

Surprisingly many businesses expecting better profitability

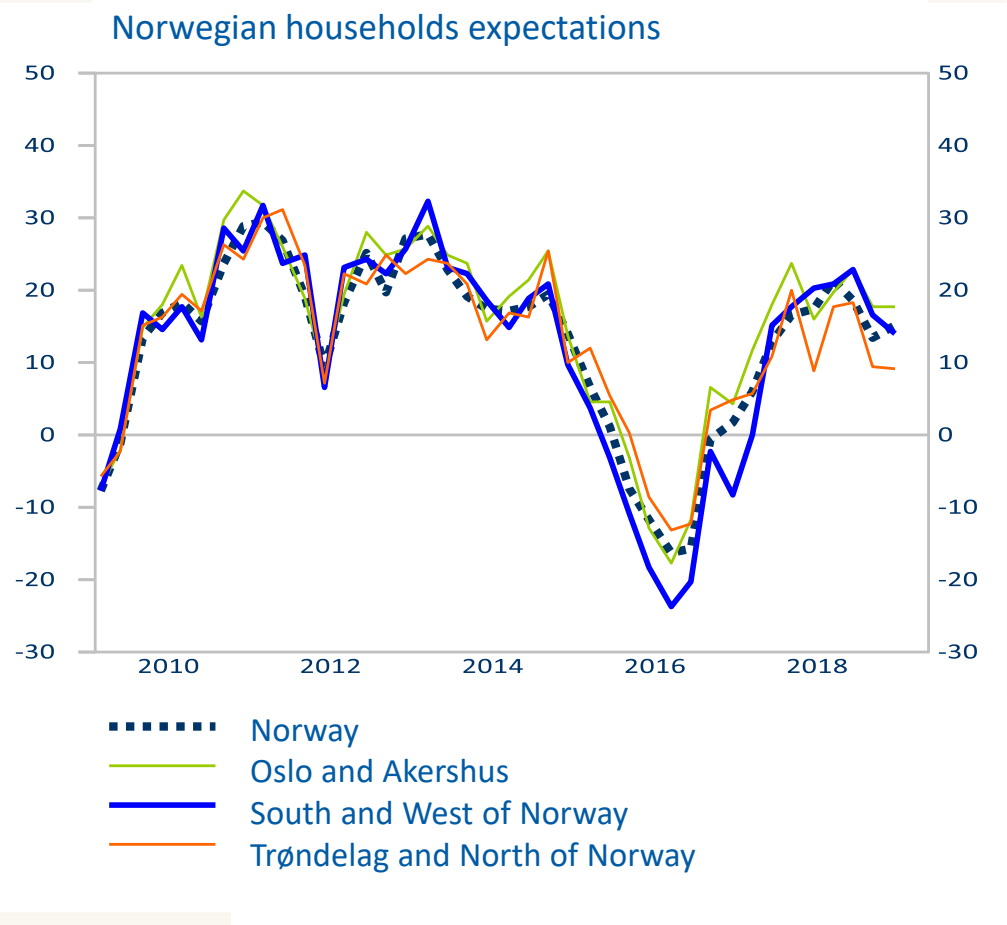
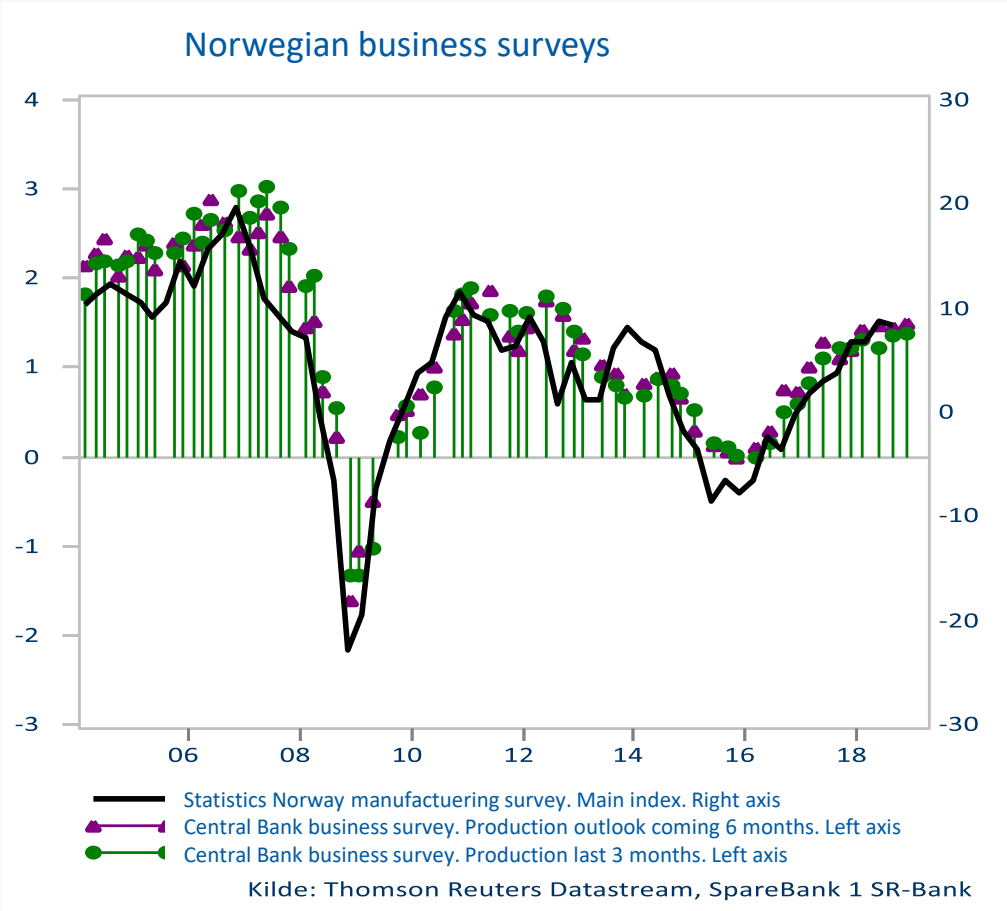
Oil and exports lift the outlook – muted impact from global turmoil so far



