



Together we achieve the impossible

# Disclaimer

This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance.

Although SpareBank 1 SR-Bank believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

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

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



**1** SpareBank 1 SR-Bank

**2** SR-Boligkreditt

**3** Norwegian economy

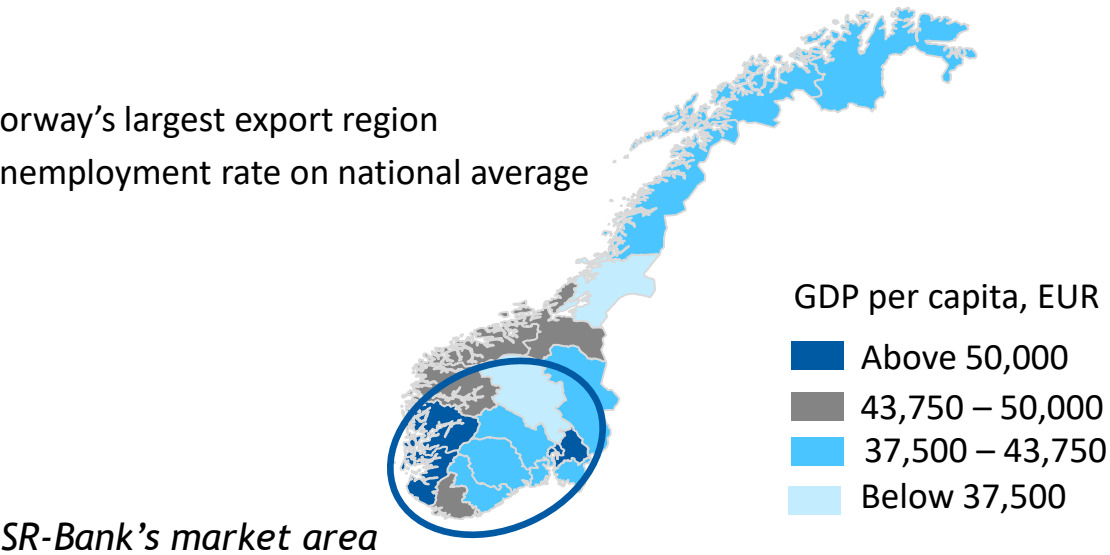
**4** Appendix

# SR-Bank at a glance

- Second largest Norwegian bank
  - Market cap: NOK 22.1 Billion
  - Total assets: NOK 224.0 Billion
  - Total lending: NOK 193.5 Billion
  - Total deposits: NOK 105.8 Billion
  - No. of branches: 36
  - Employees: 1.153
- 
- **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	28.6
2	Nordea Bank Norge (Swedish)	12.0
3	Danske Bank (Danish)	6.1
4	Handelsbanken (Swedish)	5.1
5	SpareBank 1 SR-Bank	4.7

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



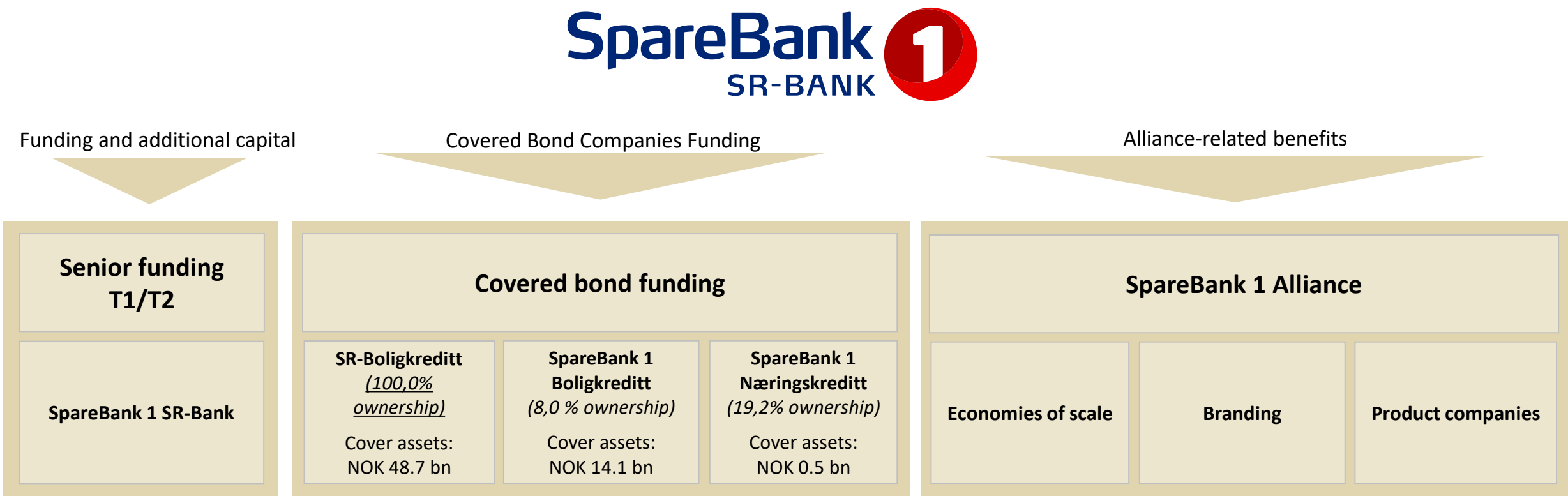
# SpareBank 1 Alliance and SR-Bank

## Purpose of the SpareBank 1 Alliance

- Economies of scale
- Branding
- Product companies
- Separate legal entities
- No cross guarantees between banks
- No shared credit decisions

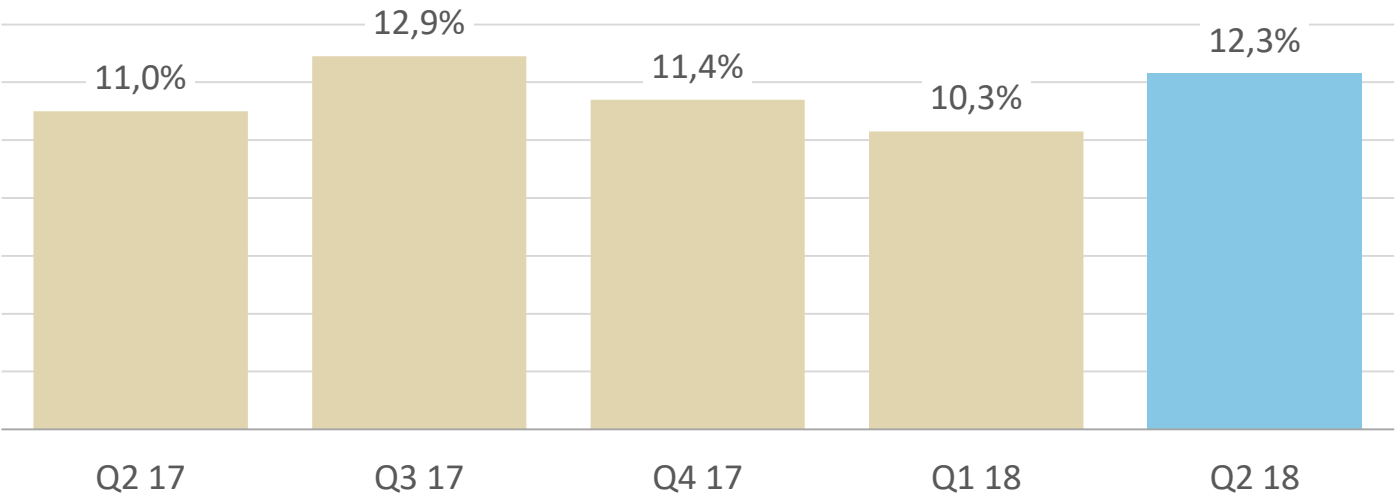
## Owners of the SpareBank 1 Alliance

- SpareBank 1 SR-Bank (19.5%)
- SpareBank 1 SMN (19.5%)
- SpareBank 1 SNN (19.5%)
- SpareBank 1 Østlandet (12.4%)
- Samspar (10 smaller SpareBank 1 banks) (19.5%)
- Workers union (9.6%)

