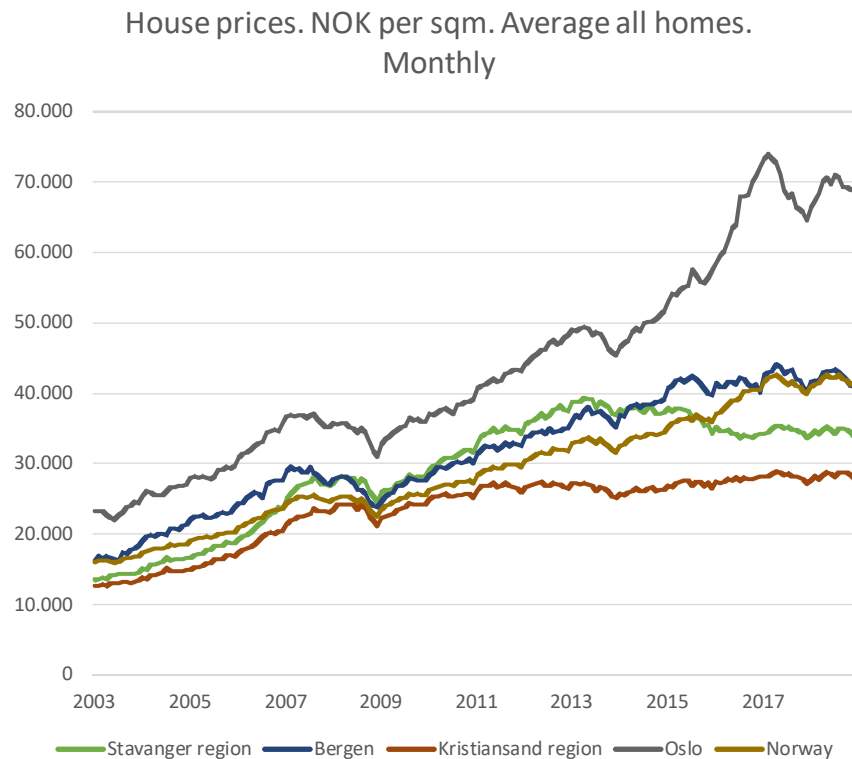
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Unemployment rate trending down and supportive consumer sentiment



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Stable house prices in many counties (more volatile in Oslo)



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