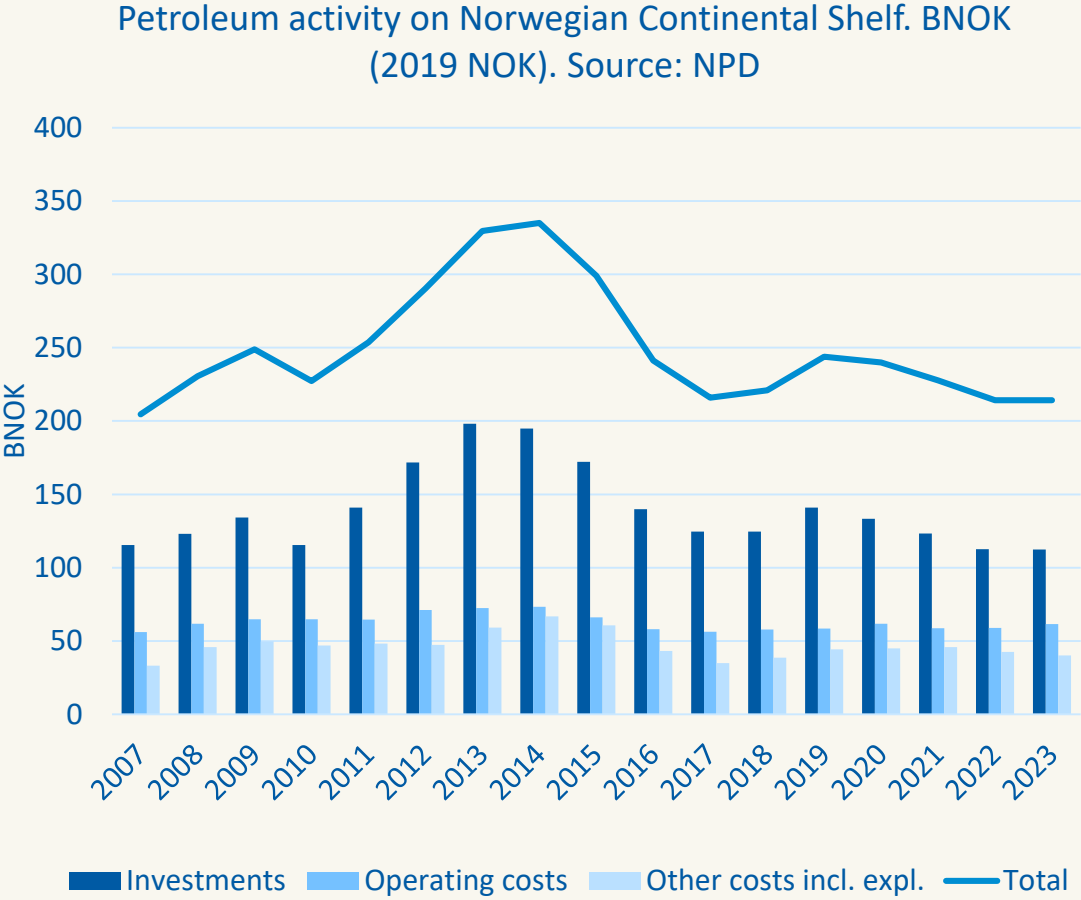