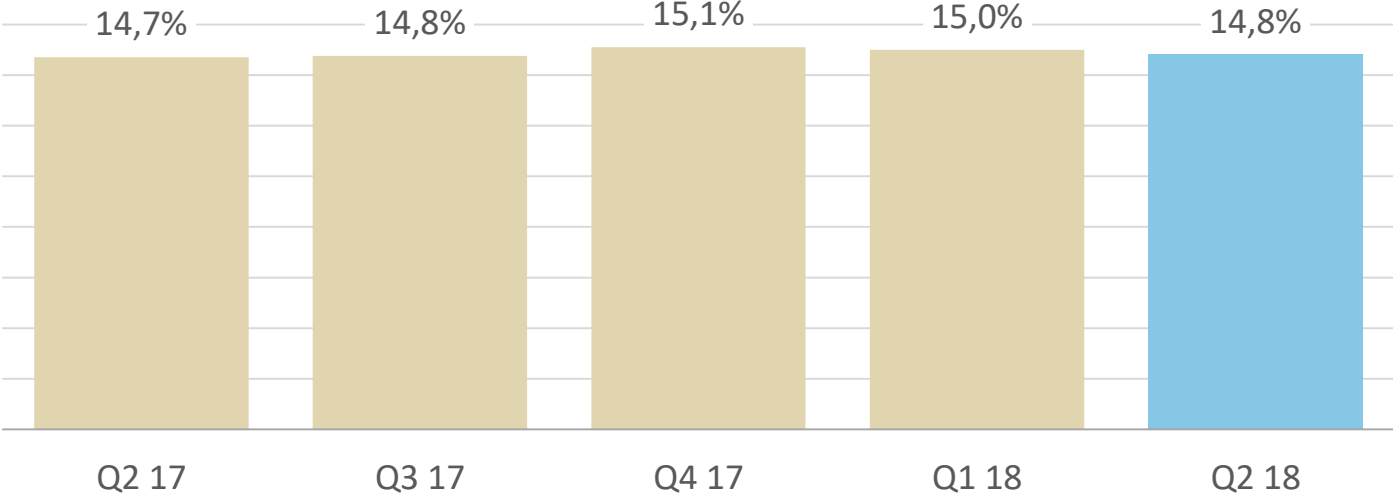


# Key figures – quarterly development

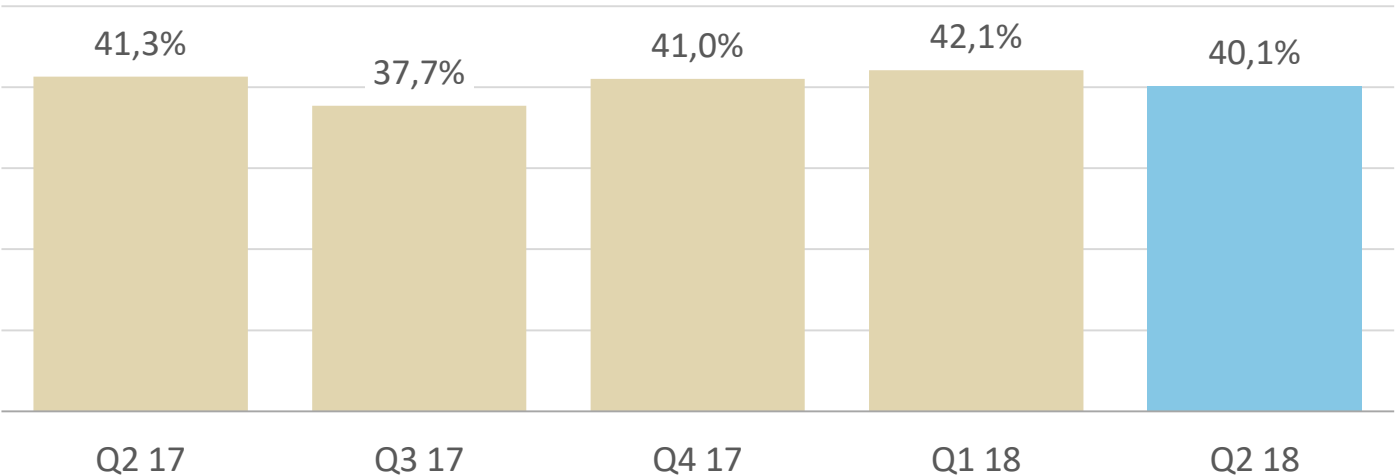
Return on equity



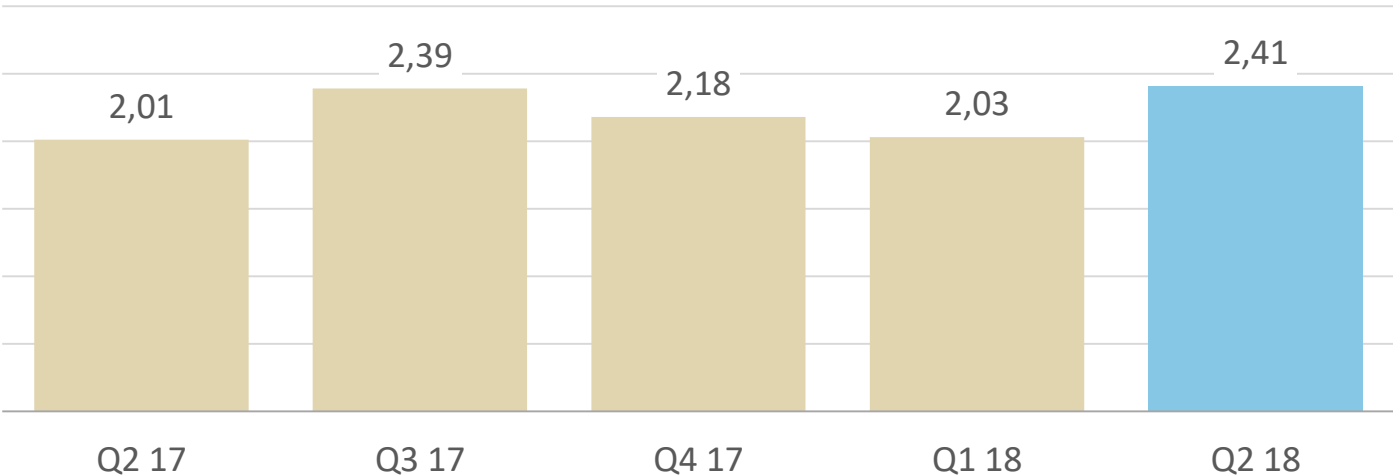
CET 1



Cost ratio



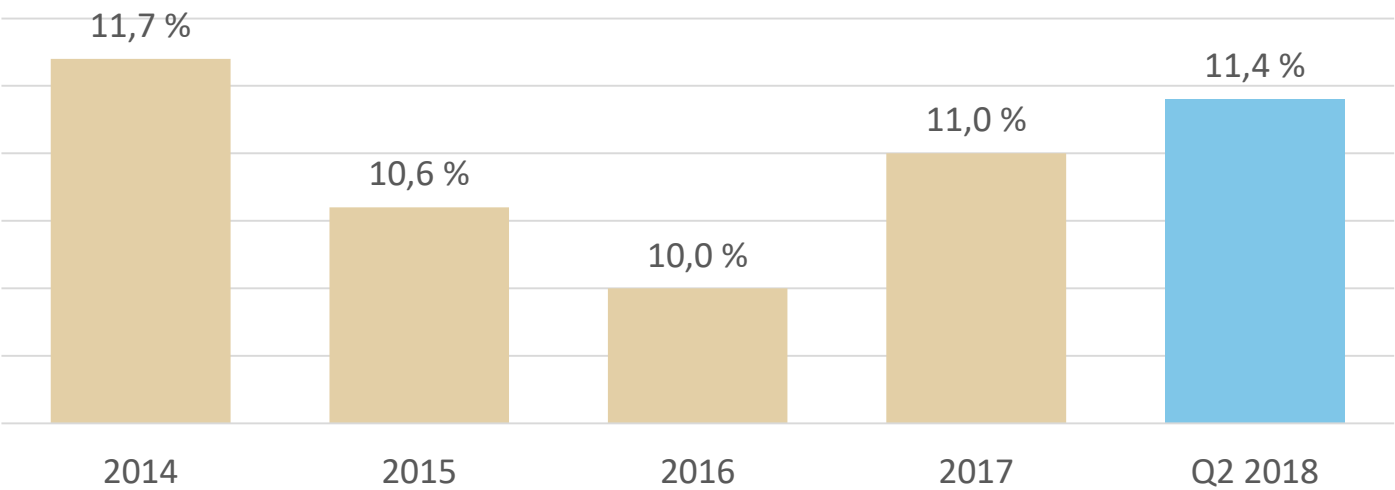
Earnings per share



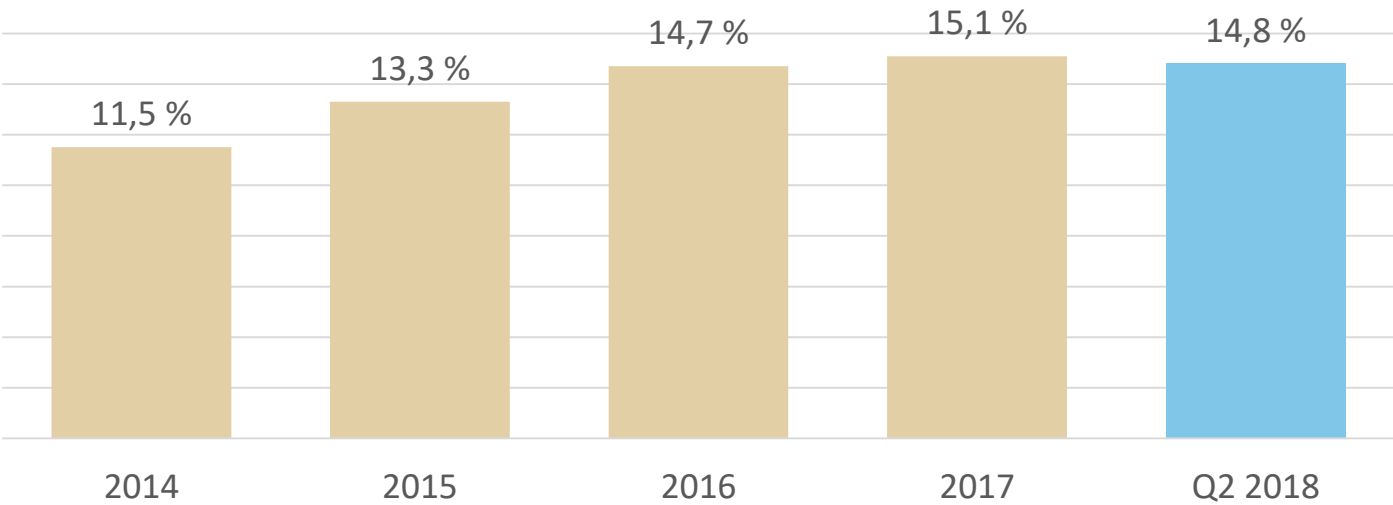


# Key figures – annual development

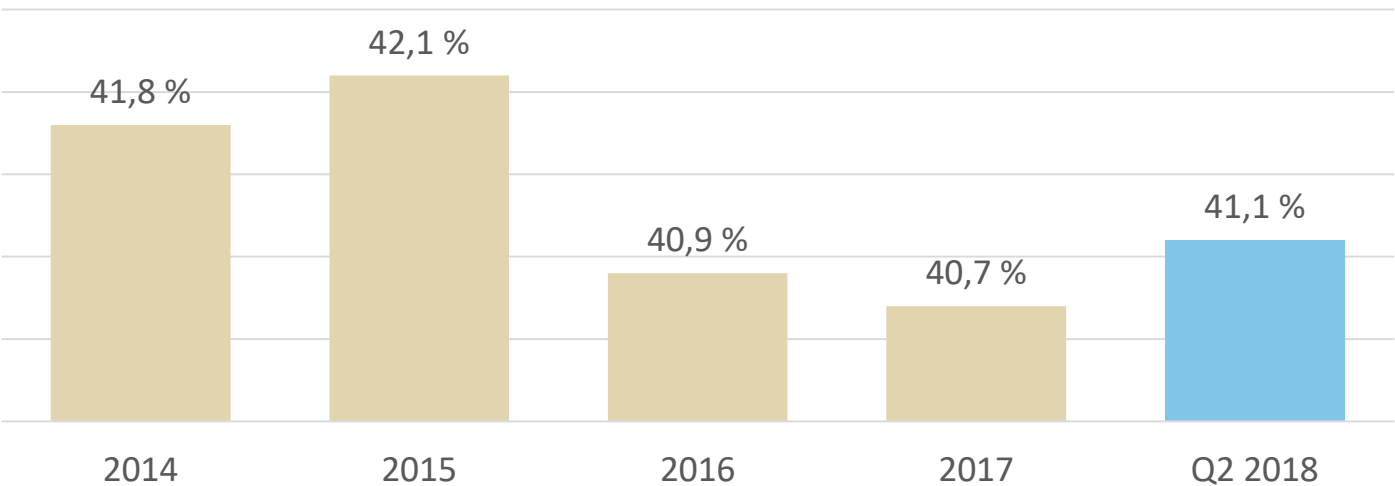
Return on equity



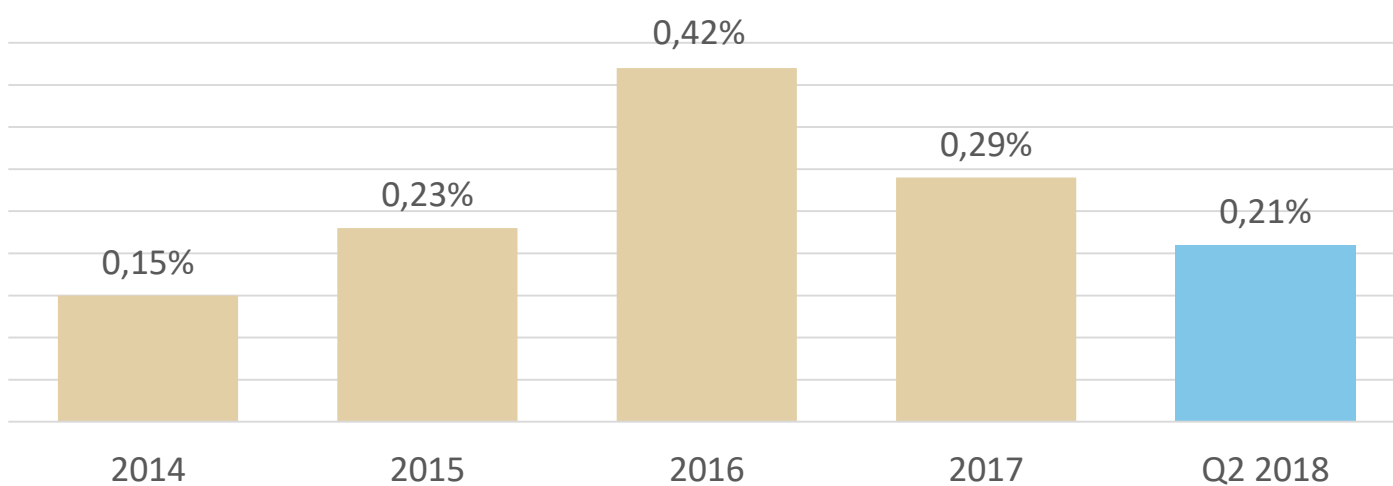
CET 1



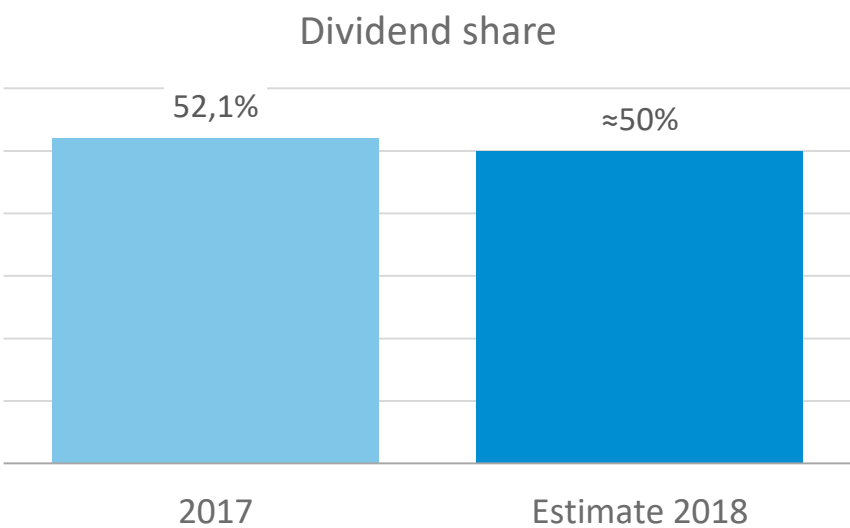
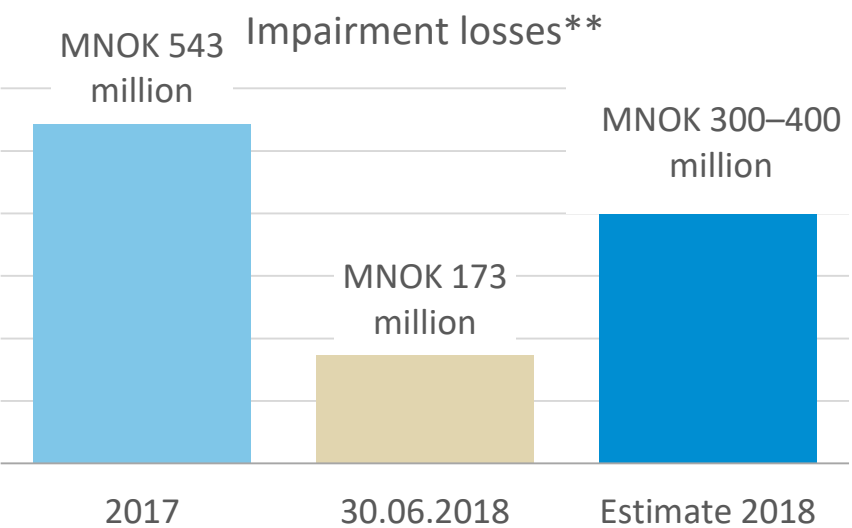
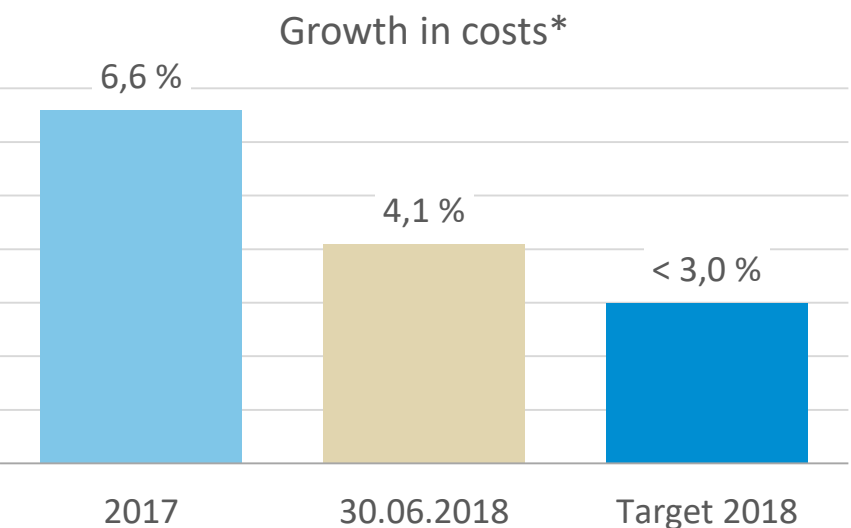
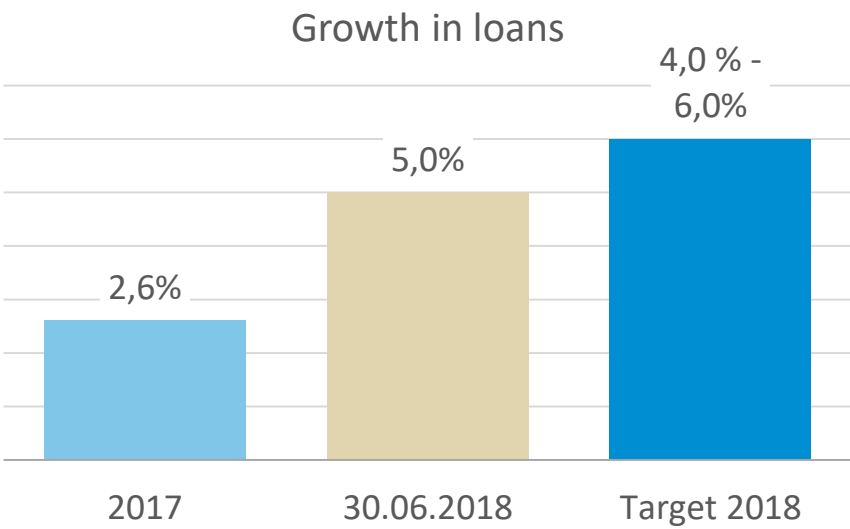
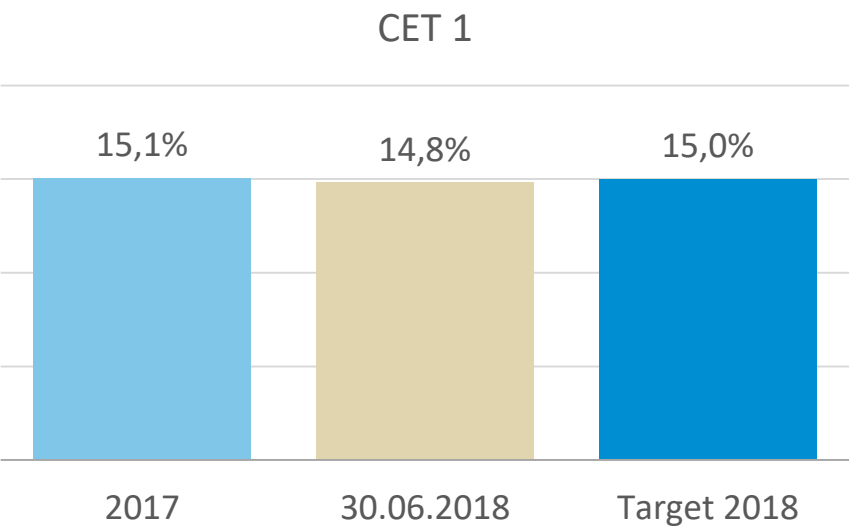
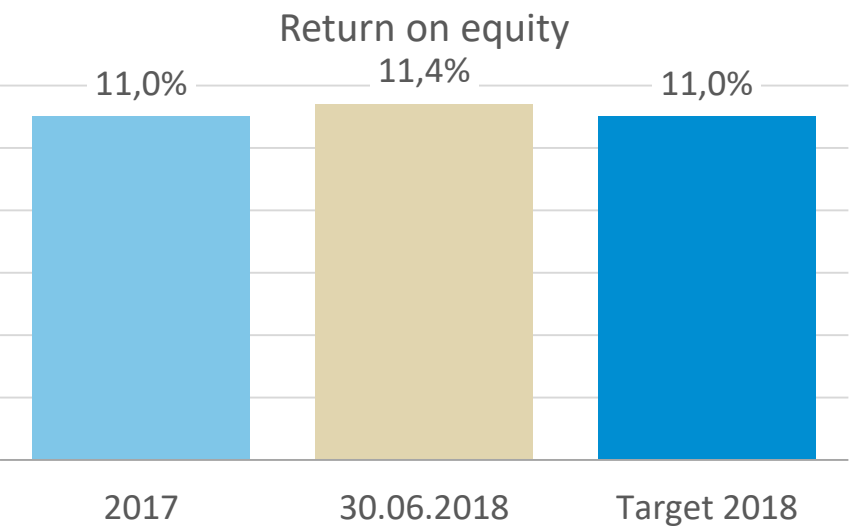
Cost ratio



Impairment losses on loans



# Financial targets and estimates for 2018



\*Nominal cost growth

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



# Key figures

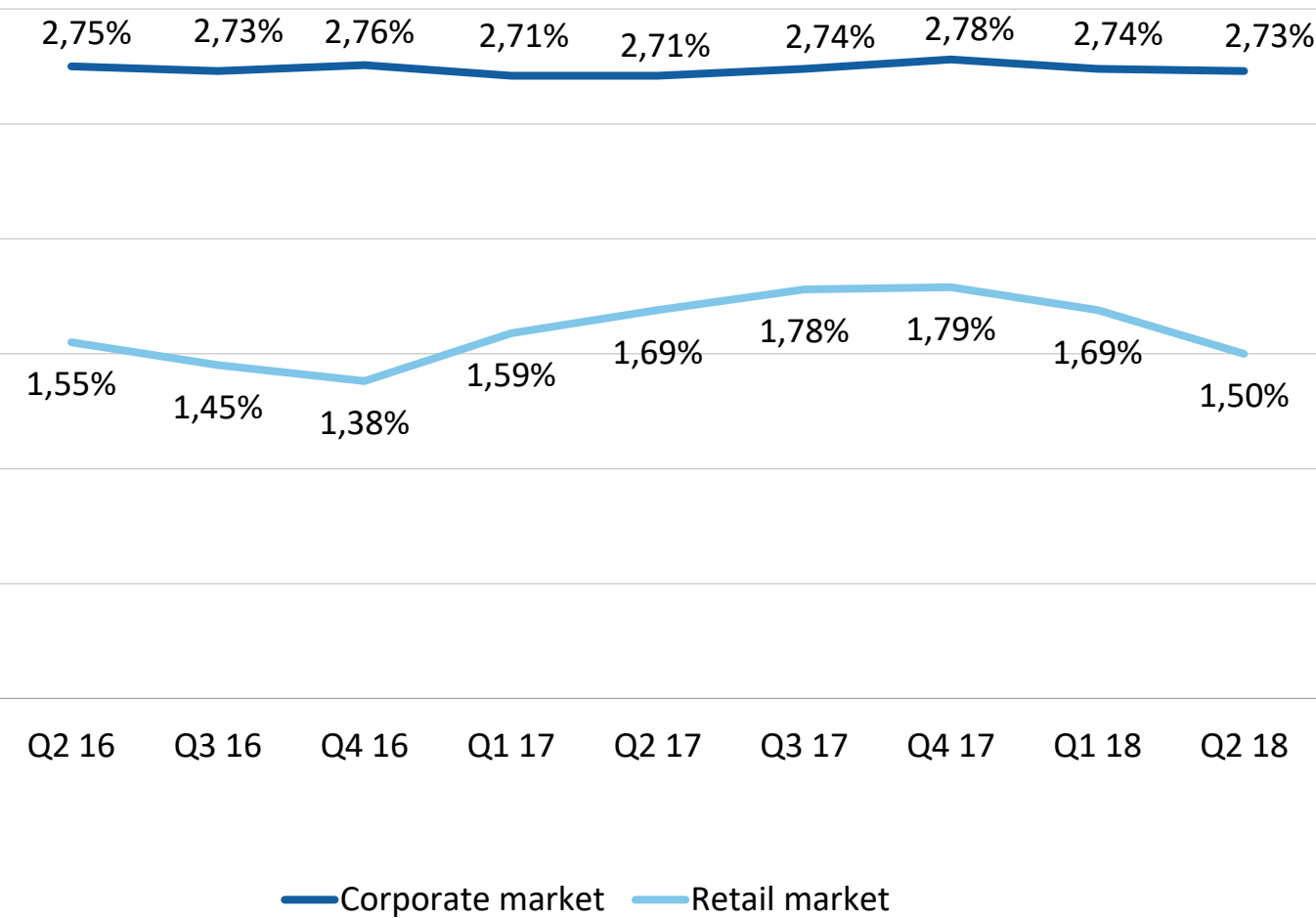
	30.06.2018	30.06.2017	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17
Return on equity after tax (%)	11,4	9,9	12,3	10,3	11,4	12,9	11,0
Net interest margin (%)	1,51	1,52	1,52	1,50	1,50	1,54	1,52
Impairment losses on loans and guarantees in % of gross loans incl. covered bond companies	0,18	0,33	0,21	0,16	0,26	0,27	0,29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

# Income statement

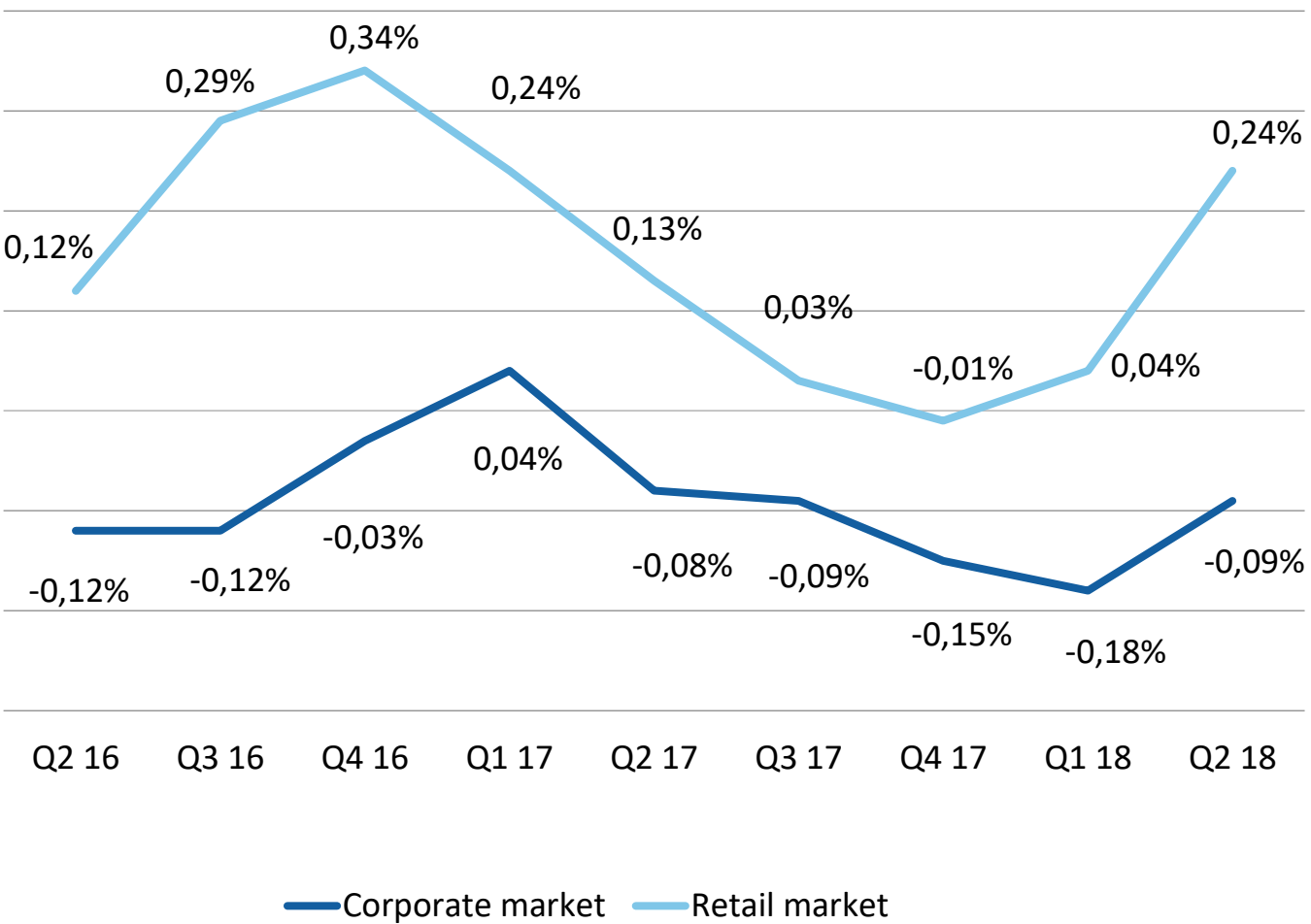
Group Income Statement (MNOK)	30.06.2018	30.06.2017	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17
Net interest income	1.642	1.523	842	800	819	820	784
Net commission and other income	738	771	370	368	367	386	400
Net income on investment securities	326	232	213	113	204	198	143
<b>Total income</b>	<b>2.706</b>	<b>2.526</b>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

# Lending and deposit margins

Lending margins\*



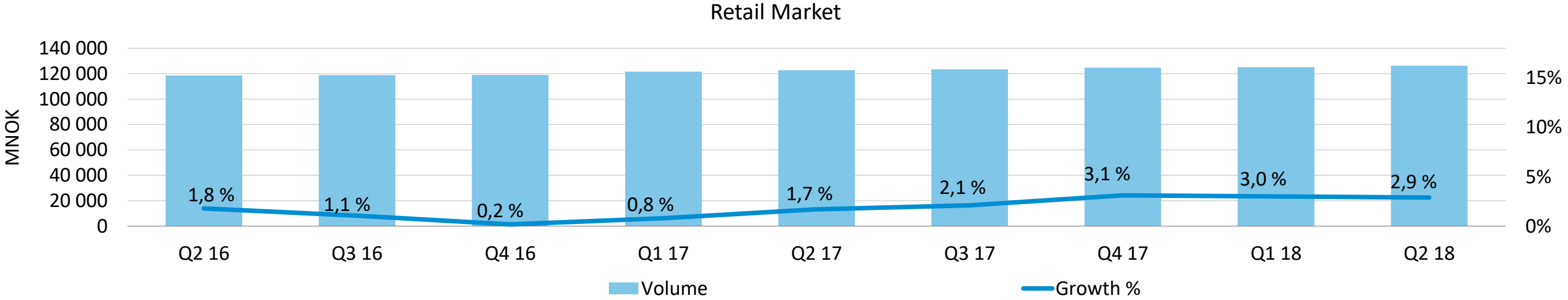
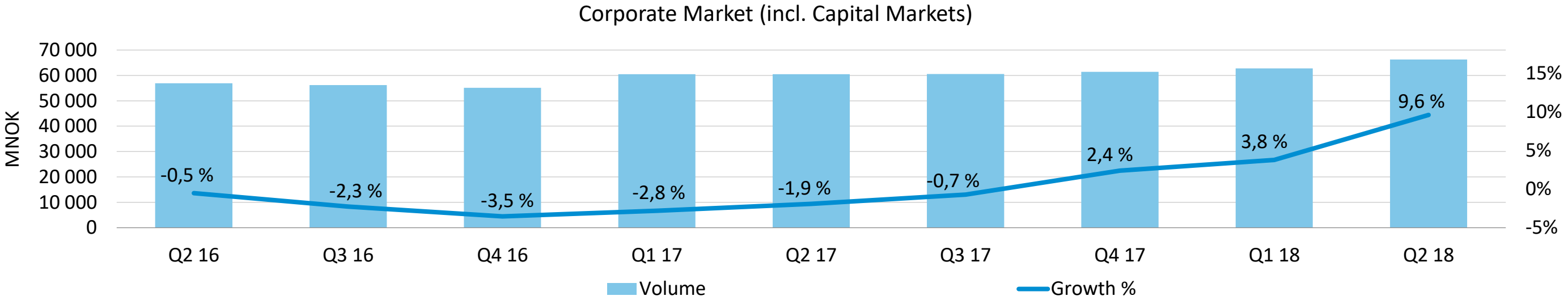
Deposit margins



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

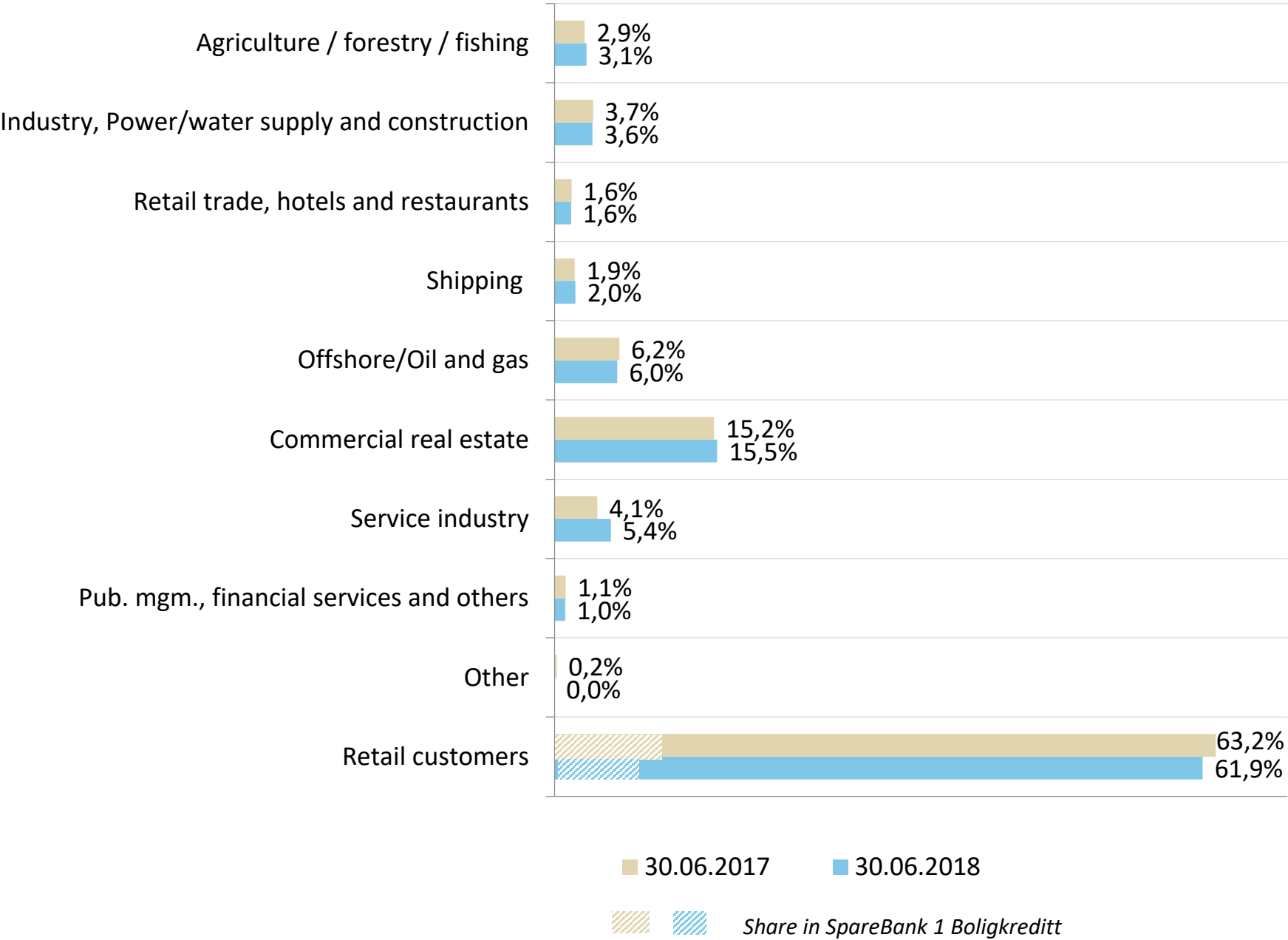
**Definition:** Average customer interest rate against 3-month moving average for 3-month NIBOR. Lending margins include loan portfolio in covered bond companies

# Lending volume and 12 months growth



# Loan portfolio as at 30.06.2018

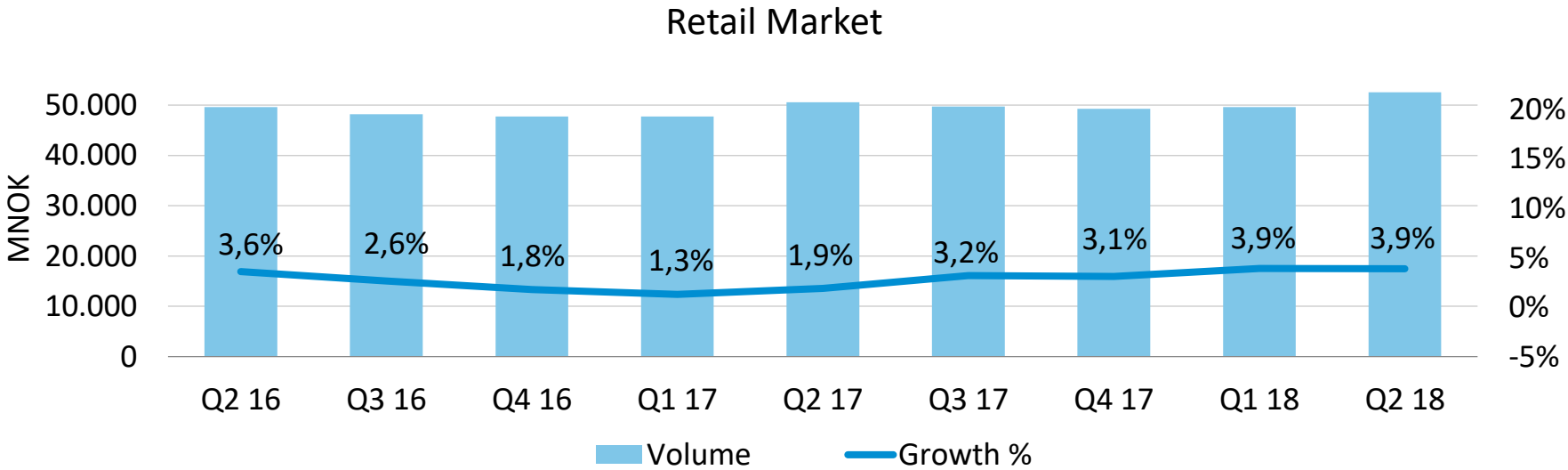
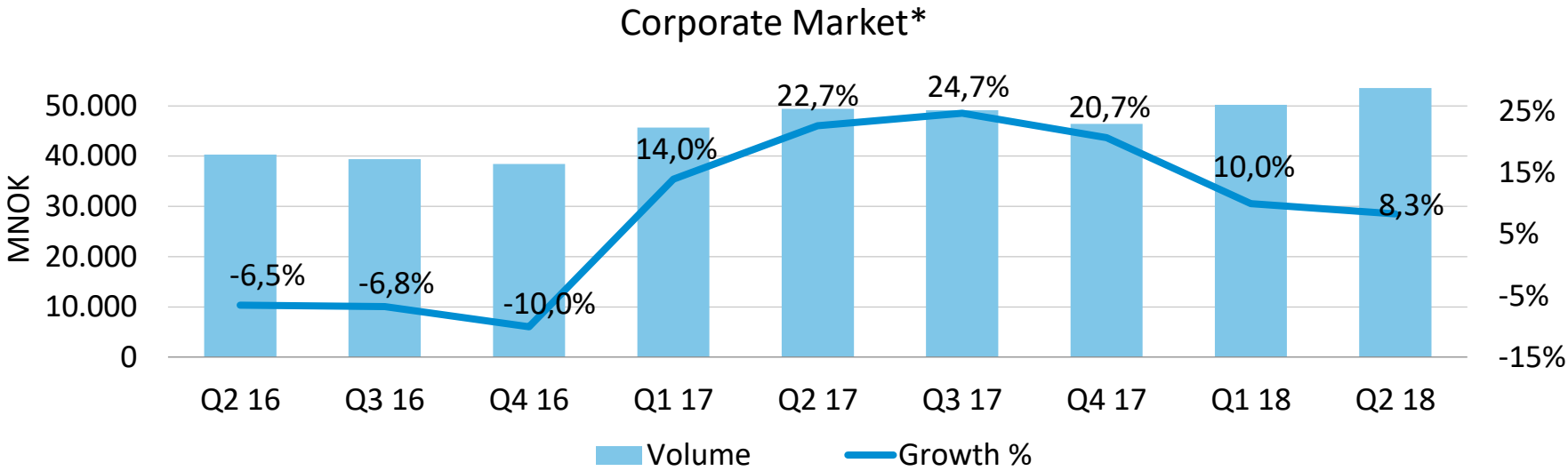
- Gross loans (incl. covered bond companies) as at 30 June 2018 amount to NOK 193.5 billion compared with NOK 184.3 billion at the same time the year before.
- 12-month growth in loans of 5.0%.
- Loans to retail customers (incl. covered bond company) account for 61.9% of total loans, of which 7.3%-points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



Loans before individual write-downs, nominal amounts.  
 Sector allocation in accordance with the standard categories from Statistics Norway.

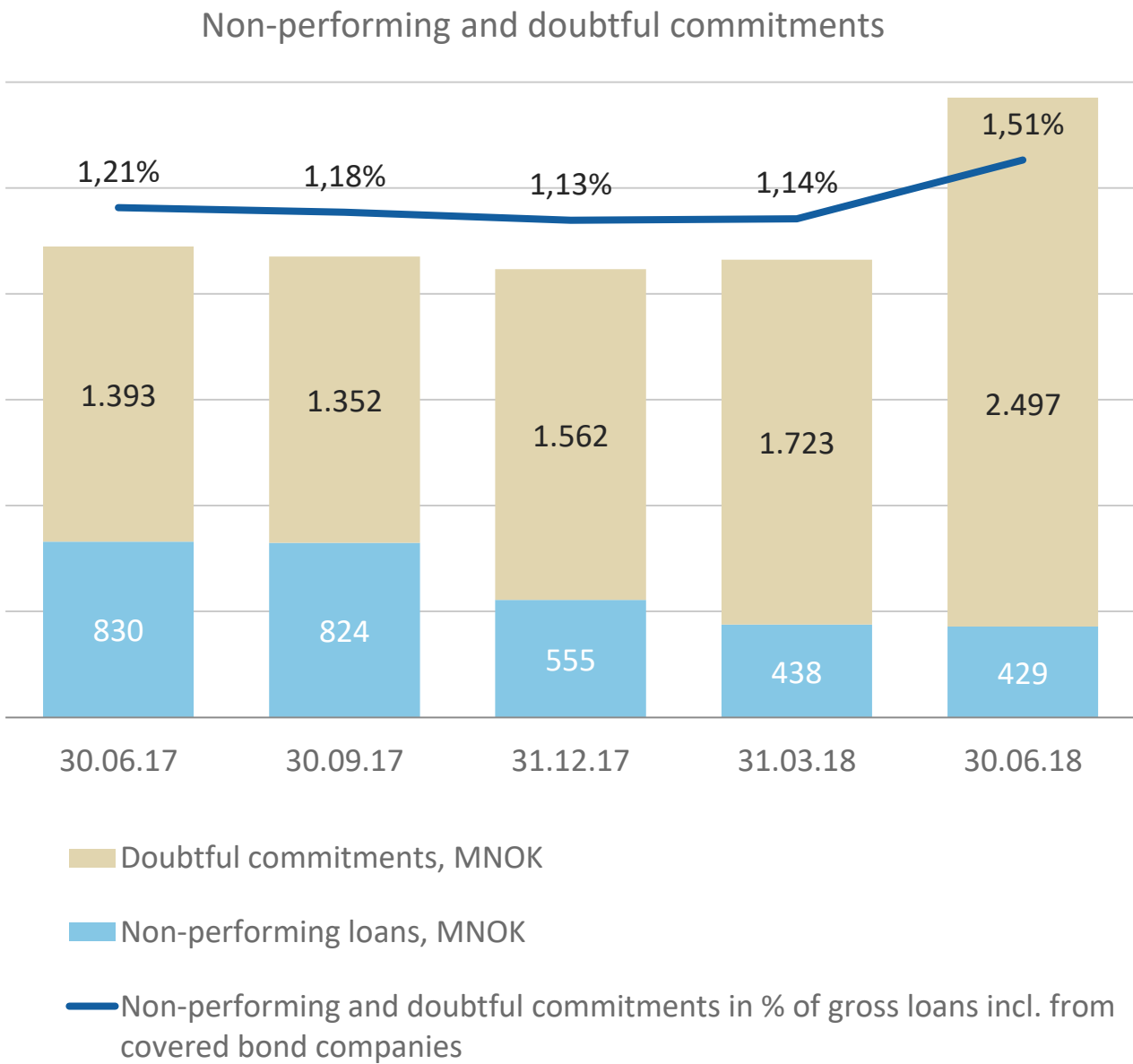
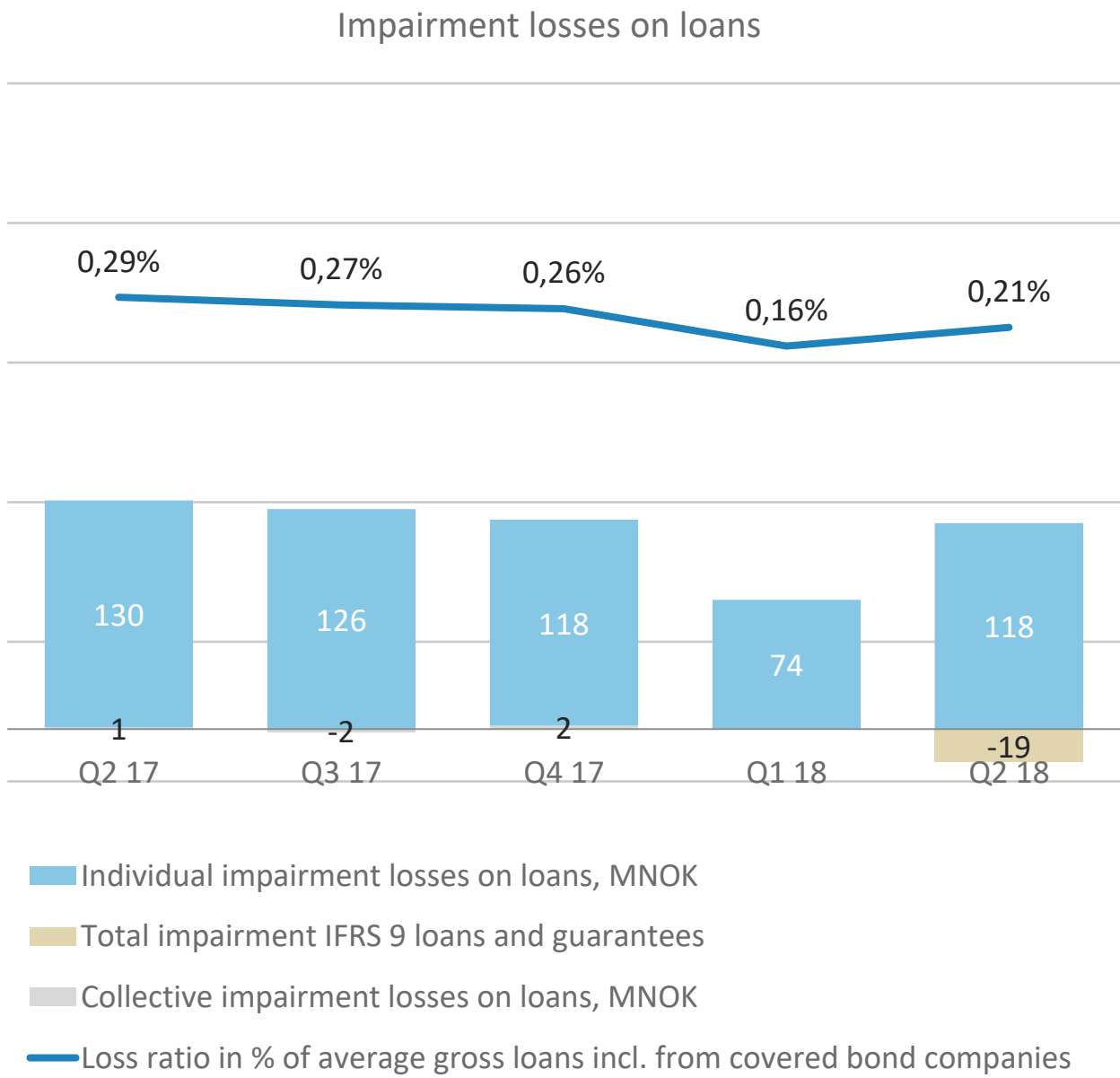
# Deposits volume and 12 month growth

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



\* Includes also the Capital Markets Division.

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





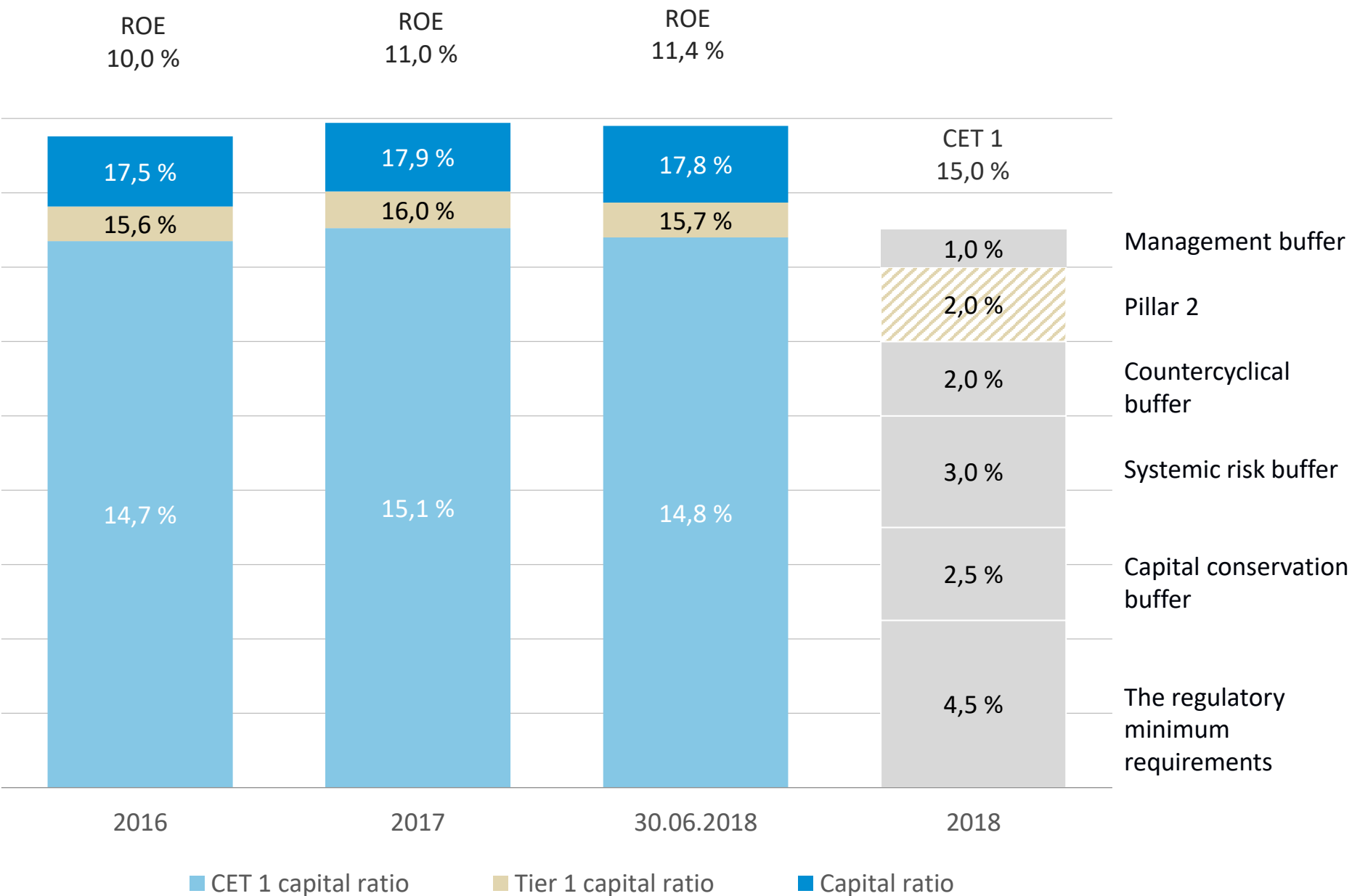
# Impairment losses on loans and guarantees

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

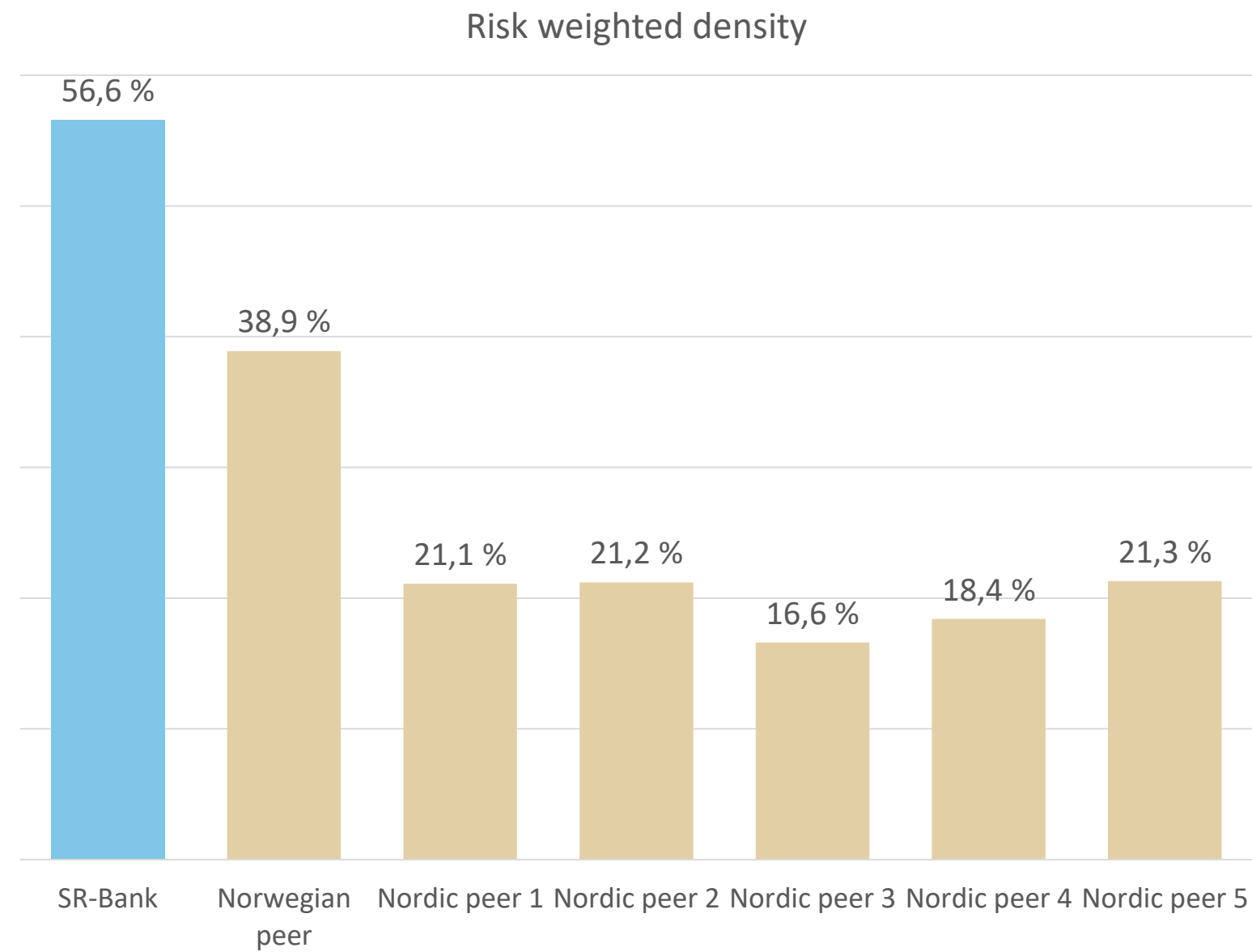
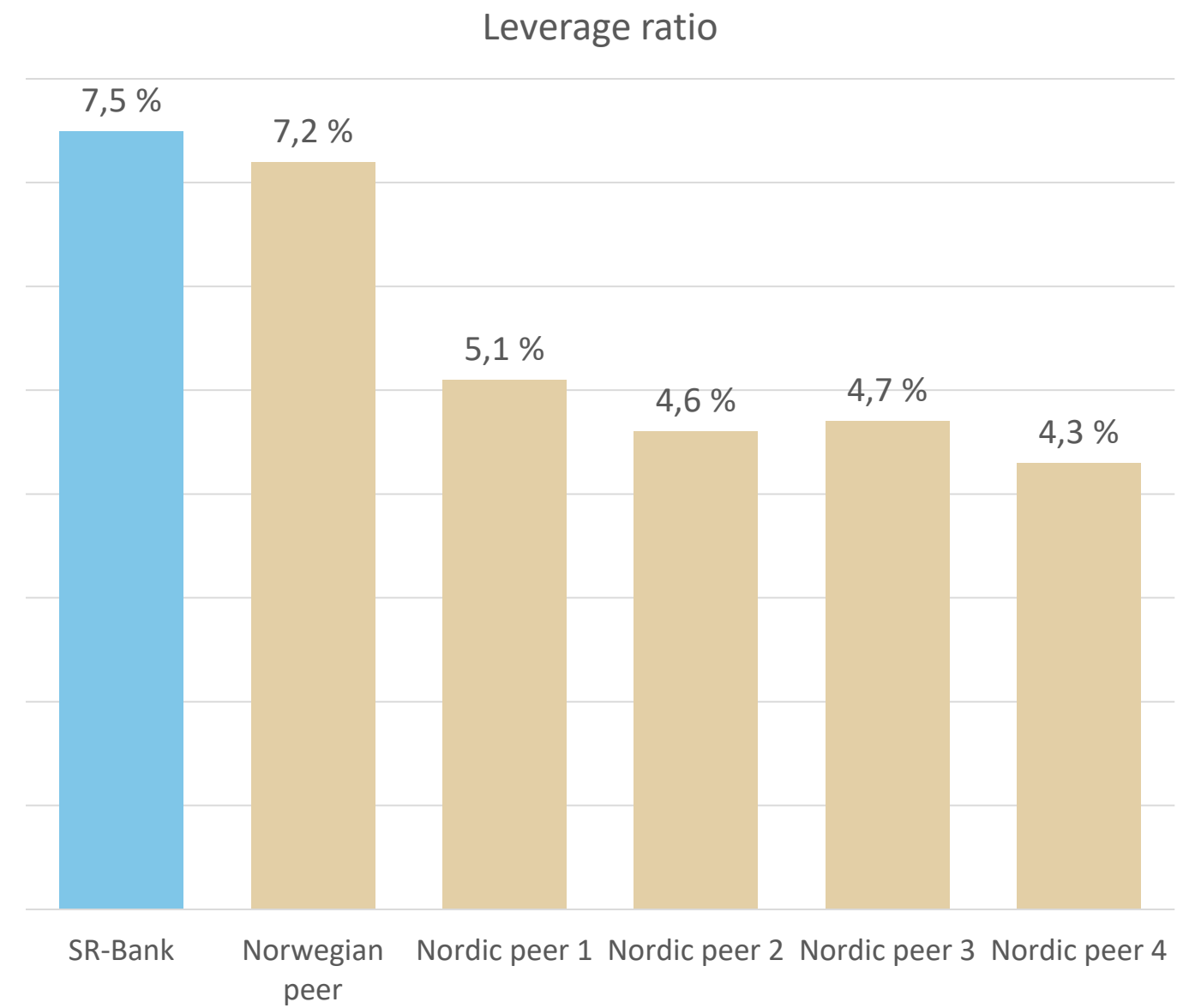
Impairment losses on loans (MNOK)	30.06.2018	30.06.2017	30.06.2018	31.03.2018	31.12.2017	30.09.2017	30.06.2017
Corporate customers	609	508	609	523	546	572	508
Retail customers	98	69	98	92	93	69	69
Collective impairment losses on loans		691			691	690	691
Total impairment IFRS 9 loans*	634		634	669			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

# Solid capital ratio

- SpareBank 1 SR-Bank is compliant with capital requirements as at 30.06.2018.
- The Pillar 2 requirement for SpareBank 1 SR-Bank is 2.0%.
- SpareBank 1 SR-Bank is not defined as a systemically important financial institution (SIFI).
- The use of different risk weights in the Nordic countries makes comparisons of actual financial strength difficult.
  - The Basel I floor is also practised differently.
- Leverage ratio is 7.5% as at 30.06.2018. SpareBank 1 SR-Bank exceeds the levels being discussed and recommended internationally.

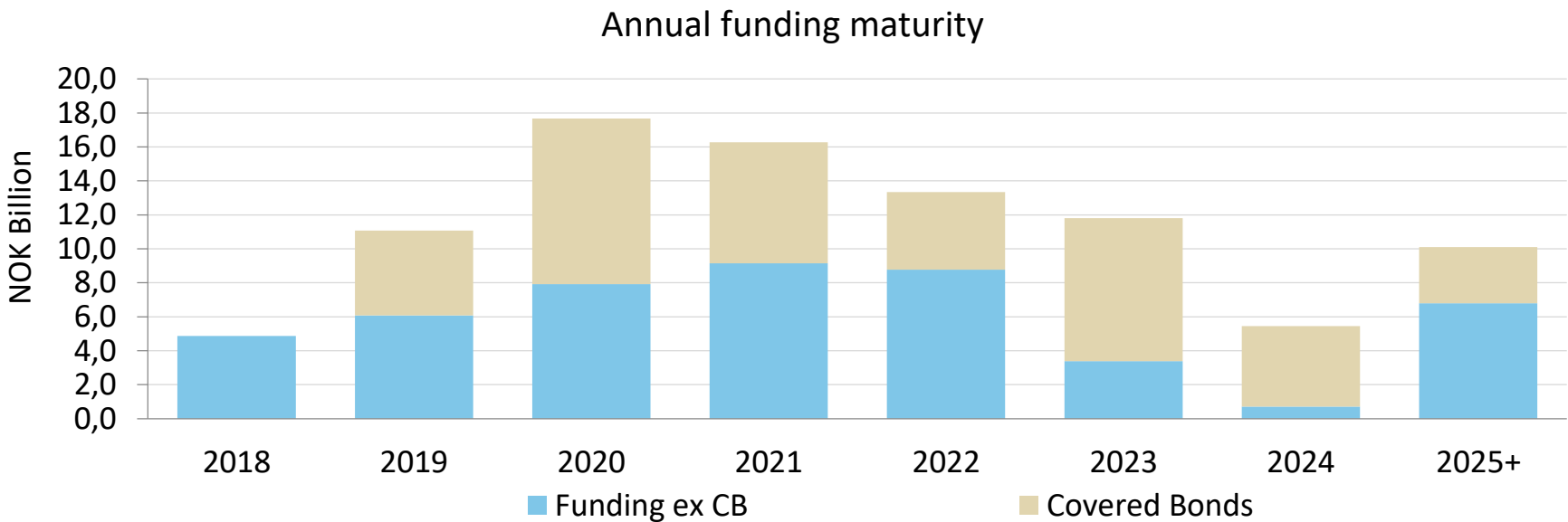
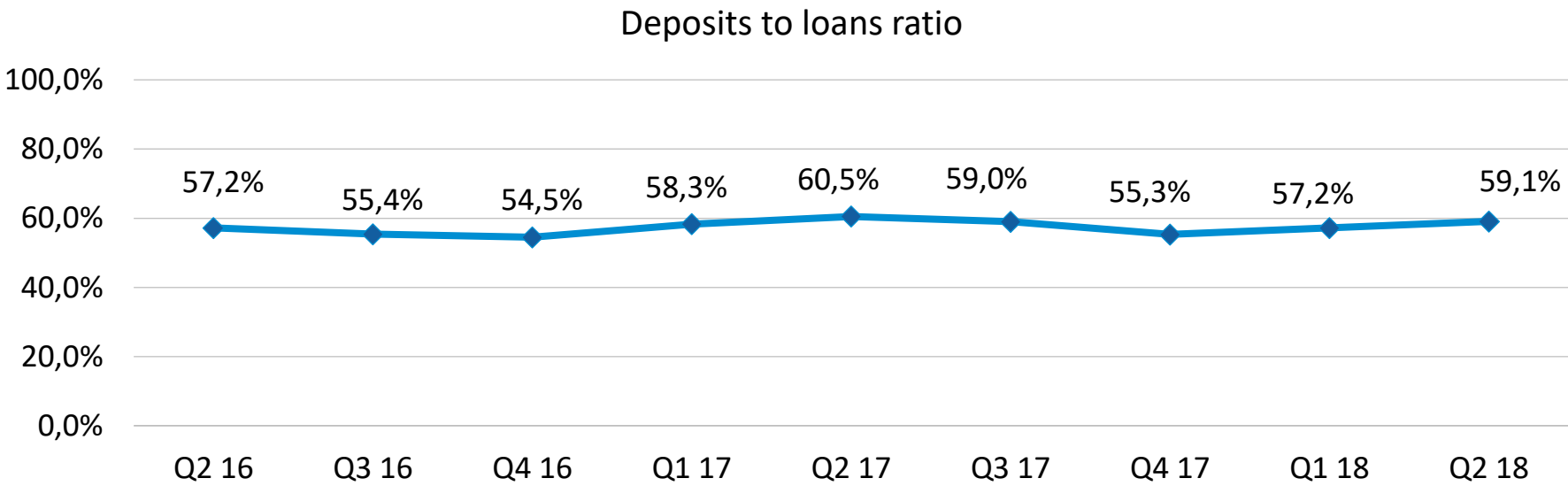