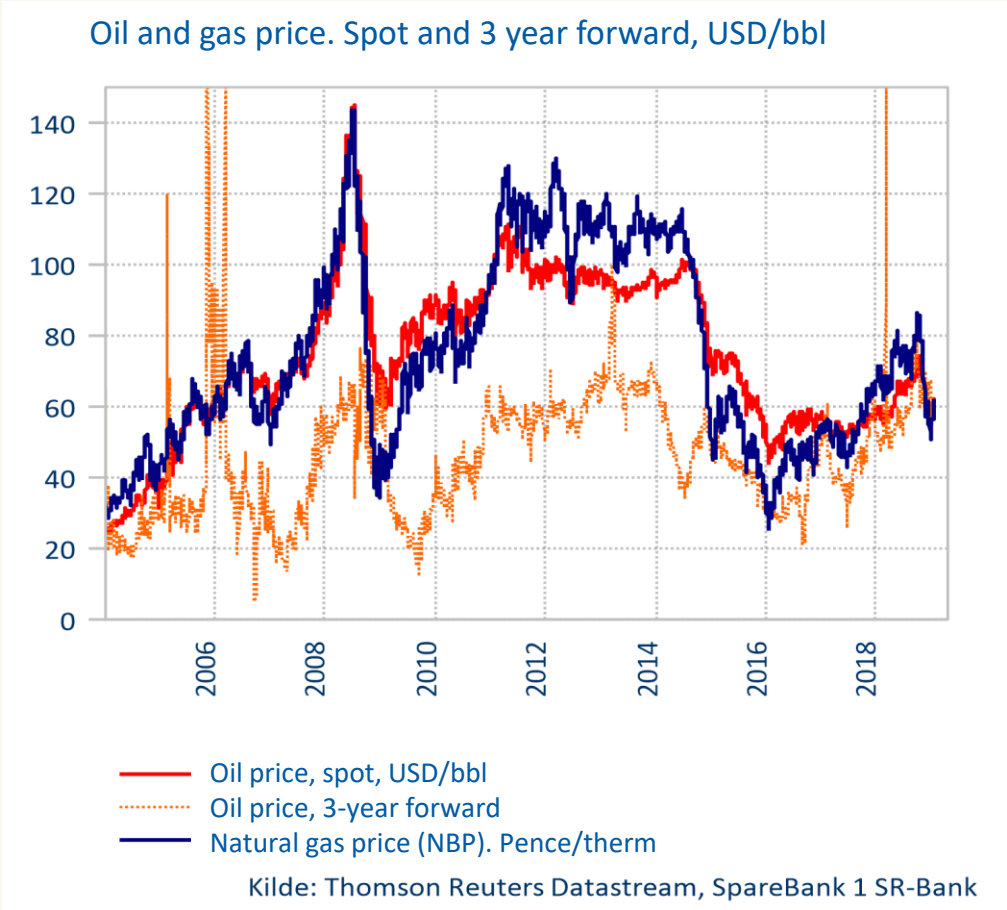
BUSINESS SURVEY