# Solid capital



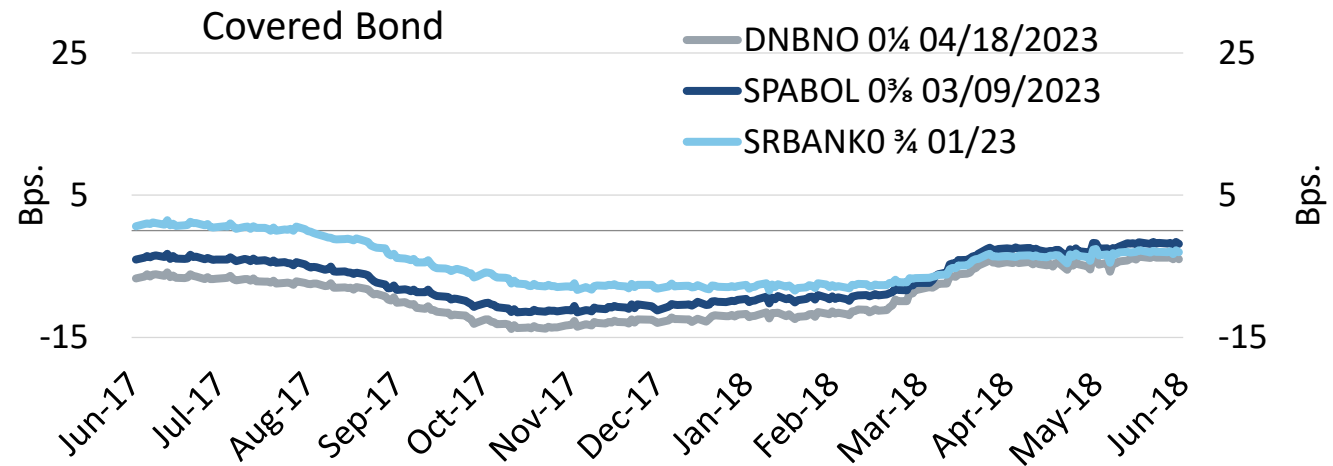
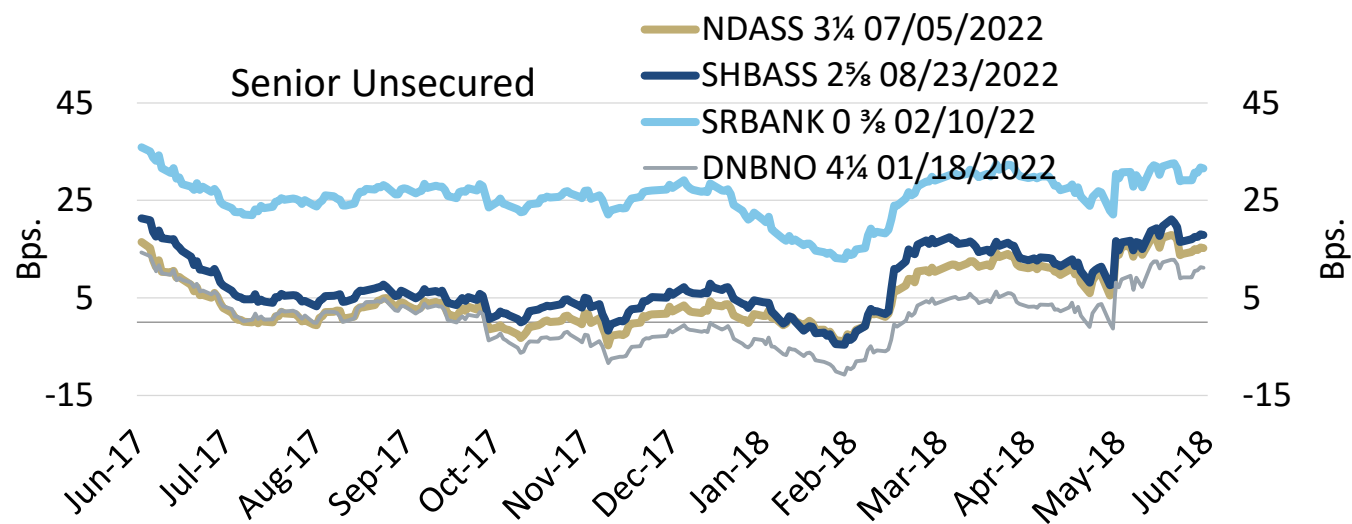
# Funding

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



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

# An established borrower in the Euromarket



Issuer / Ticker	Coupon	Amount	Maturity	ISIN
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
SR-Bank / SRBANK	0,375%	EUR500mn	10-February-2022	XS1516271290
SR-BOL / SRBANK	0,500%	EUR500mn	28-September-2020	XS1297977115
SR-BOL / SRBANK	0,125%	EUR750mn	8-September-2021	XS1429577791
SR-BOL / SRBANK	0,750%	EUR600mn	18-January-2023	XS1344895450
SR-BOL / SRBANK	0,375%	EUR500mn	3-October-2024	XS1692489583
SR-BOL / SRBANK	2,500%	USD600mn	12-April-2022	XS1596016847
SR-BOL / SRBANK	Nibor3m+34	NOK5.000mn	25-November-2019	NO0010779176
SR-BOL / SRBANK	Nibor3m+35	NOK5.000mn	10-September-2020	NO0010740152
SR-BOL / SRBANK	Nibor3m+29	NOK5.000mn	29-May-2023	NO0010823255

1 SpareBank 1 SR-Bank

2 SR-Boligkreditt

3 Norwegian economy

4 Appendix

# Overview



- SR-Boligkreditt is a wholly owned subsidiary of SpareBank 1 SR-Bank and a dedicated covered bond company. Its objective is to purchase mortgages and to finance these by issuing covered bonds.
- Loans are transferred to SR-Boligkreditt as true sale on a non-recourse basis.
- Approval from the Norwegian FSA to report capital according to IRB methods.
- **Rated Aaa by Moody's**
  - Cover Bond anchor: SpareBank 1 SR-Bank, rated A1 (negative)
  - CR assessment: Aa3, TPI leeway of 4 notches.
  - Minimum OC-requirement 0.5 %
  - The minimum level of over-collateralization is set at 2 % in SR-Boligkreditt's Covered Bond Programme.
- FSA appointed investigator: PricewaterhouseCoopers.
- SR-Boligkreditt has implemented the common Harmonised Transparency Template of the European Covered Bond Council which is available on website: [www.sr-bank.no/sr-boligkreditt](http://www.sr-bank.no/sr-boligkreditt)



# Eligibility criteria



Type of properties	<ul style="list-style-type: none"> <li>• Primary residential property in Norway (including detached houses, terraced houses, apartments and cooperative housing units)</li> <li>• The mortgage property shall not be "buy-to-let"</li> <li>• No holiday homes</li> </ul>
Collateral	<ul style="list-style-type: none"> <li>• First priority mortgages</li> <li>• Max LTV 75 % or less at the time of transfer (max 60 % for flexible loans/revolving credits)</li> <li>• The valuation of the mortgage property must be no less than 24 months old and carried out by an independent third party</li> <li>• Quarterly valuation from independent 3<sup>rd</sup> party</li> </ul>
Credit criteria	<ul style="list-style-type: none"> <li>• No adverse credit history the previous year</li> <li>• Probability of default max 2.50 %</li> </ul>
Type of products	<ul style="list-style-type: none"> <li>• Amortising loans (straight line or annuity)</li> <li>• Non-amortising loans (Flexible loans/revolving credits)</li> <li>• No fixed rate loans</li> </ul>
Loan volume	<ul style="list-style-type: none"> <li>• A maximum loan volume per customer of NOK 12 million (~€1.3 million)</li> </ul>

# Cover pool characteristics

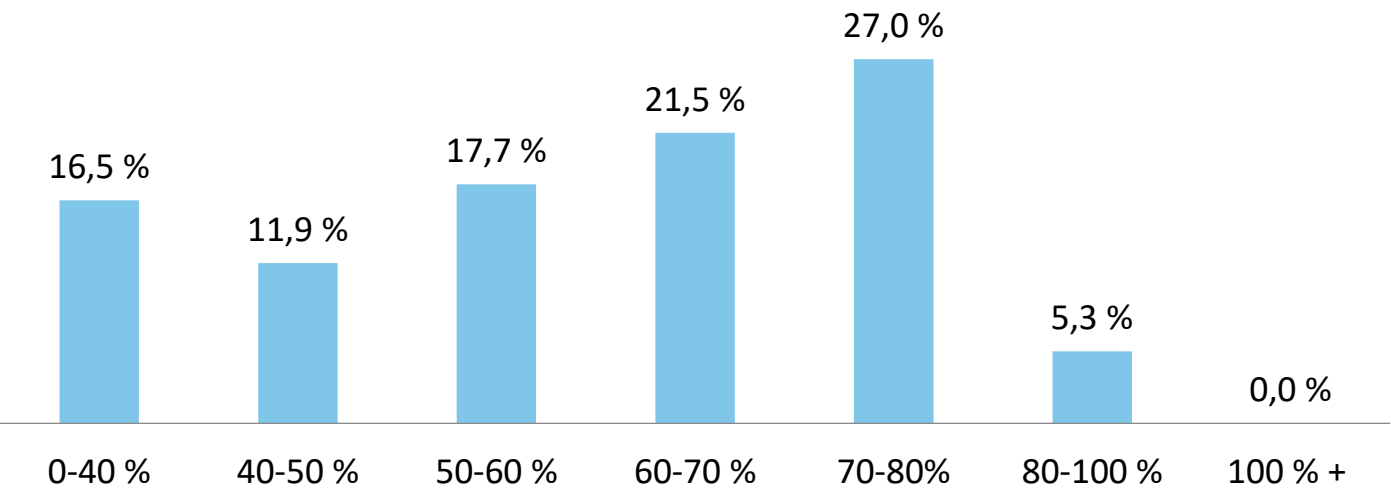


Assets/status	<ul style="list-style-type: none"> <li>100 % first lien mortgages on Norwegian private residential properties</li> <li>100 % performing loans</li> </ul>
Cover pool	<ul style="list-style-type: none"> <li>NOK 48.7 bn: Residential mortgages 47.2 bn (97.0 %), Substitute assets 1.4 bn (3.0 %)</li> </ul>
Loans and rate	<ul style="list-style-type: none"> <li>28 727 loans at a weighted average interest rate of 2.5 %</li> </ul>
Average loan balance	<ul style="list-style-type: none"> <li>1 651 445</li> </ul>
Weighted average original LTV	<ul style="list-style-type: none"> <li>58.7 %</li> </ul>
Weighted average current LTV	<ul style="list-style-type: none"> <li>58.6 %</li> </ul>
Weighted average seasoning	<ul style="list-style-type: none"> <li>8.2</li> </ul>
Weighted average life	<ul style="list-style-type: none"> <li>16.0 years</li> </ul>
Principal payment frequency	<ul style="list-style-type: none"> <li>Amortizing 73.1 %, Non-amortizing 26.9 %</li> </ul>
Rate type	<ul style="list-style-type: none"> <li>100 % floating rate loans</li> </ul>
OC-level	<ul style="list-style-type: none"> <li>6.9 %</li> </ul>
OC-level if house price drop 20 %	<ul style="list-style-type: none"> <li>3.2 %</li> </ul>

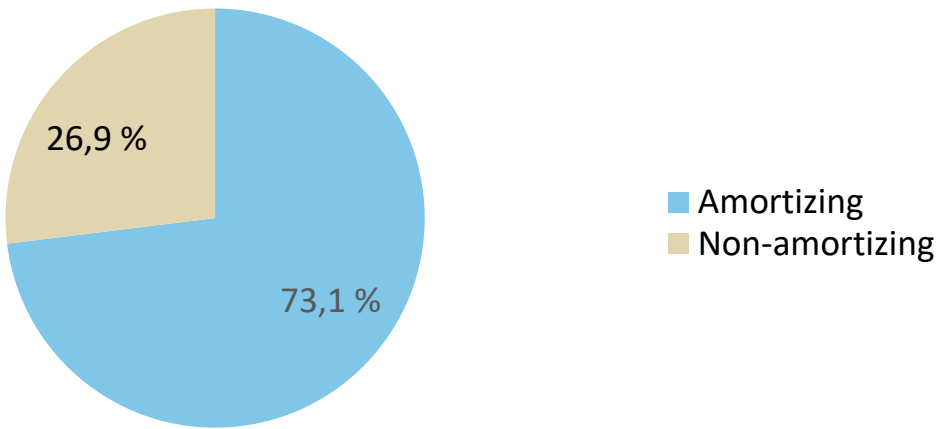
# Cover pool characteristics



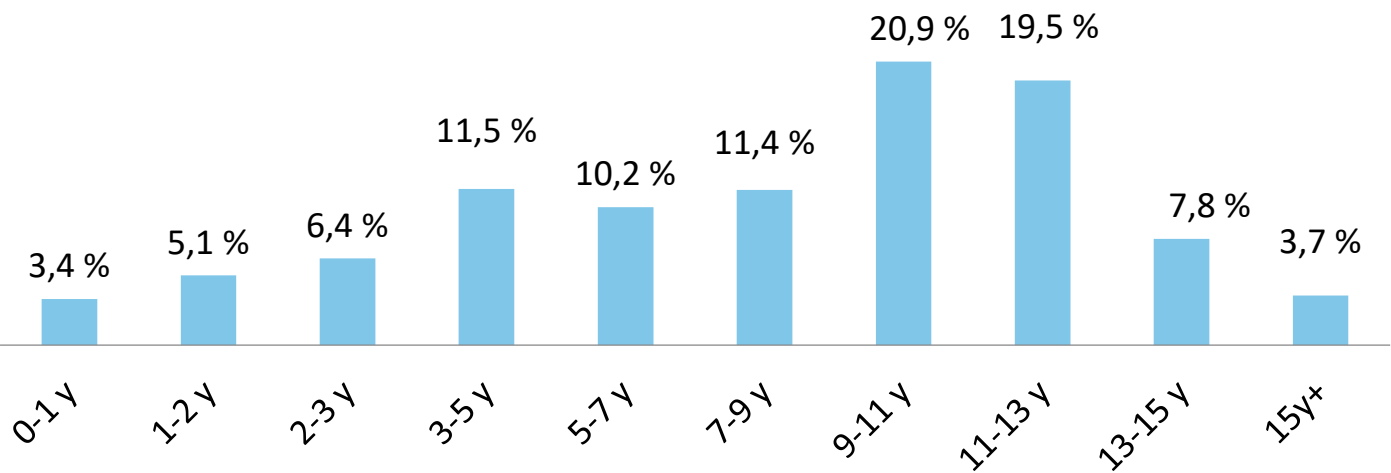
Current LTV



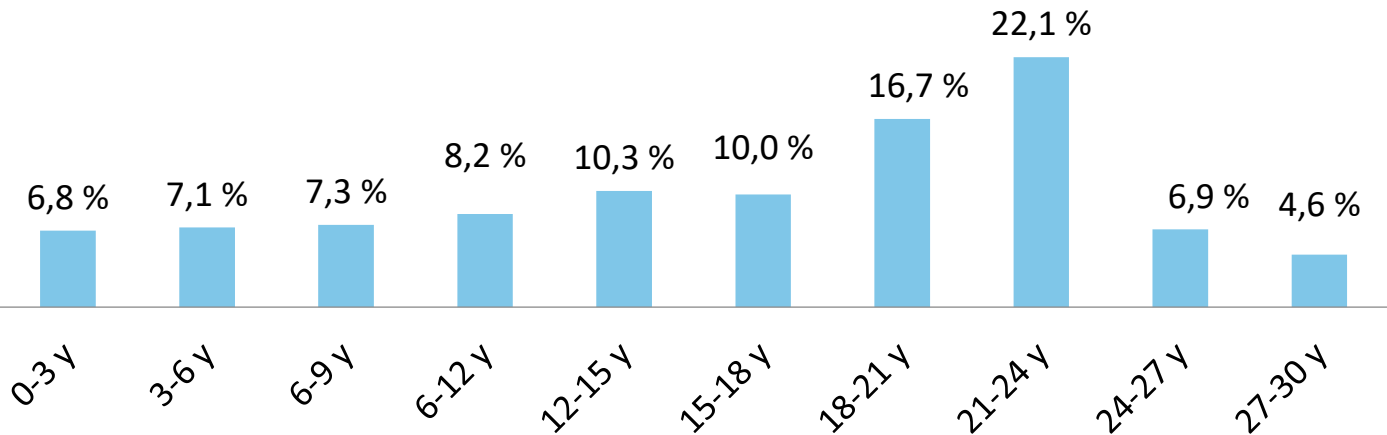
Repayment type



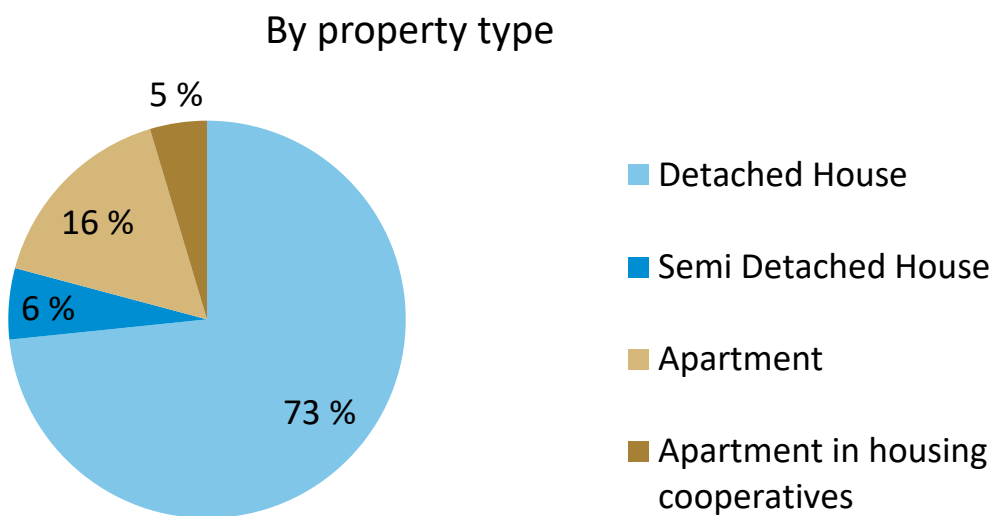
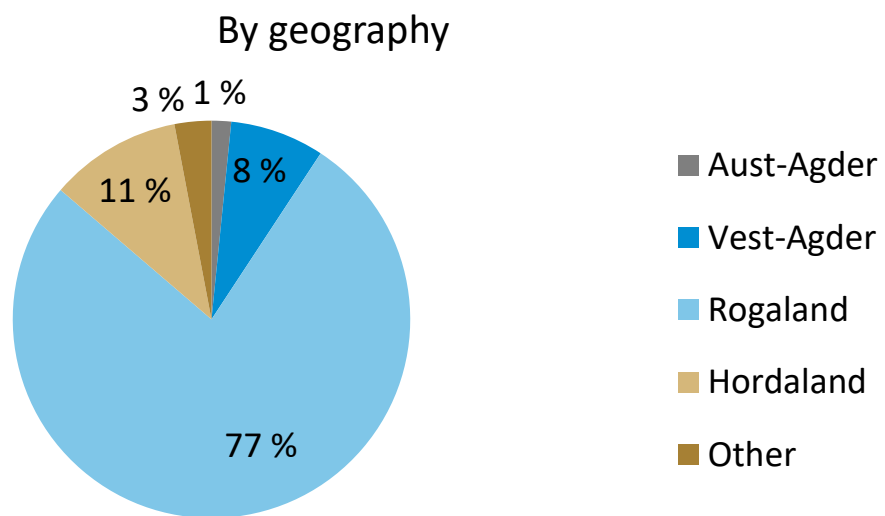
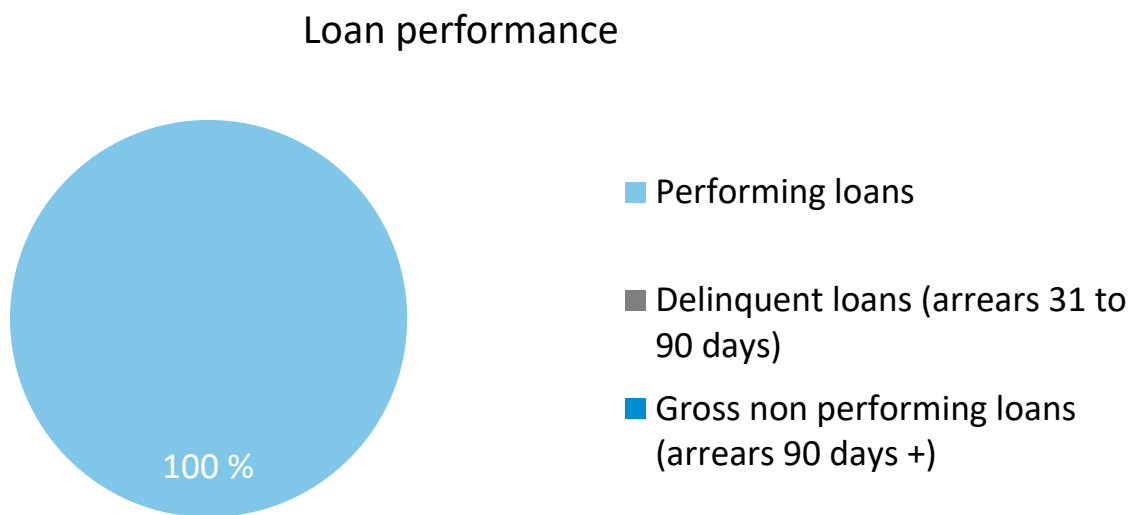
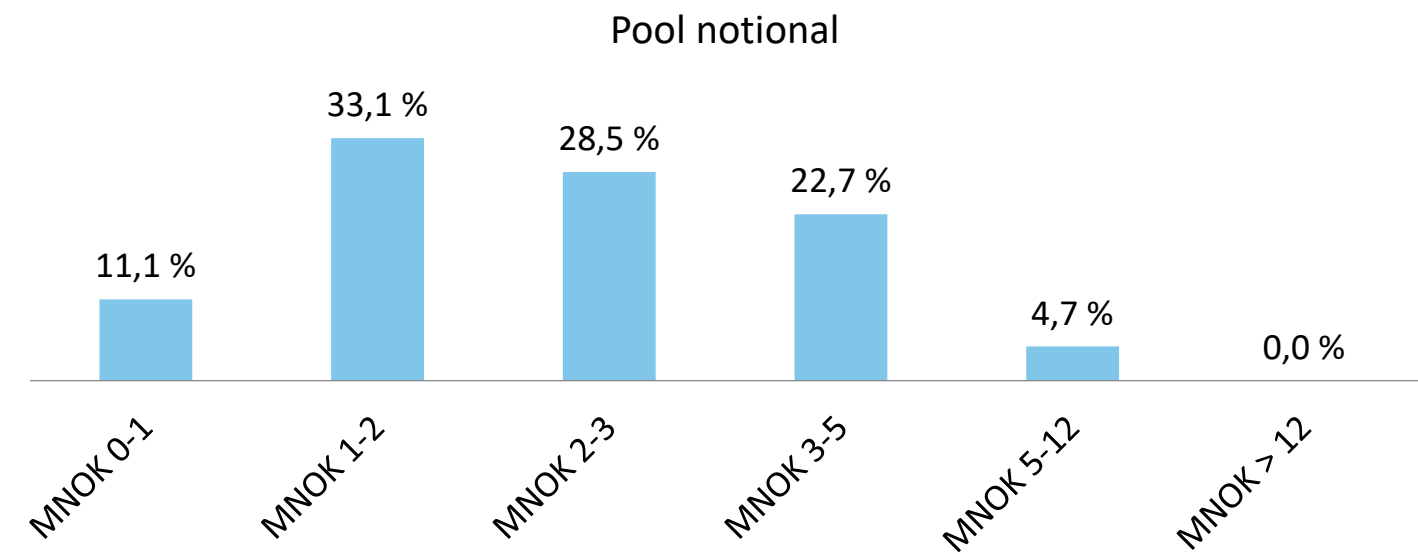
Seasoning (number)