South Norway
JANUAR 2019

Norwegian economy improving – optimistic businesses and households



Oil price & activity rebounding



SpareBank 1 SR-Bank's business survey

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

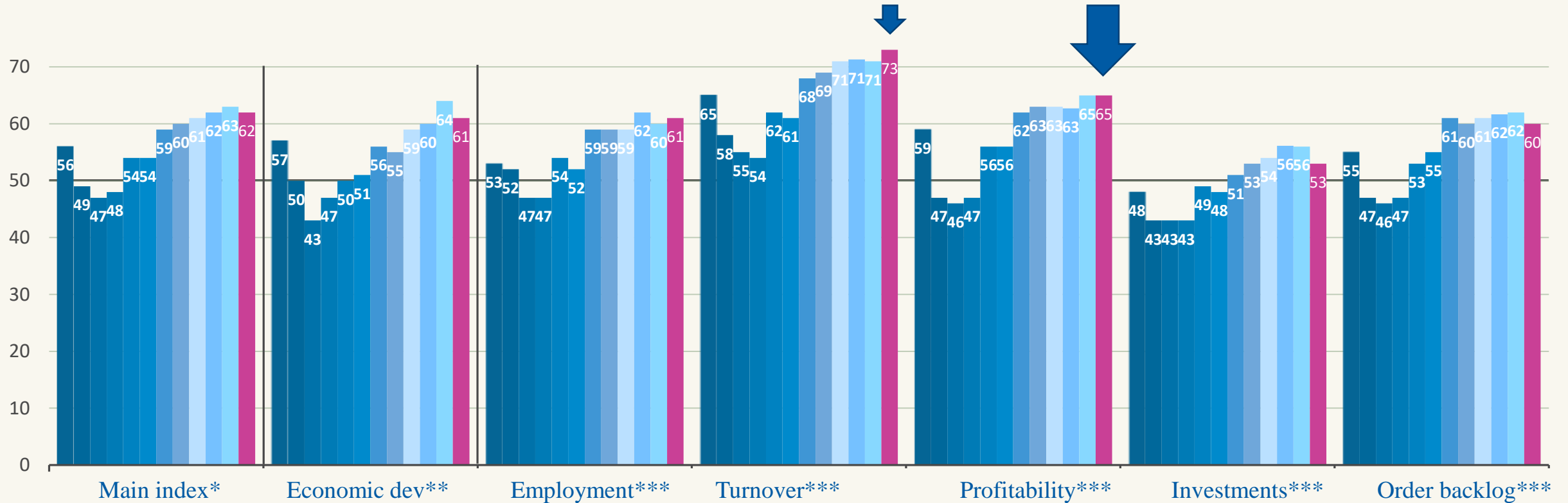
Business survey including six main questions:

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

■ Q4 2014 ■ Q3 2015 ■ Q4 2015 ■ Q1 2016 ■ Q3 2016 ■ Q4 2016 ■ Q2 2017 ■ Q3 2017 ■ Q4 2017 ■ Q2 2018 ■ Q3 2018 ■ Q4 2018



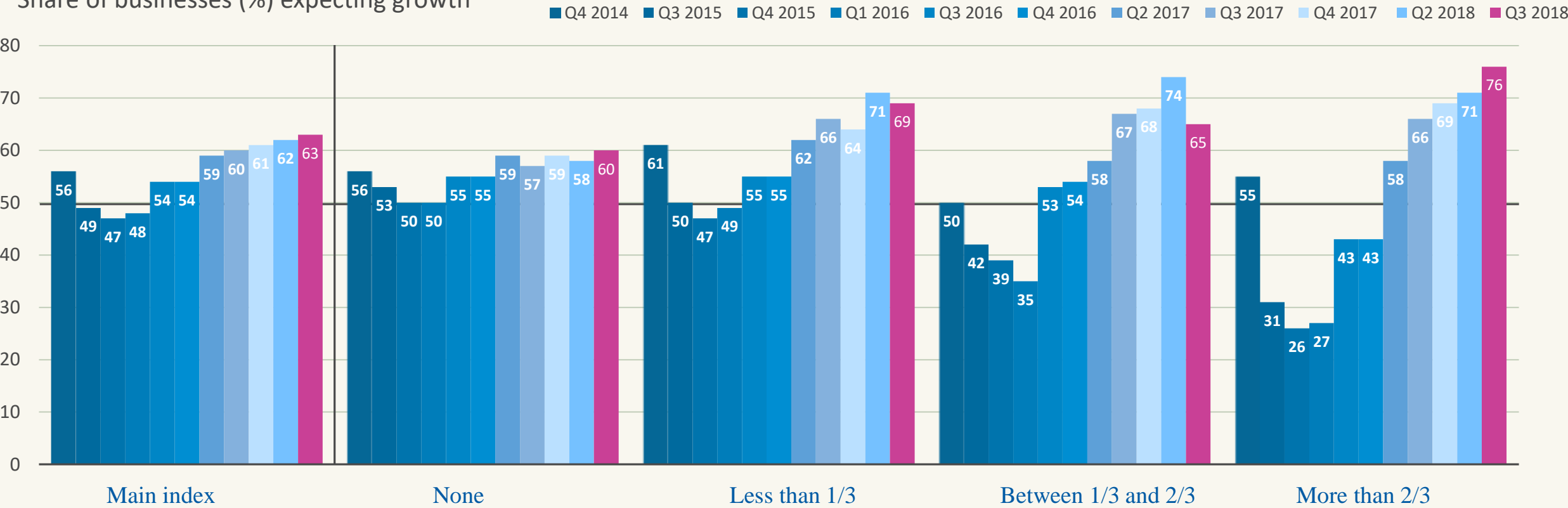
• Main index is average of the six subindices. ** Economic development last 12 months compared to previous 12 months. *** Expectations next 12 months