Weighted average life



# Cover pool characteristics



1 SpareBank 1 SR-Bank

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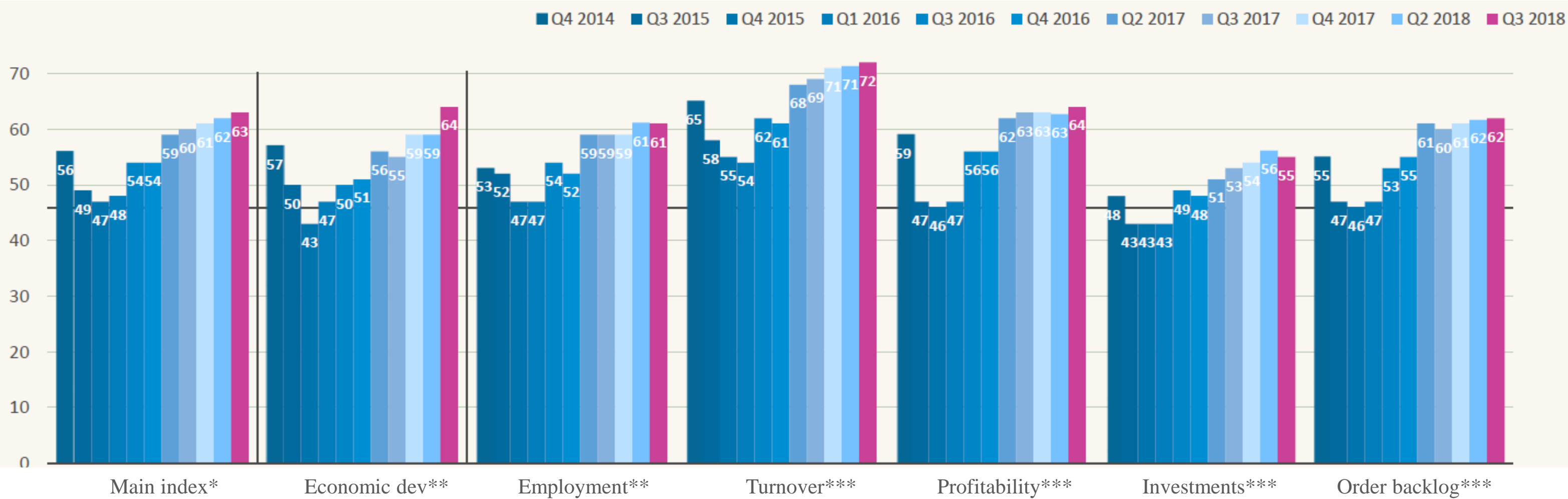
4 Appendix

# 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	2018P	2019P
GDP mainland, annual change (%)	1,9	3,7	2,3	2,2	1,4	1	1,9	2,1	2,5
Household consumption, annual change (%)	2,3	3,5	2,8	2,1	2,6	1,5	2,5	2,5	2,8
Public consumption, annual change (%)	1	1,6	1	2,7	2,4	2,1	2,2	1,6	1,7
Investment mainland, annual change (%)	5	7,4	2,9	0,4	-0,2	6,1	5,5	-0,1	1,6
Investment public sector	1,1	-1,8	12	4,4	0,2	5,9	4,4	1,6	1,3
Investment offshore oil and gas, annual change (%)	11,4	14,6	19	-1,8	-12,2	-17	-2	2,4	3,8
Oil price, USD/bbl. Actual	111	112	109	99	53	45	55	71	
Inflation rate (CPI) %	1,2	0,8	2,1	2	2,1	3,6	1,8	2,5	1,5
3 month NIBOR %	2,9	2,2	1,8	1,7	1,3	1,1	0,9	1,1	1,4
Mortgage rate %	3,6	3,9	4	3,9	3,2	2,6	2,6	2,7	3,1
Household savings ratio	5,9	7,1	7,4	8,2	10,3	7,1	7,1	7,2	7,7
Unemployment rate (registered at labour office)*	2,6	2,6	2,7	2,7	3	3	2,7	2,3	2,1
HH sector real disposable income, annual change (%)	4,1	4,4	3,9	2,9	5,5	-1,5	2,4	2,4	2,9
Current account surplus, share of GDP (%)	12,4	12,5	10	11	7,9	3,8	5,5	8,1	9,3
Sovereign Wealth Fund, share of mainland-GDP (%). Actual	150	160	190	230	270	270	290	280	

Sources: Statistics Norway, Thomson Reuters Datastream and \*Central Bank of Norway

# PMI (Rogaland, Hordaland and Agder)



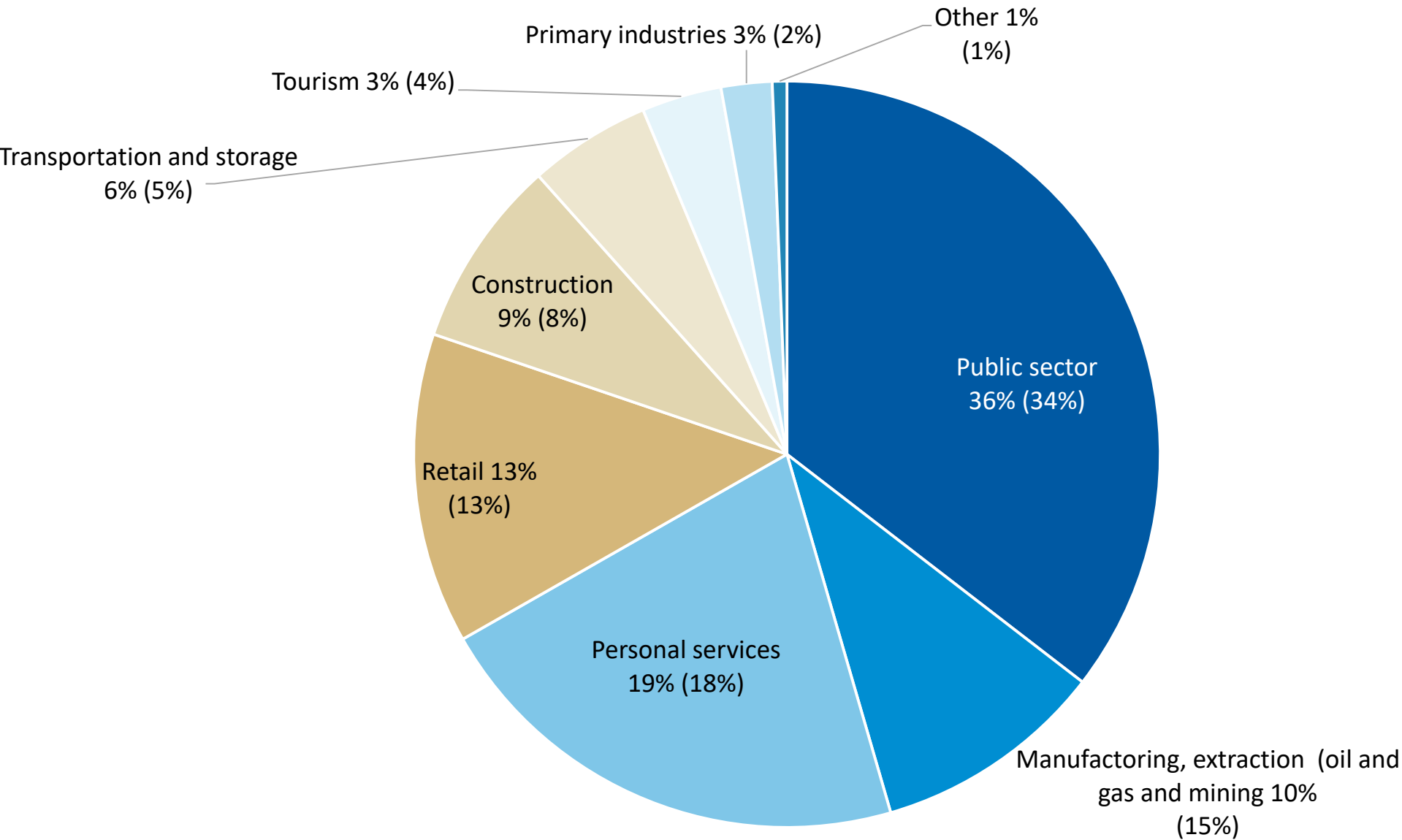
\* Main index is average of the six subindices

\*\* Economic development last 12 months compared to previous 12 months

\*\*\* Expectations next 12 months



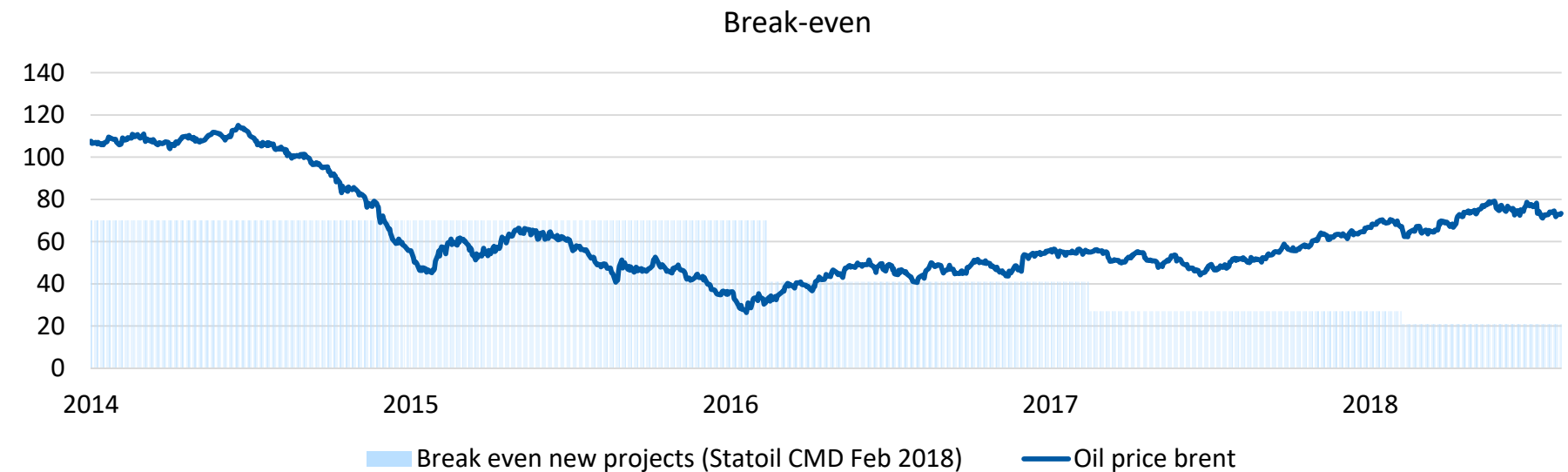
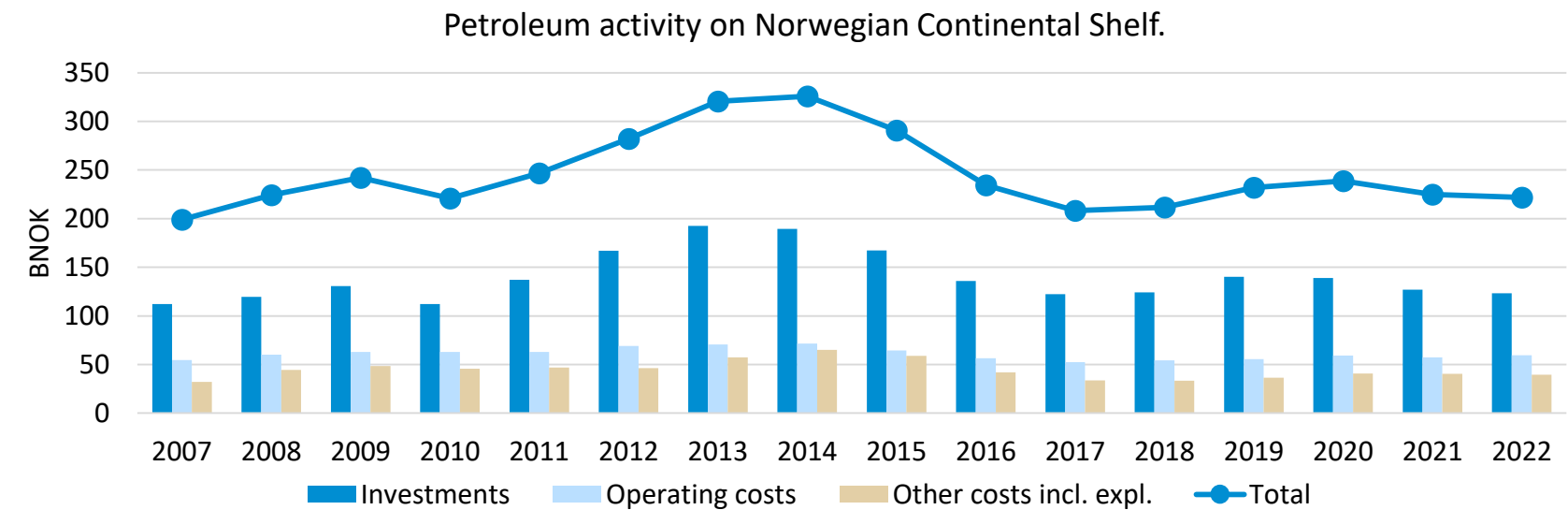
# Employment in Norway and the region (Rogaland, Hordaland and Agder)



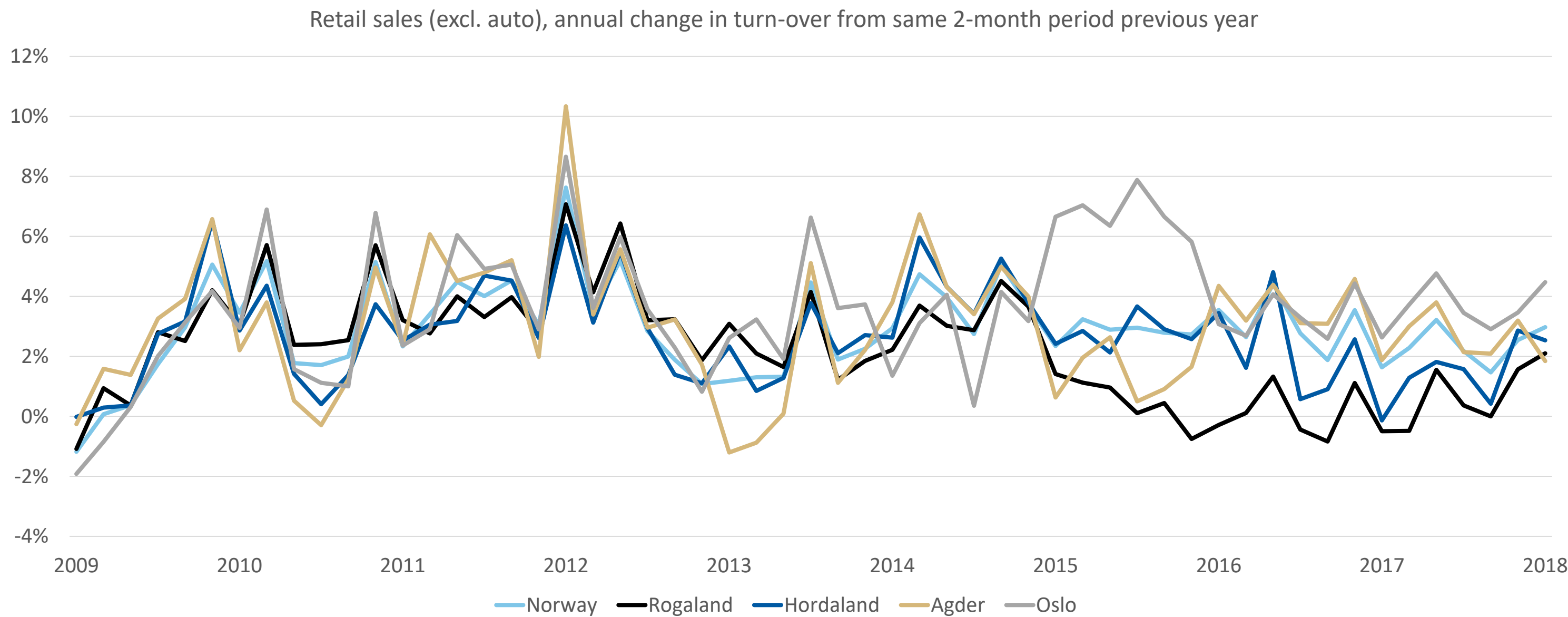
Source: Statistics Norway (2017)

# Oil activity in Norway near the bottom

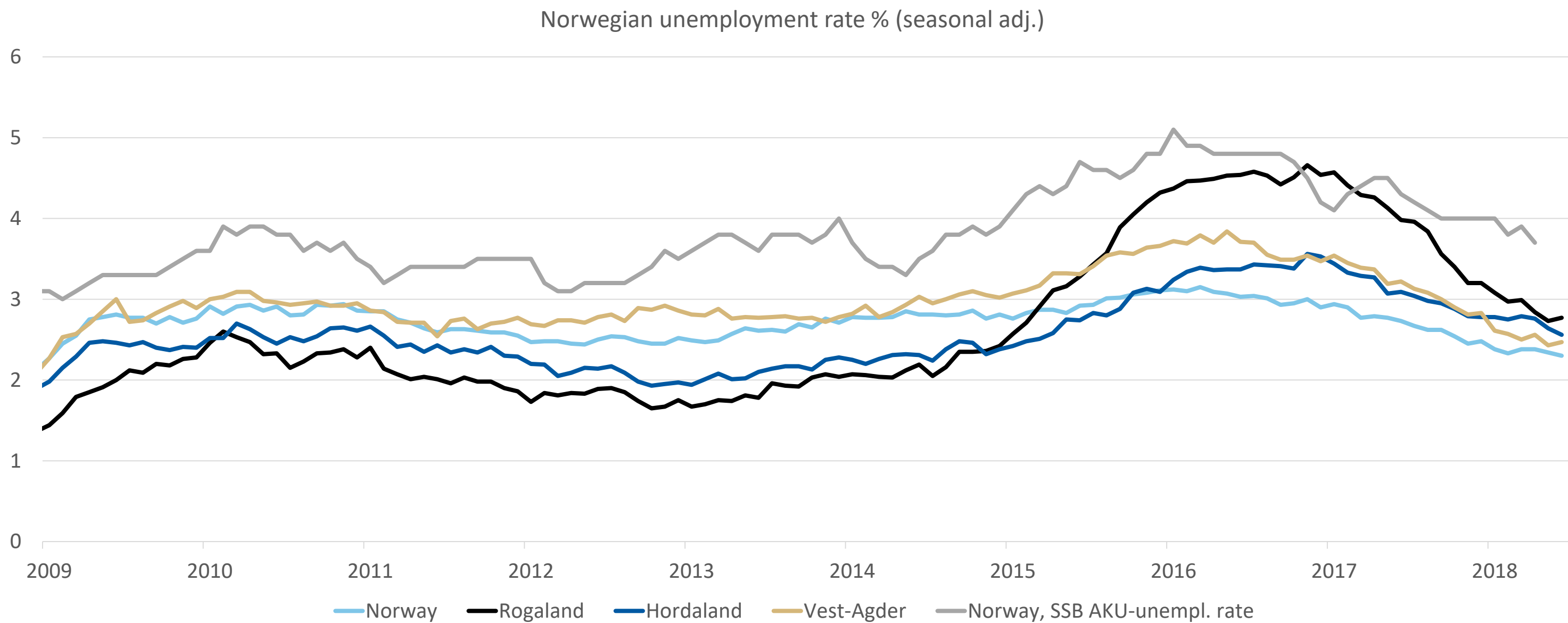
- Investments has fallen about 35 % since the oil price drop in 2014.
- Oil prices has however picked up again and the Norwegian Petroleum Directorate expects growth in oil investments the next few years.
- The operating costs, which are important for the activity in the region, has proven more stable.



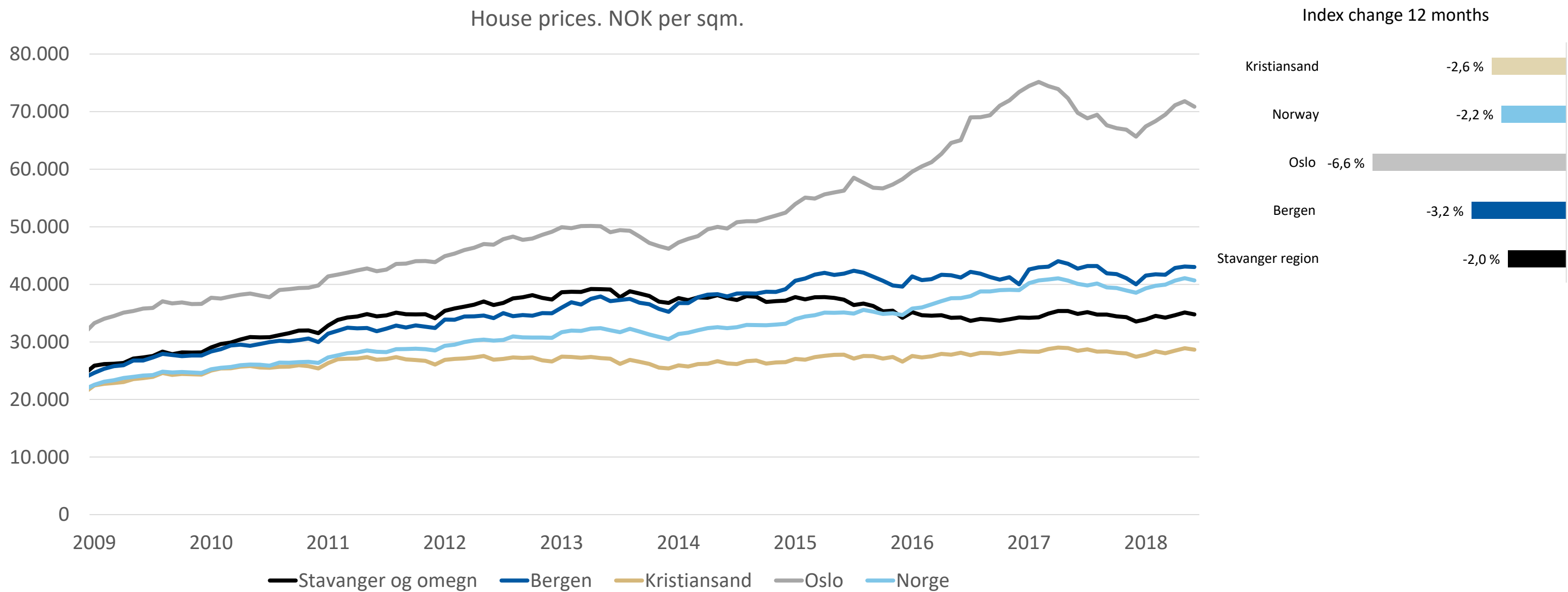
# Retail trade increasing in Norway



# Lower unemployment rate

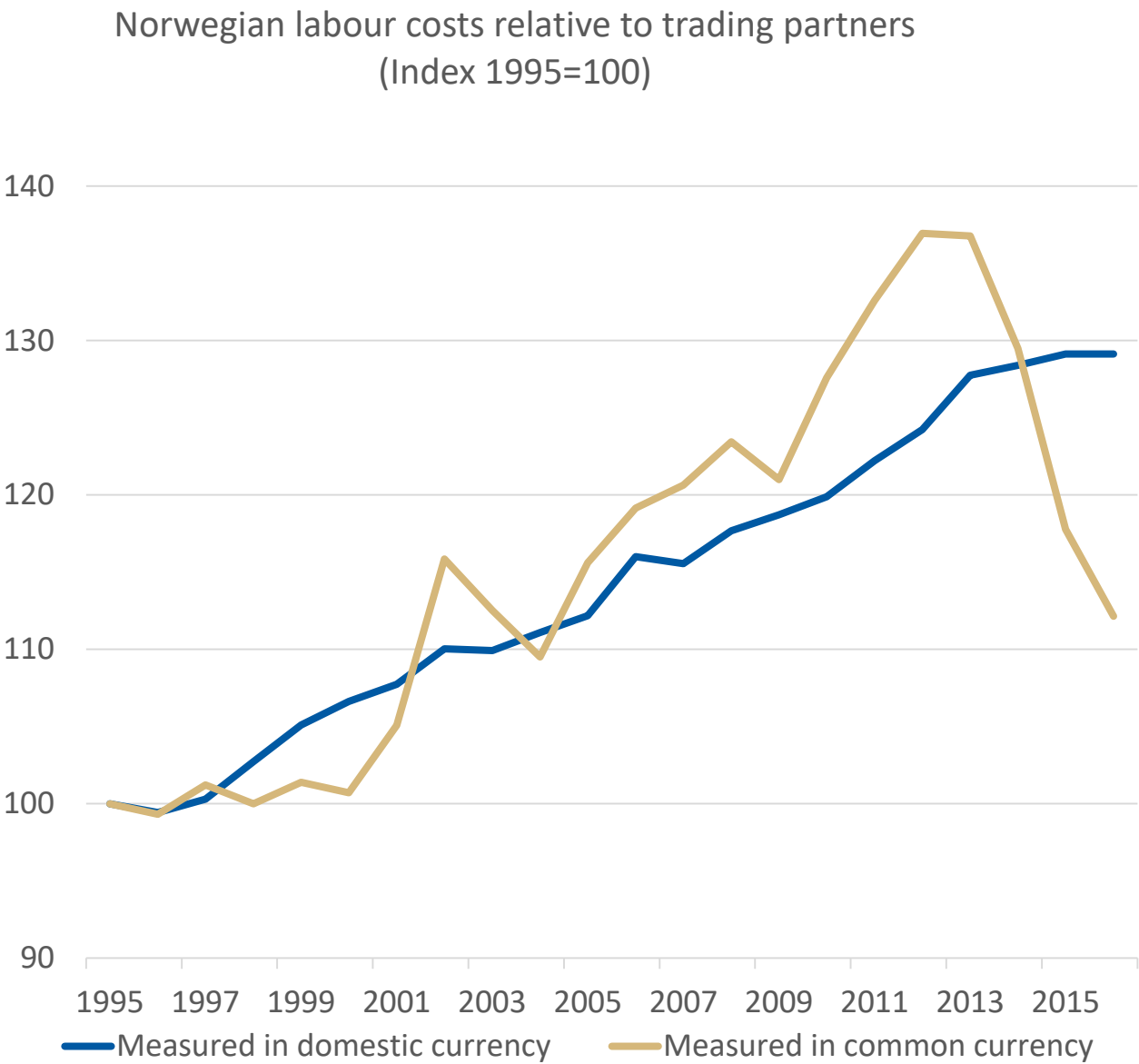


# Housing prices in Norway

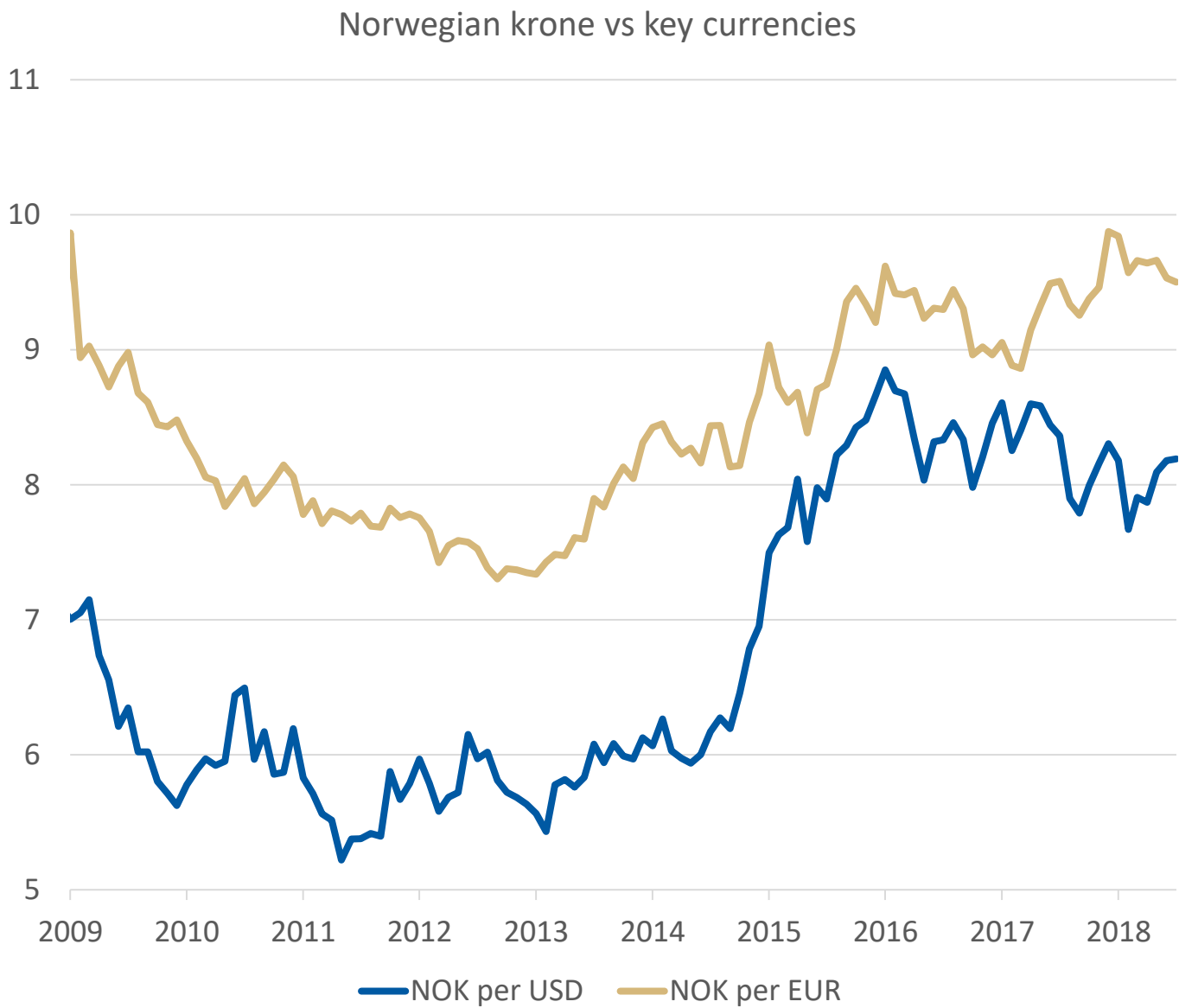


Kilde: Finn.no, Eiendom Norge og Eiendomsverdi

# Weak NOK increases competitiveness

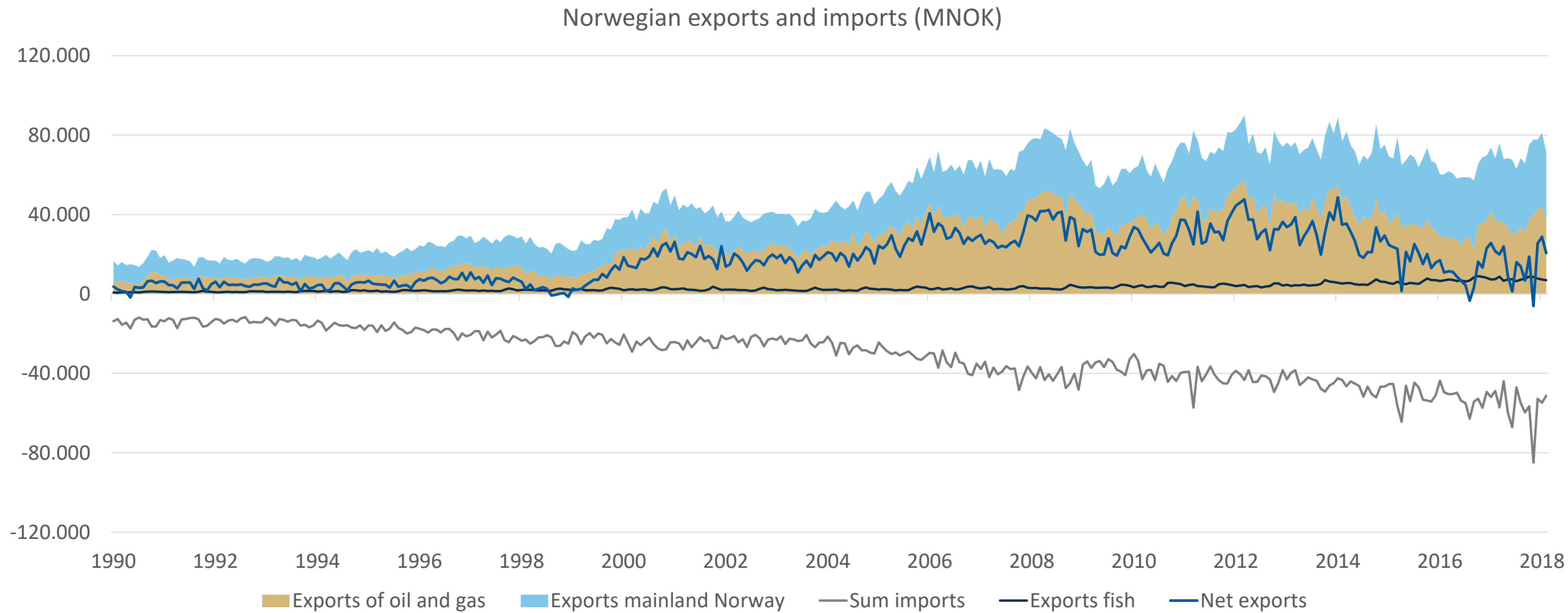


Source: Central Bank of Norway



Source: Thomson Reuters Datastream

# Norwegian exports and imports

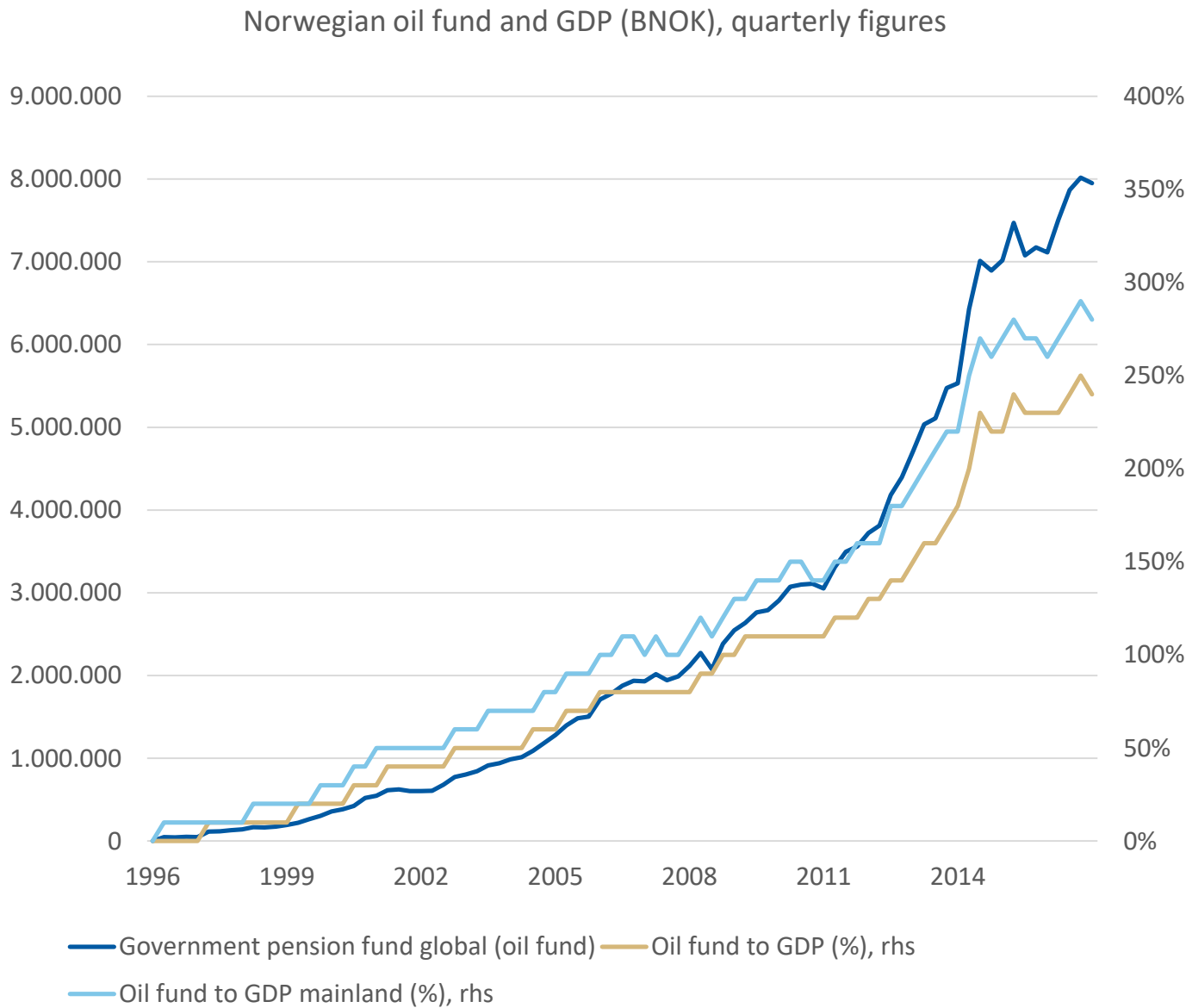
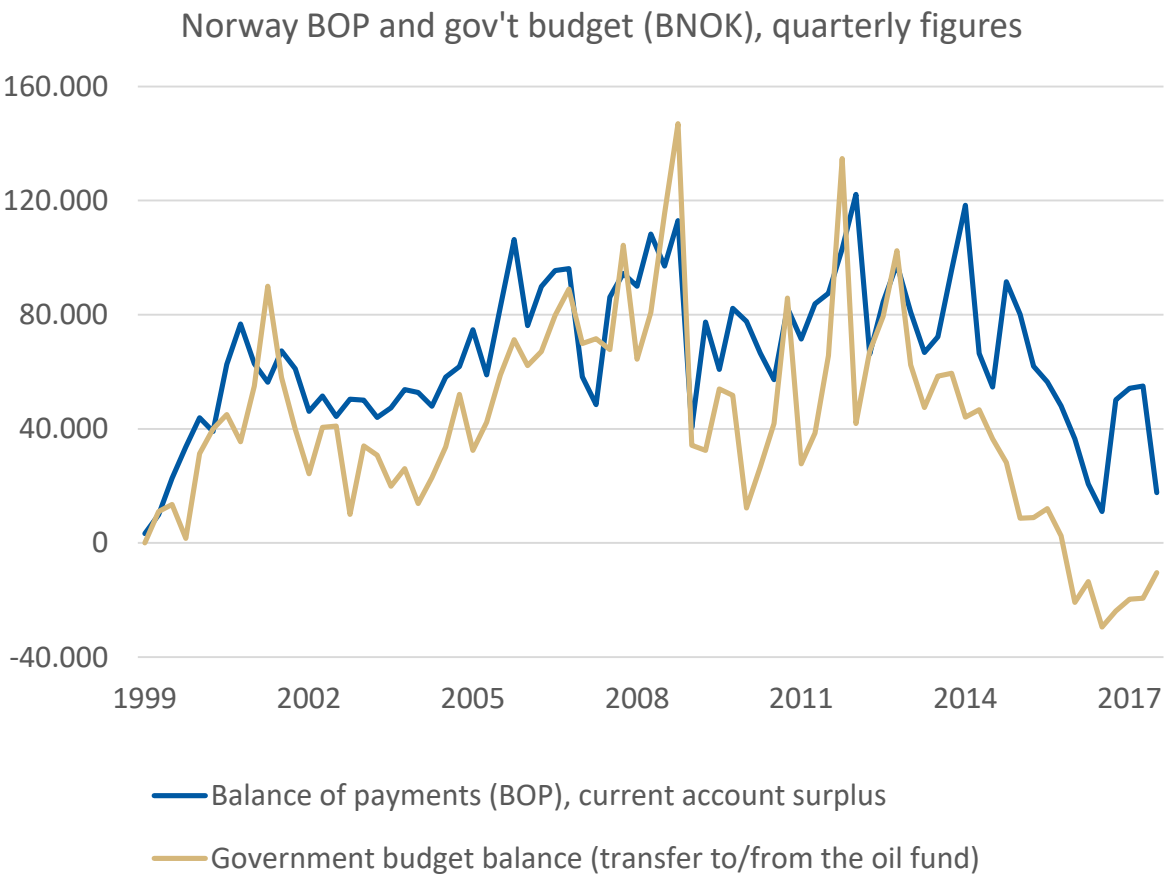


Source: Thomson Reuters Datastream and SpareBank 1 SR-Bank



# Government finances and the sovereign wealth fund

- Cash flow from the petroleum sector (taxes, ownership) is channeled into the sovereign wealth fund
- Fiscal spending rule is 3 % of the fund.



**1** SpareBank 1 SR-Bank

**2** SR-Boligkreditt

**3** Norwegian economy

**4** Appendix

**A**

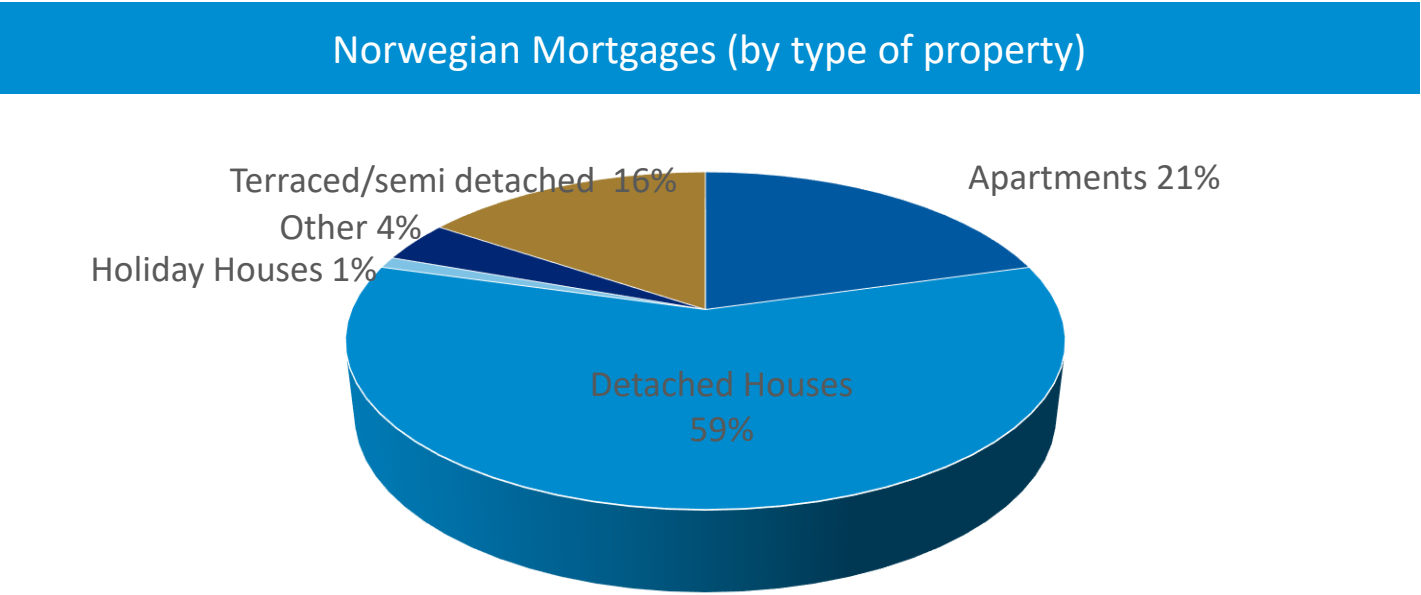
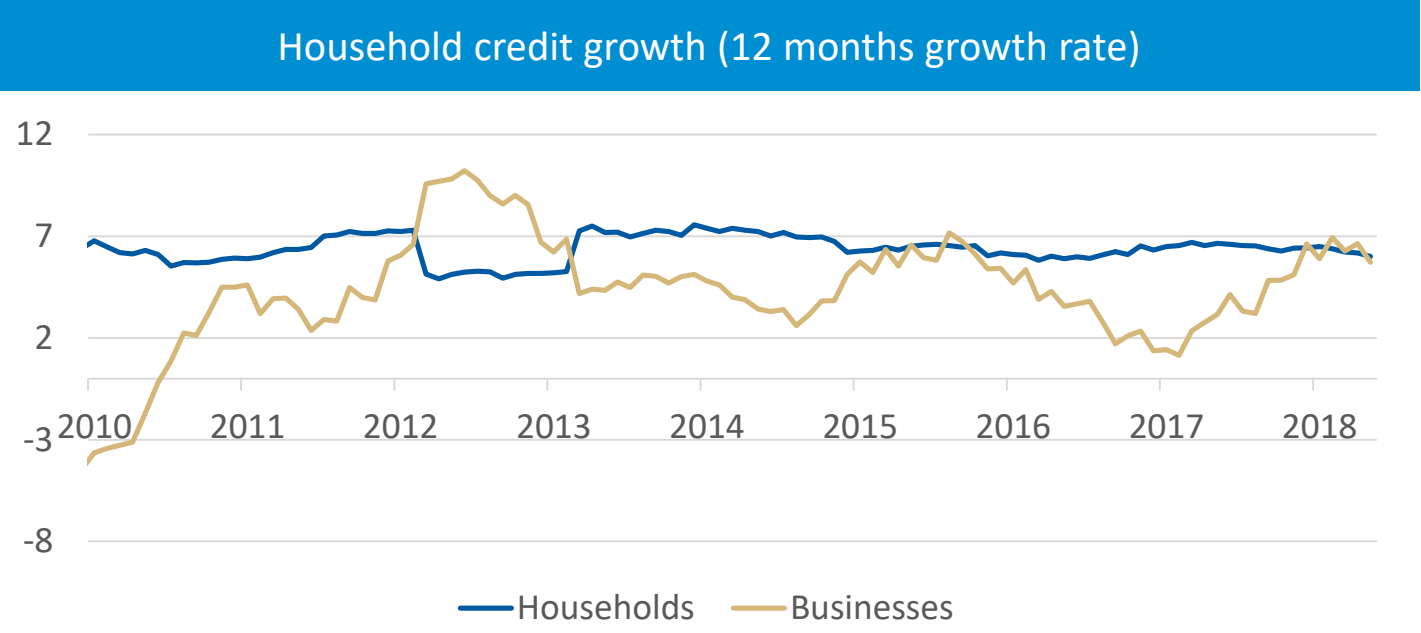
Norwegian mortgage market

**B**

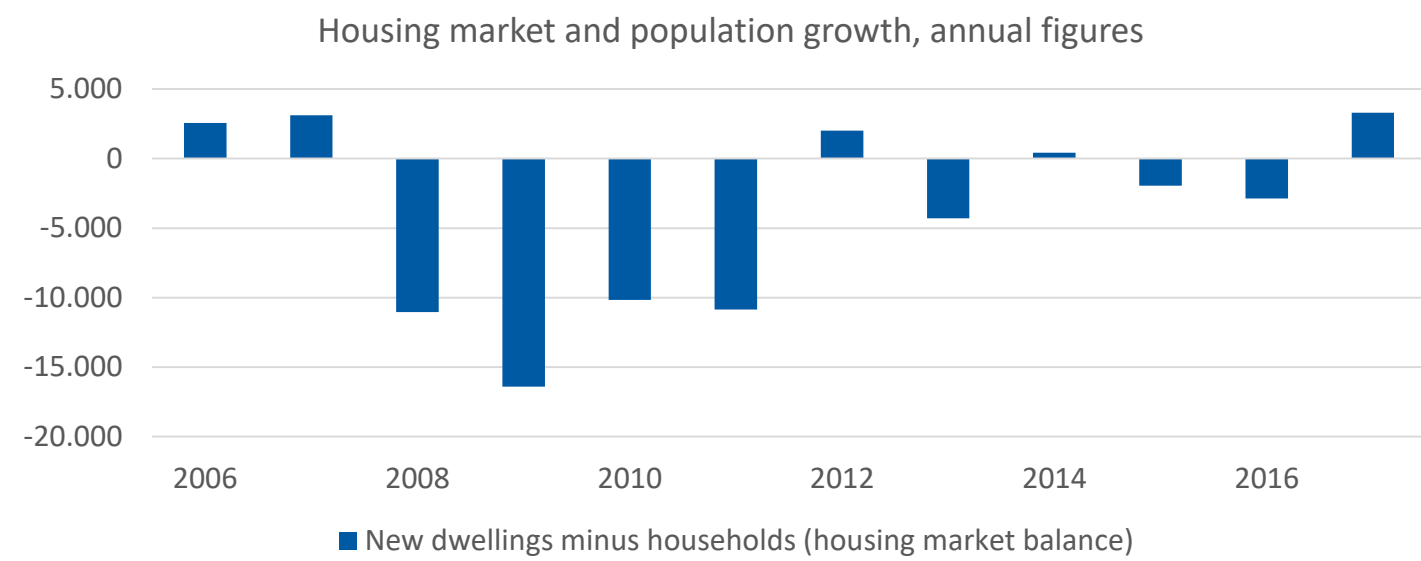
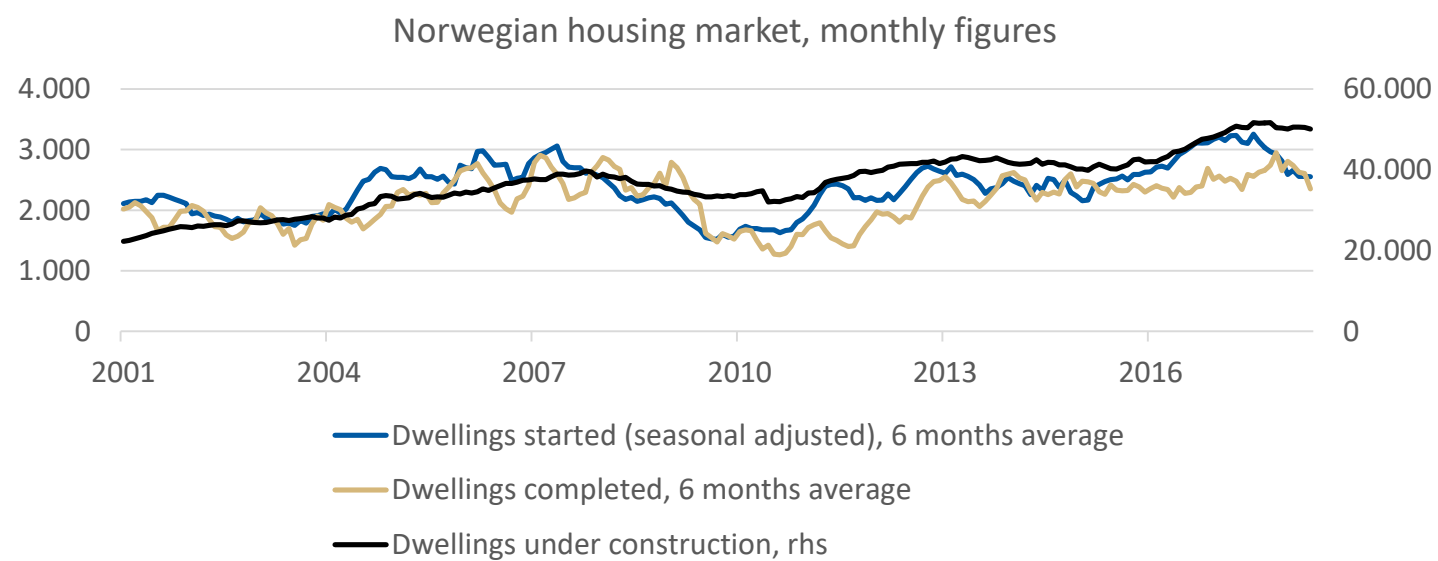
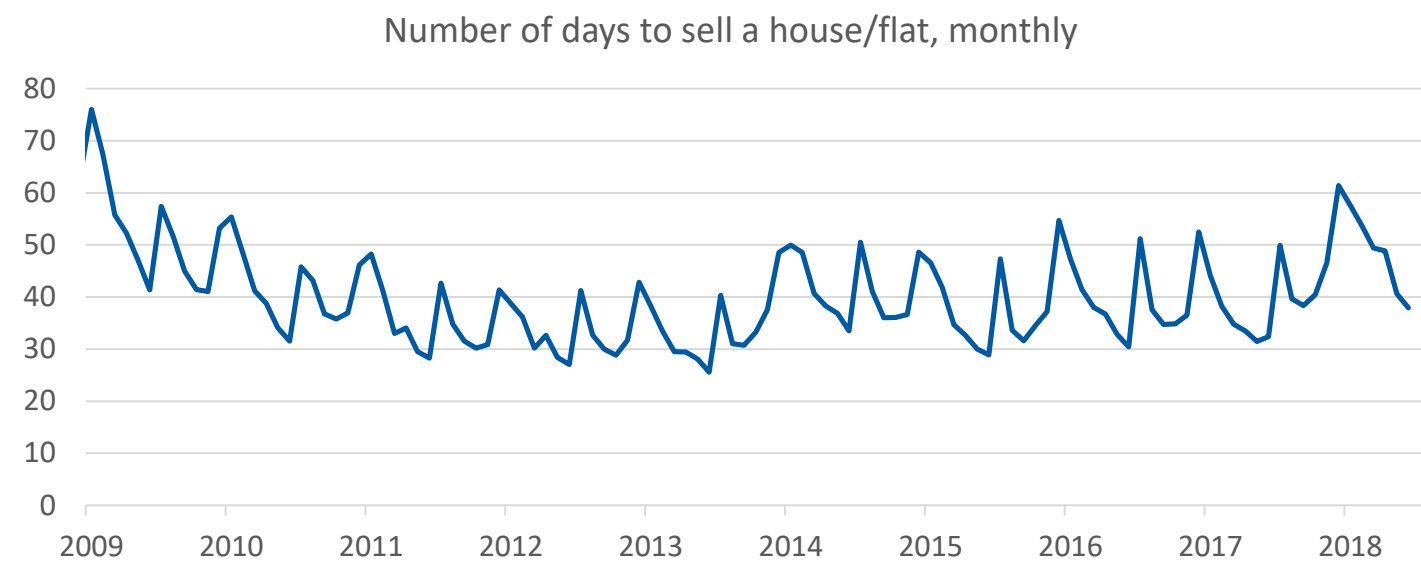
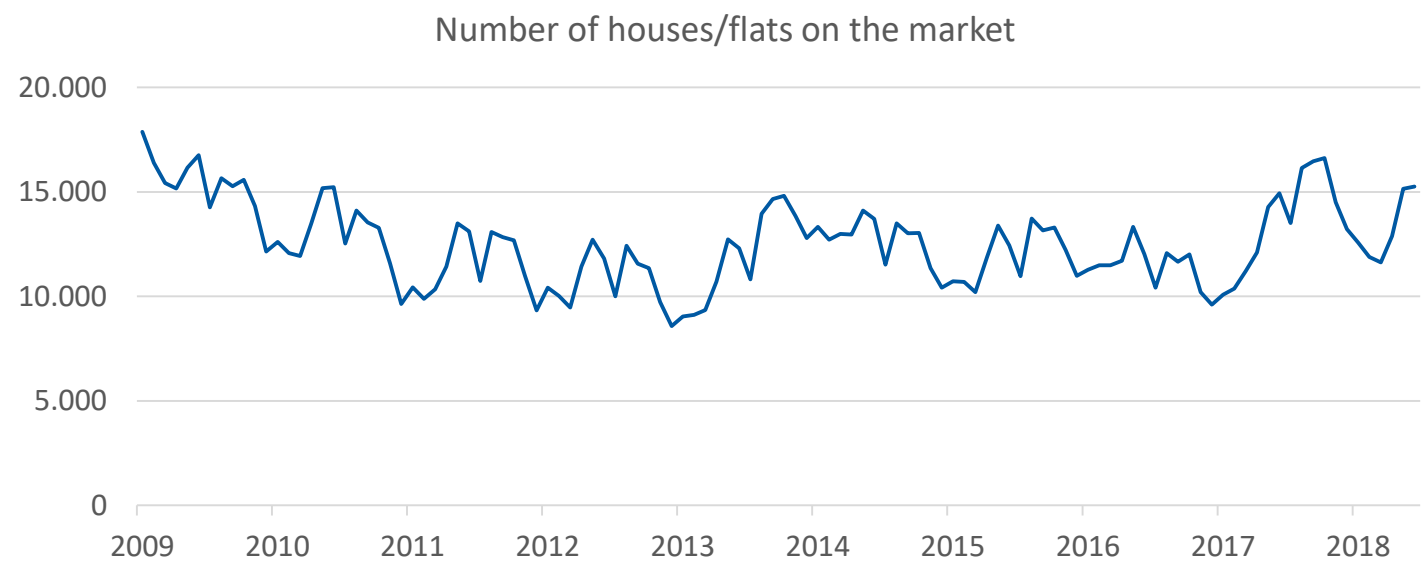
Additional information SpareBank 1 SR-Bank

# Housing and mortgage markets – Key characteristics

Mortgage Market	<ul style="list-style-type: none"><li>• Total size approximately NOK 3,000 billion (USD 375bn, €330bn)</li><li>• Private banks (incl. savings banks) are the dominant suppliers of mortgages with over 95% market share</li><li>• Scheduled repayment mortgages: 83.4%, flexible: 16.6%</li><li>• Typical maturity: 25 years</li><li>• First priority security market with high doc. Standard</li></ul>
Home Ownership	<ul style="list-style-type: none"><li>• Over 80% of households owner occupied (little buy to let)</li><li>• Between 50 and 60% are detached one-family houses</li></ul>
Social security	<ul style="list-style-type: none"><li>• Generous unemployment benefits</li><li>• Unemployment benefit represents ca 60% of final salary for 2 years</li></ul>
Personal Liability	<ul style="list-style-type: none"><li>• Borrowers are personally liable for their debt</li><li>• Swift foreclosure regime upon non-payment</li><li>• Transparent information about borrowers</li></ul>
Regulation	<ul style="list-style-type: none"><li>• Loan to value: 85% (75% legal limit for cover pool)</li><li>• Flexible repayment mortgages: max 60% LTV</li><li>• 5% mortgage interest rate increase as stress test</li><li>• Max total debt of 5x a borrower's income before tax</li><li>• High risk weighting for banks for mortgage lending (20-25%)</li></ul>
Interest Payments	<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>
Tax Incentives	<ul style="list-style-type: none"><li>• 24 % 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>

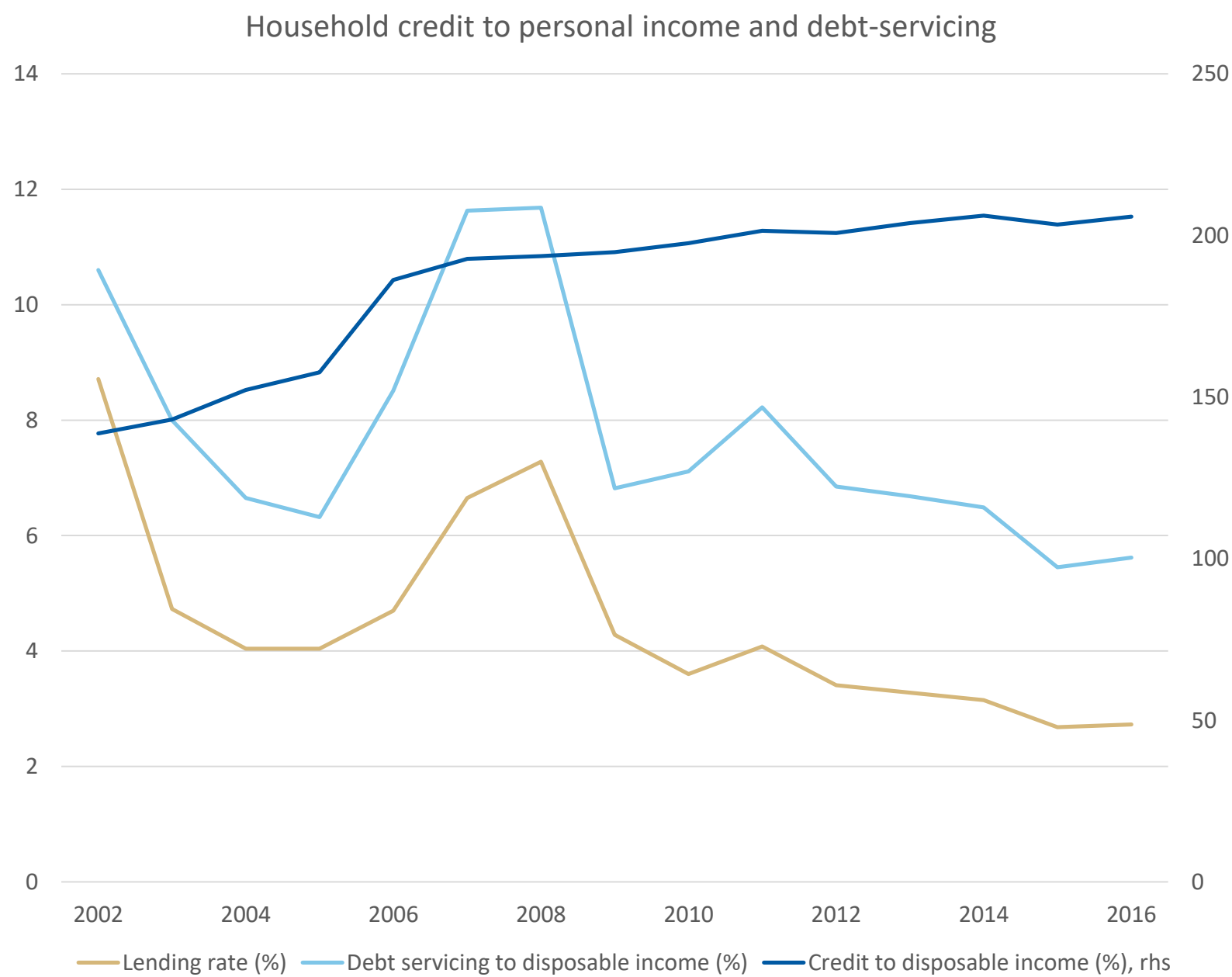


# Housing market



# Debt servicing reduced due to lower interest rates

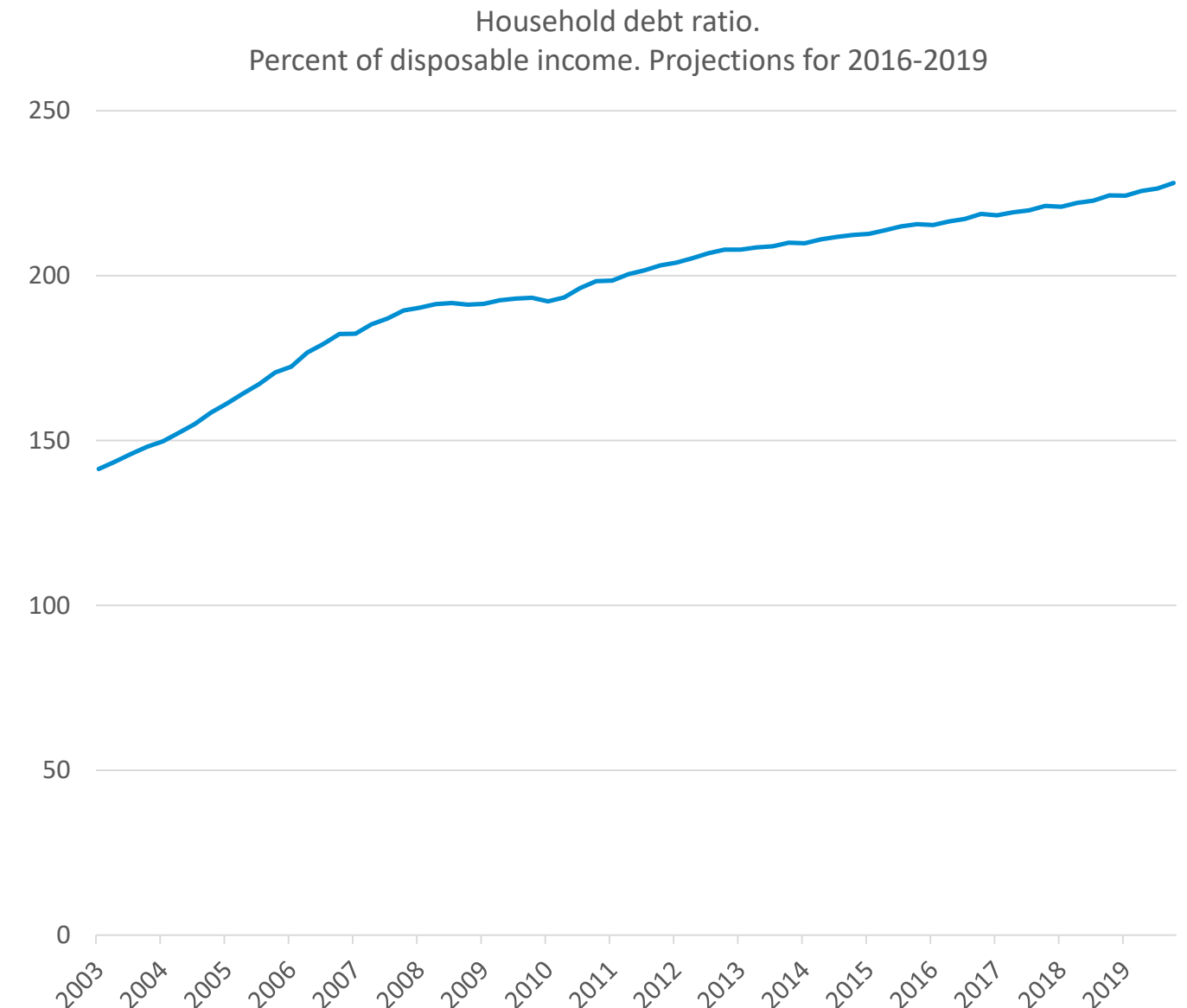
- Household credit growth has been somewhat higher than growth in private net disposable income. The household credit to personal income has therefore increased
- Lower interest rates are dampening cost of debt servicing
- Norwegian households' debt servicing as a percent of disposable income are reduced from 20% in 1990 to close to 5% in 2016.



# Aggregate household indebtedness

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

- All household debts included in the statistic, question of international 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.
- Household savings rate is high: debt reduction possible.



# Norwegian legal framework for Covered Bonds

<b>Specialist banking principle</b>	<ul style="list-style-type: none"> <li>Only specialised institutions whose articles of association comply with prescribed mandatory requirements may issue covered bonds.</li> </ul>
<b>LTV limits</b>	<ul style="list-style-type: none"> <li>75% for residential mortgages.</li> <li>60% for commercial mortgages.</li> </ul>
<b>Assets</b>	<ul style="list-style-type: none"> <li>The Cover Pool may consist of mortgaged real estate assets, public sector loans and substitute assets (max 20% of Cover Pool, 30% with the Norwegian FSA approval).</li> </ul>
<b>Matching requirement</b>	<ul style="list-style-type: none"> <li>Value of the Cover Pool shall at all times exceed the value of the covered bonds with a preferential claim on the pool. NPV principle applied to all assets and liabilities.</li> </ul>
<b>Special supervision</b>	<ul style="list-style-type: none"> <li>The Norwegian FSA appoints an independent inspector who regularly (at least every three months) supervises the matching requirement of the Cover Pool and the Cover Pool registry.</li> <li>The inspector submits annual reports of observations and assessments to the Norwegian FSA.</li> </ul>
<b>Over- collateralisation</b>	<ul style="list-style-type: none"> <li>Voluntary over-collateralisation is part of the pool and is bankruptcy remote.</li> </ul>
<b>Liquidity requirement</b>	<ul style="list-style-type: none"> <li>Cash flow from the Cover Pool shall at all times suffice to cover payments on the covered bonds and payments to counterparties under related derivatives agreements.</li> <li>A liquidity reserve needs to be established which shall be included in the Cover Pool.</li> </ul>
<b>Currency risk</b>	<ul style="list-style-type: none"> <li>The credit institution must establish reasonable and conservative limits. SR-Boligkreditt will fully hedge currency risk.</li> </ul>
<b>Interest rate risk</b>	<ul style="list-style-type: none"> <li>Interest rate risk must be analysed (rate curve shifts and twists). SR-Boligkreditt will hedge interest rate risk on its bonds to 3 month NIBOR.</li> </ul>
<b>Issuer insolvency</b>	<ul style="list-style-type: none"> <li>Bankruptcy Administrator tasked with preserving the value of the Cover Pool, maintain law &amp; regulations, ensure timely payment to covered bond investors and derivatives counterparties.</li> <li>Must inform covered bond investors about any material decisions.</li> <li>If timely payments can no longer be ensured, a halt to payments is introduced. All covered bond investors have preferential pari passu claim, must be consulted on material points.</li> </ul>



**A** Norwegian mortgage market

**B** Additional information SpareBank 1 SR-Bank

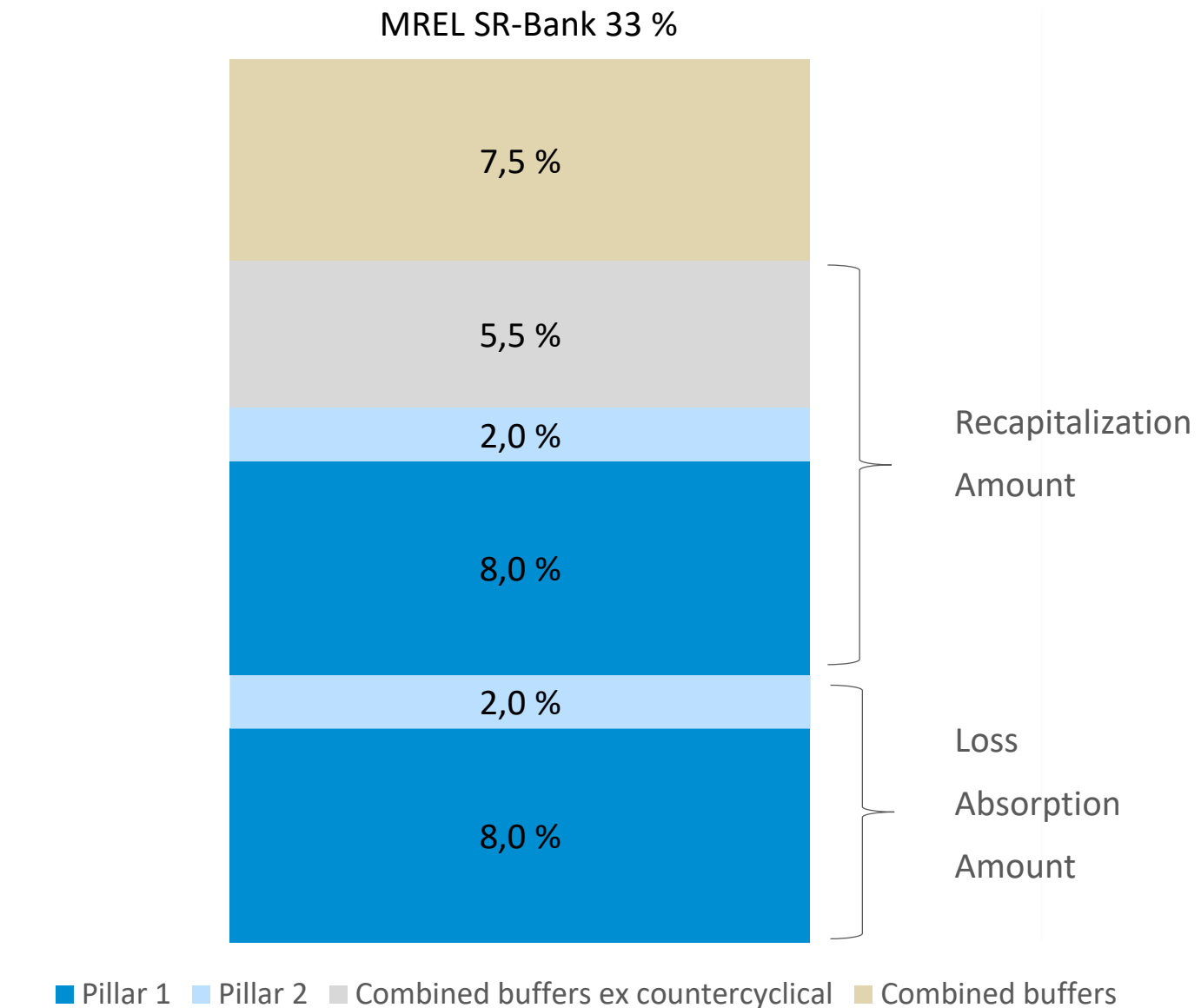
# MREL – FSA consultation paper

Main features:

- New requirements will enter into force 1 January 2019.
- Issuers are expected to be fully MREL compliant by 31 December 2022.
- Feedback on the consultation paper is due on 14 September, and the FSA will return with the final draft by 1 November 2018.
- The FSA will set requirements individually for each bank.
- Covered bonds issuers are exempt from MREL, also when the owning bank is consolidating. However, the FSA comments that they find this problematic.

Expected outcome for SR-Bank:

- Total capital requirement including MREL = (P1 + P2 + Combined buffer requirements) x 2 - Countercyclical buffer x 1.
- Calculations on basis of balance numbers per 30 June 2018 indicate a need for approximately NOK 15 billion senior non-preferred debt (approximately 1/3 of outstanding senior debt).



## Net commission and other income

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

# Net income on investment securities

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

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

# Subsidiaries

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

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

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

# Ownership interests

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

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

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

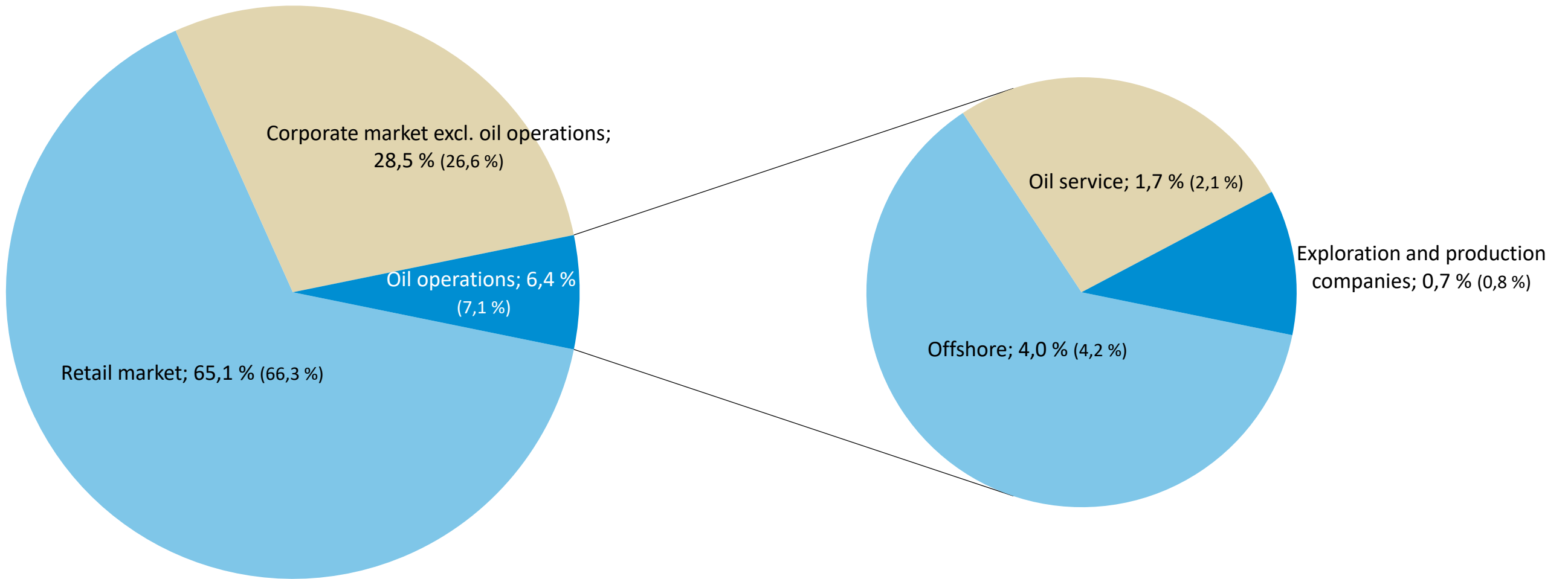
# Operating expenses

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

# SpareBank 1 SR-Bank has a well diversified portfolio

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

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



EAD: Exposure at default  
Figures in parentheses as at 31.12.2017

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

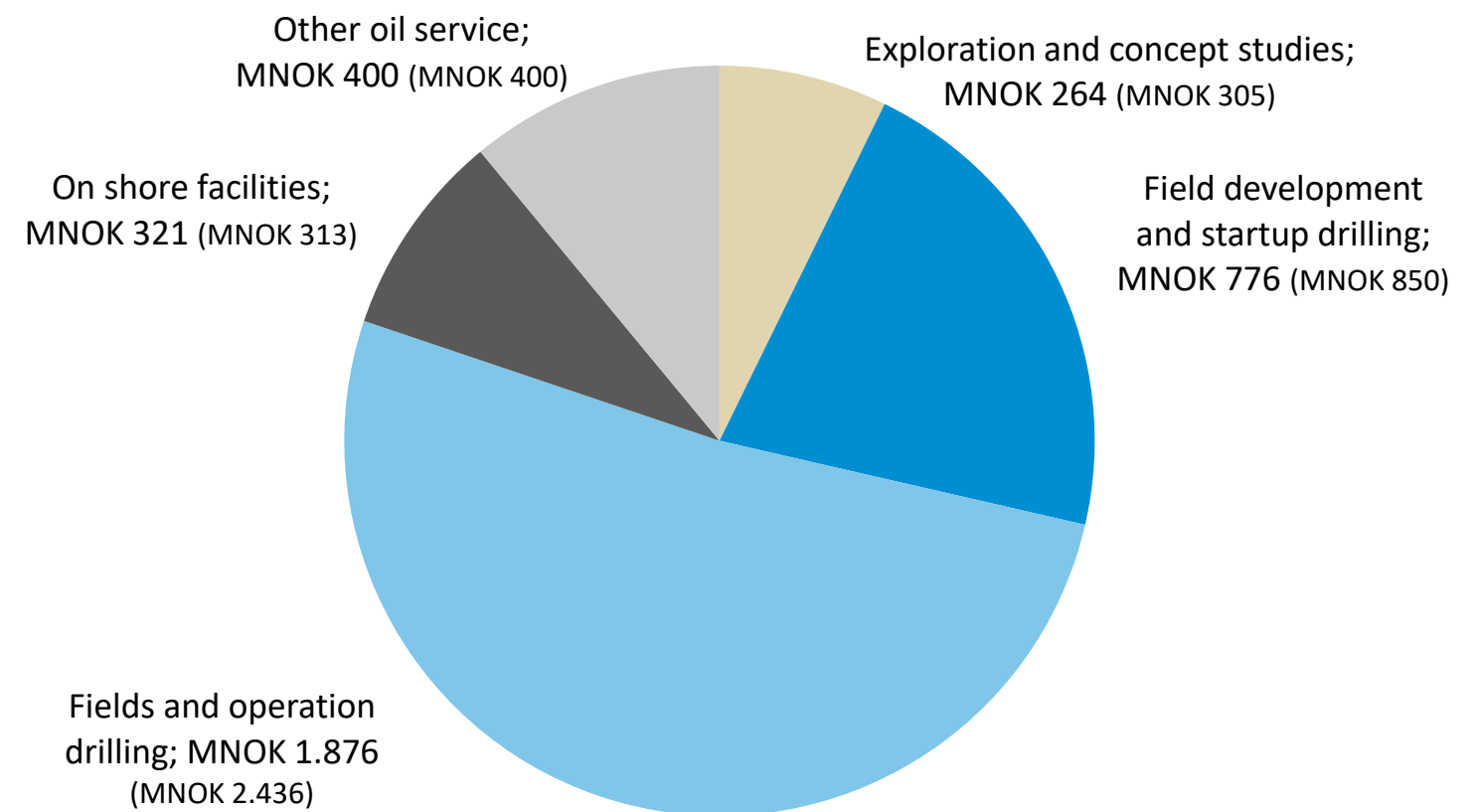


## Oil services - total NOK 3.6 billion (NOK 4.3 billion as at 31.12.2017)

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

### Oil services

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

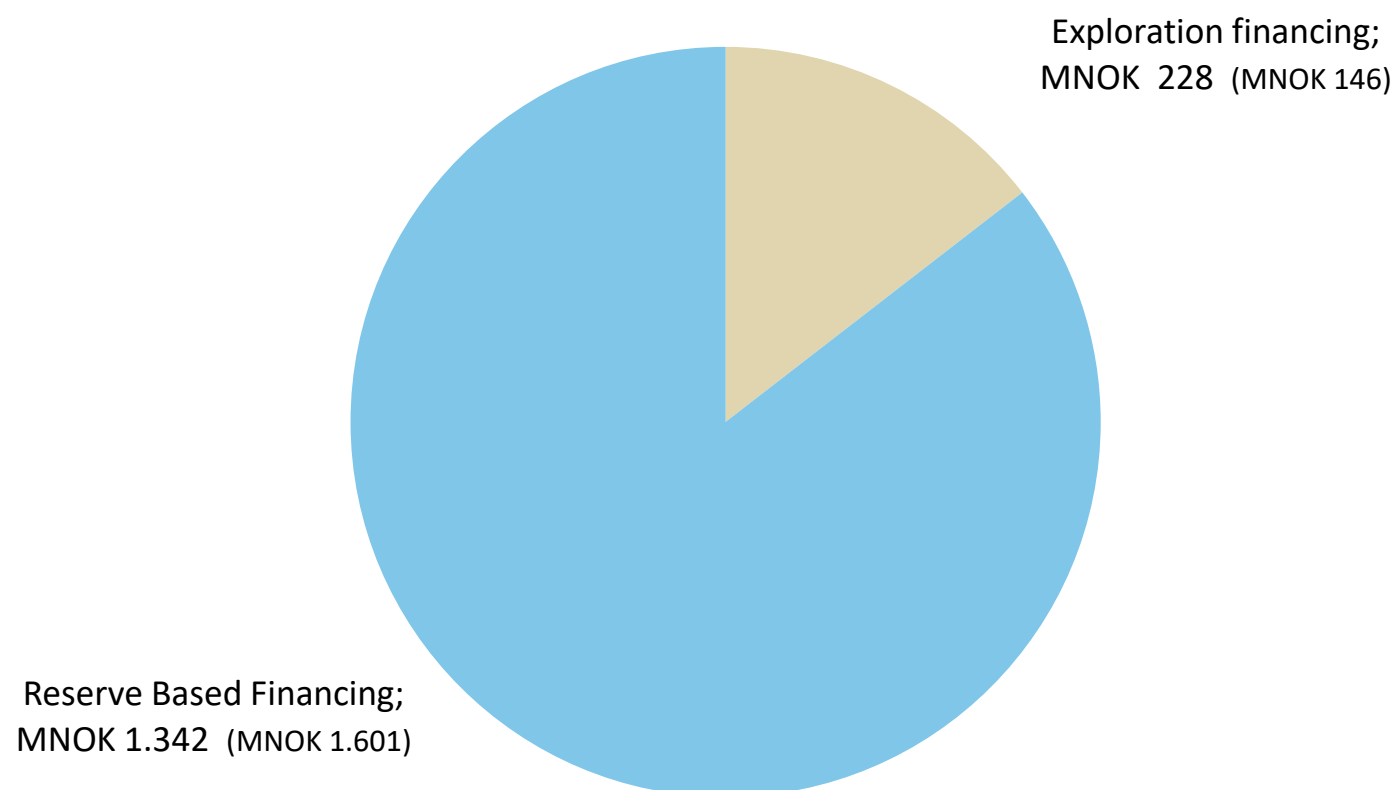


# Oil and gas - total NOK 1.6 billion (NOK 1.7 billion as at 31.12.2017)

- Exploration financing
  - EAD NOK 0.2 billion
  - Average weighted probability of default 1.1%
  - Secured by a tax refund from the Norwegian State. No direct oil price risk
- Reserve based lending (RBL)
  - EAD NOK 1.3 billion
  - Average weighted probability of default 1.4%
  - Structured financing based on assumptions relating to reserves, production volume, investments, oil prices, etc. The basis for loans is adjusted semi-annually based on a review of total assumptions

## Exploration and production companies

- EAD NOK 1.6 billion, 0.7% of the bank's total EAD
- Average weighted probability of default for the oil and gas portfolio is 1.4%
- Exposure primarily to companies with activities on the Norwegian continental shelf



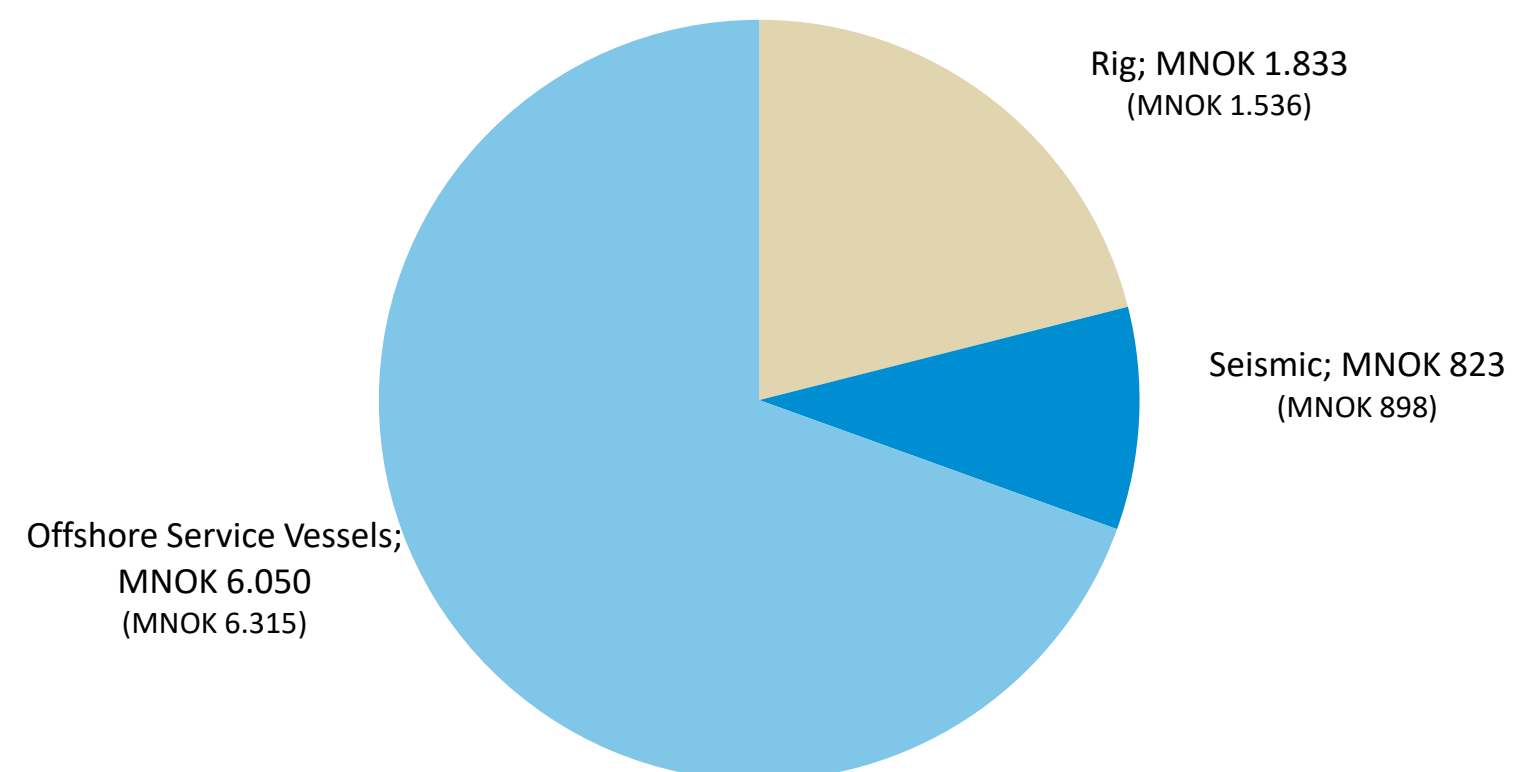
# Offshore - total NOK 8.7 billion

(NOK 8.7 billion as at 31.12.2017)

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

## Offshore

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

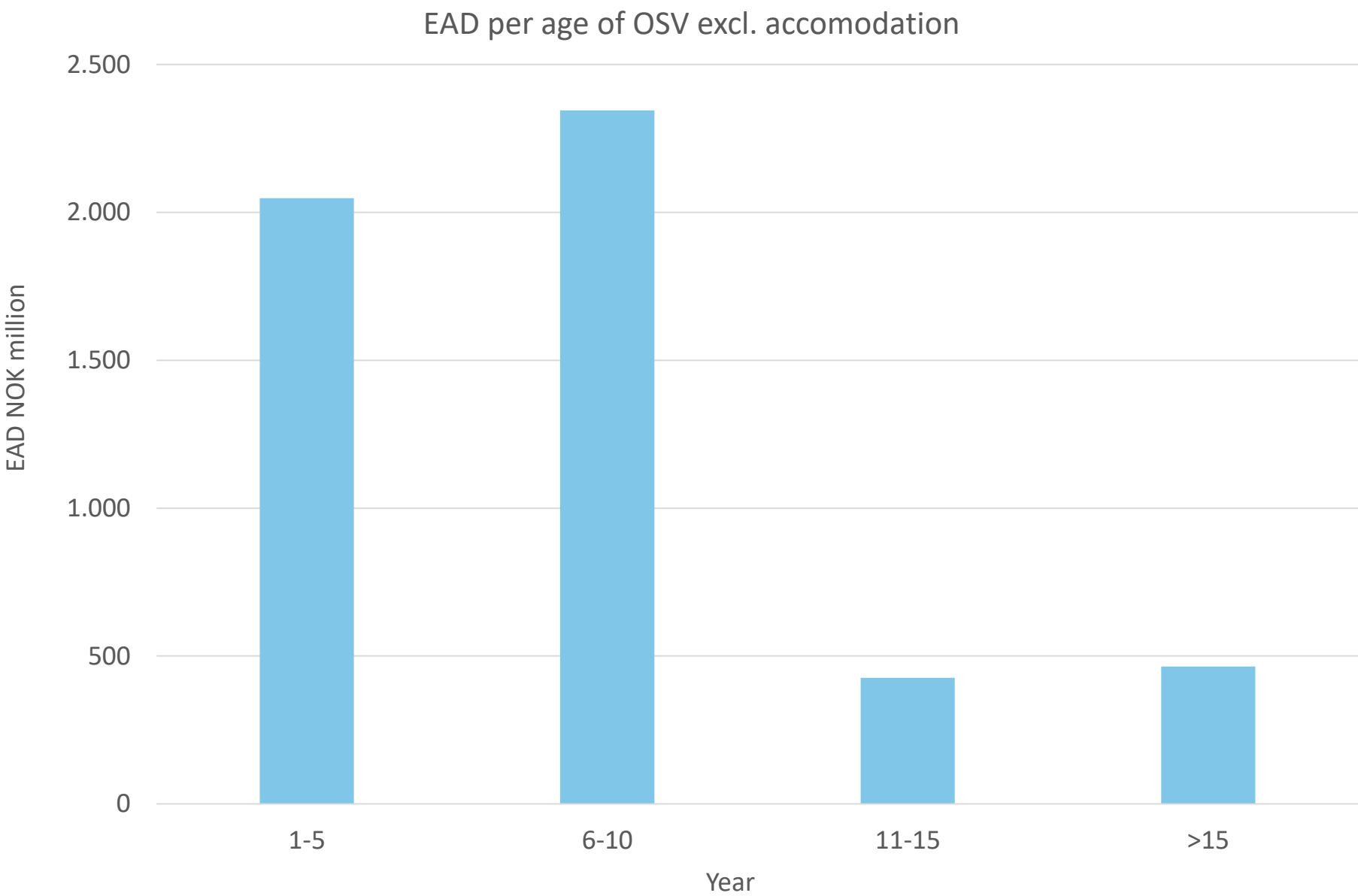
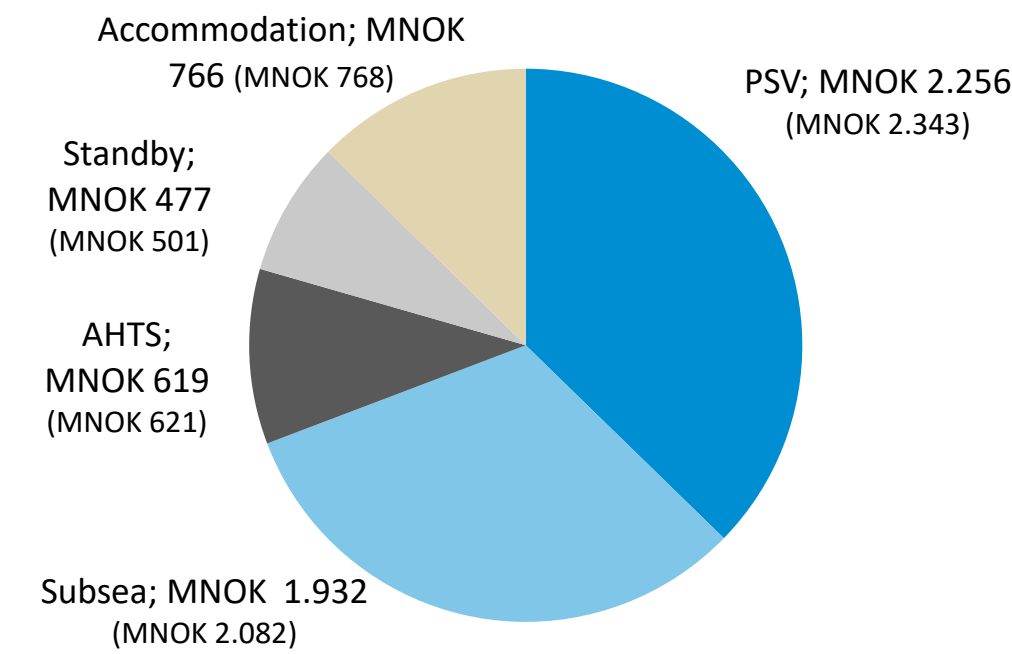


# Offshore Service Vessels – total NOK 6.1 billion

(NOK 6.3 billion as at 31.12.2017)

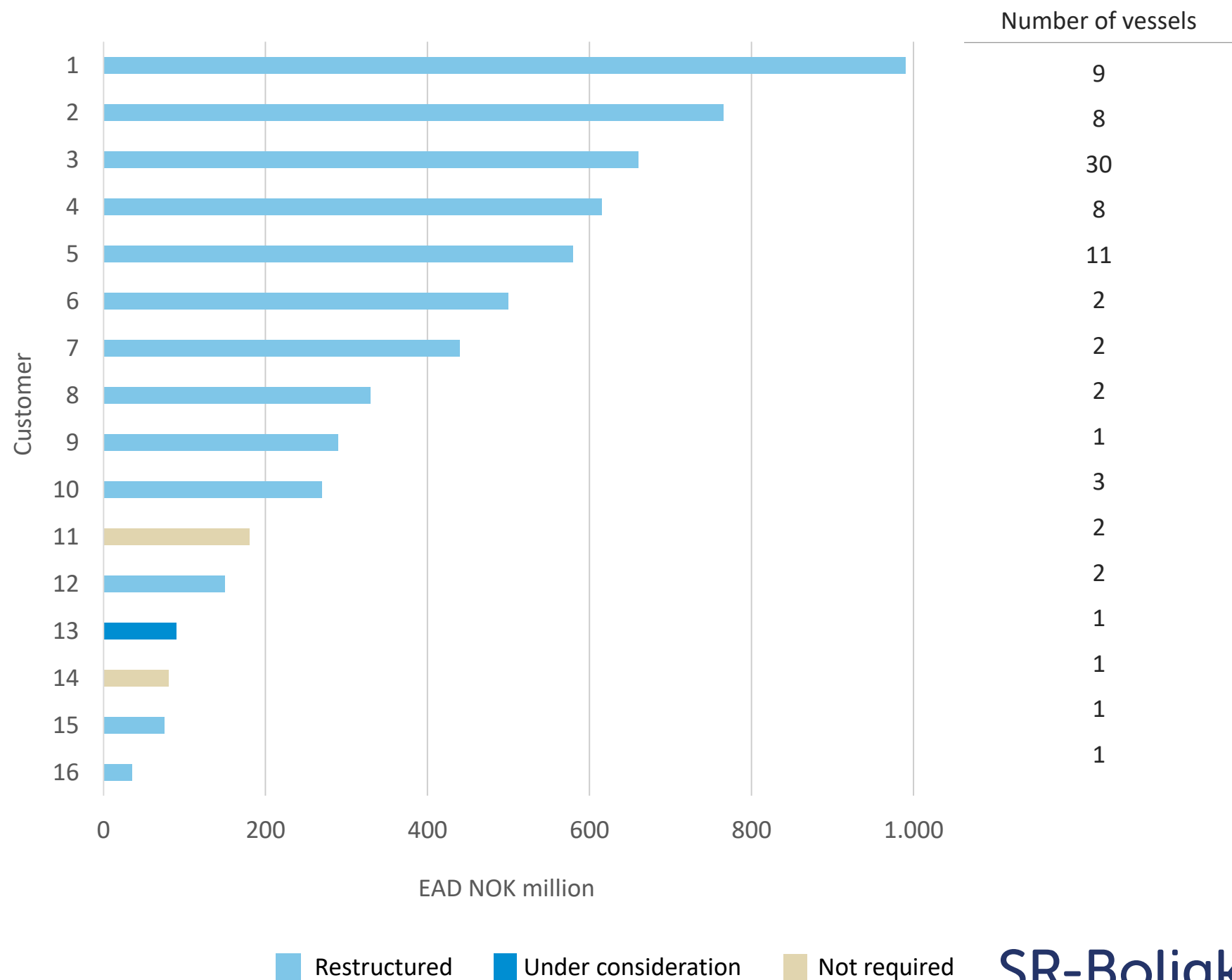
## Offshore Service Vessels

- Most customers with long history as a borrower in SpareBank 1 SR-Bank
- Most of the companies are listed on stock exchange or family owned
- A major part is industrially focused companies, only a small number of financially oriented owners



# Offshore Service Vessels – largest customer group

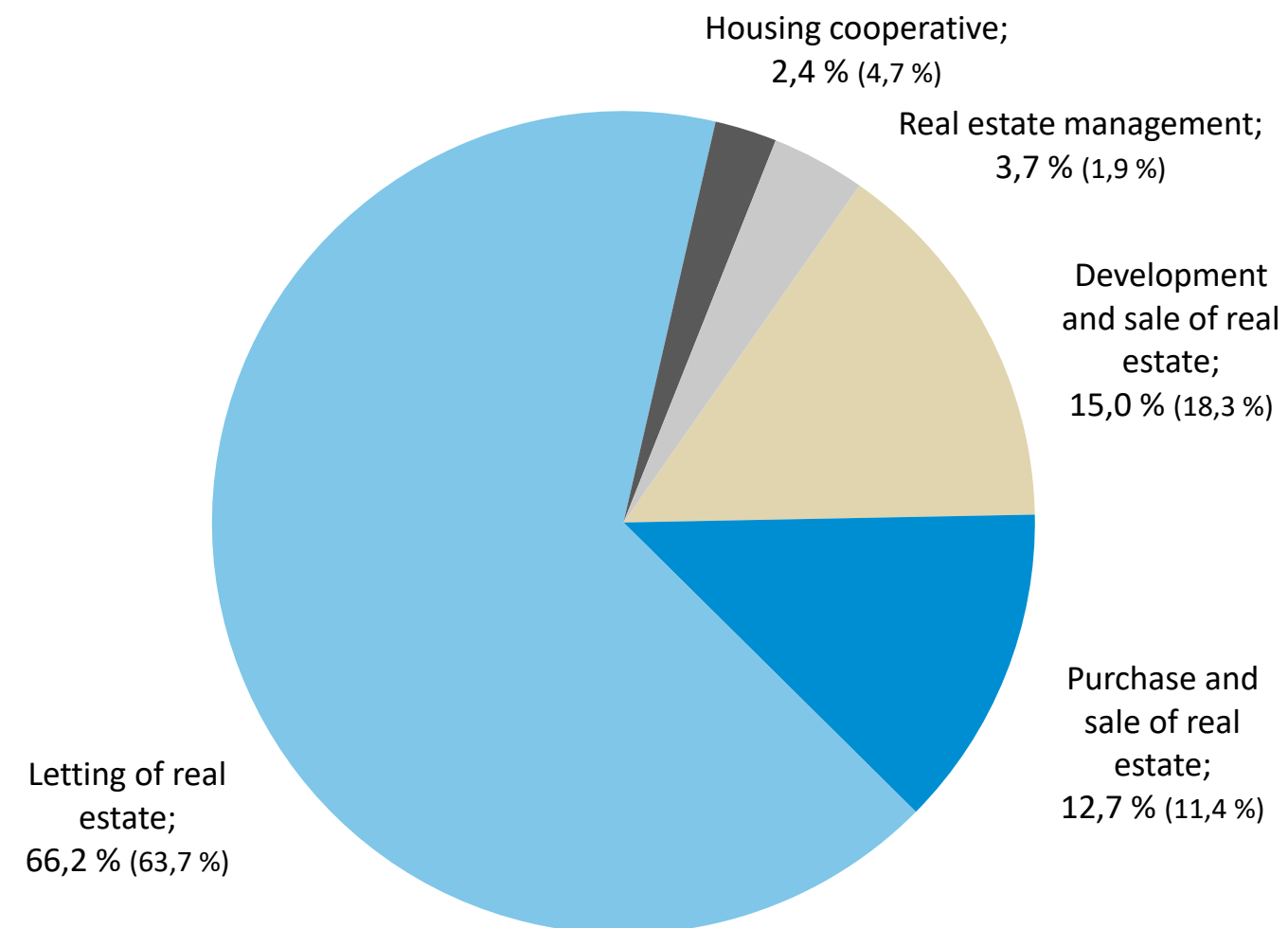
- Well diversified portfolio. One commitment of NOK 1.0 billion, rest of NOK 770 or lower.
- Total EAD for the portfolio is NOK 6.1 billion of which;
  - NOK 5.7 billion consists of 13 restructured commitments
  - NOK 0.1 billion consists of 1 commitment under consideration
  - NOK 0.3 billion consists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



# Lending to commercial property

## Lending to commercial property

- NOK 29.7 billion, 15.3% of the bank's total loans.
- The portfolio is characterised by lending to commercial properties for leasing with long-term contracts and financially solid tenants. The vacancy rate is limited. Interest rates for a significant portion of this portfolio have been hedged.



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*Financial calendar*

Q3 Interim report

25 October 2018

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