1

Surprisingly many businesses expecting better profitability

Business survey. Main index by oil exposure

Share of businesses (%) expecting growth



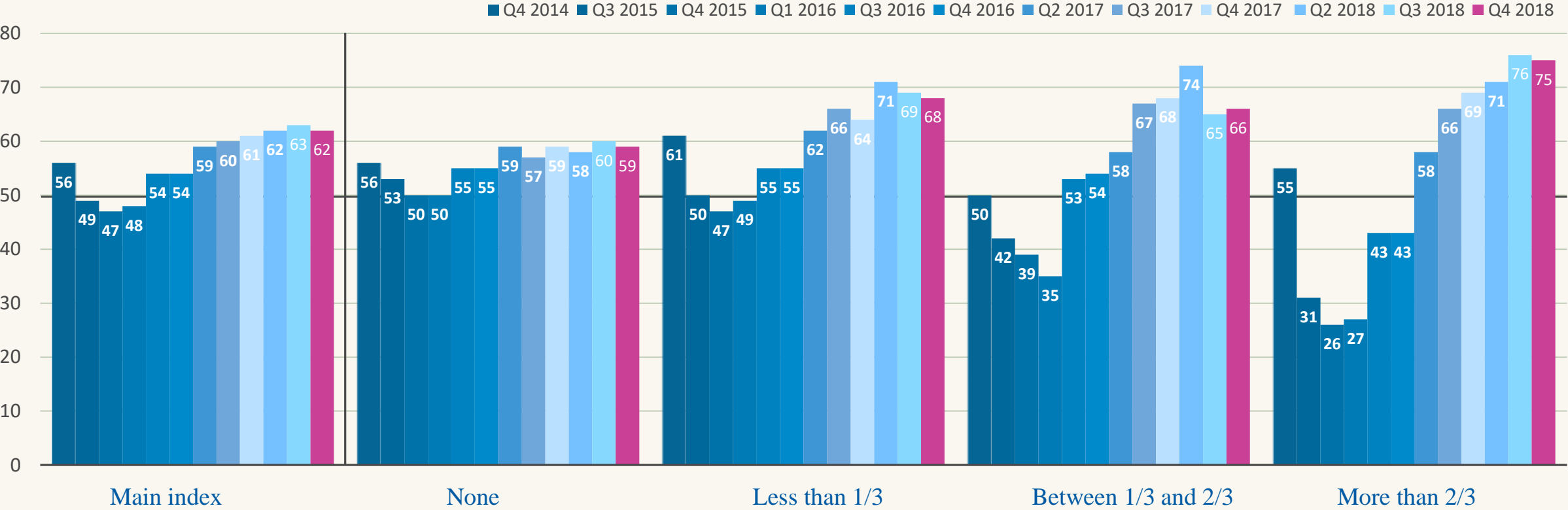
* Share of turnover towards oil and gas



Oilexposed companies most optimistic

Business survey. Main index by oil exposure

Share of businesses (%) expecting growth



* Share of turnover towards oil and gas



Oilexposed companies most optimistic



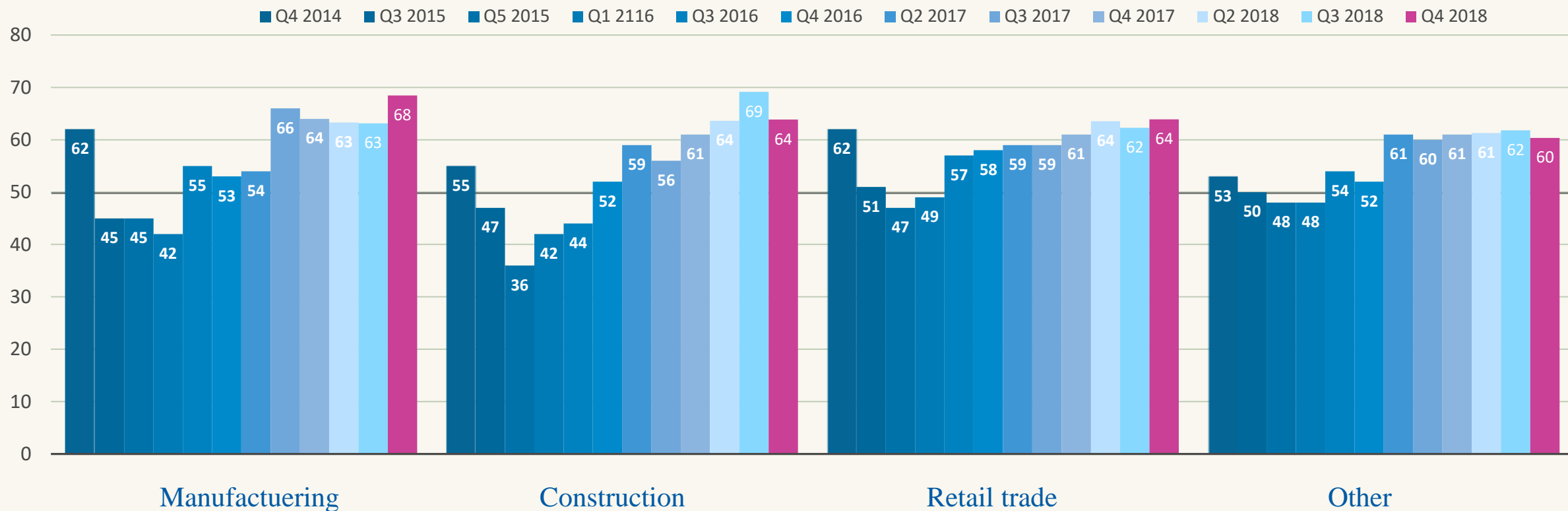
COST-CUTTING HAS SPURRED NEW ORDERS

Aker Solutions



Business survey. Main index by sector

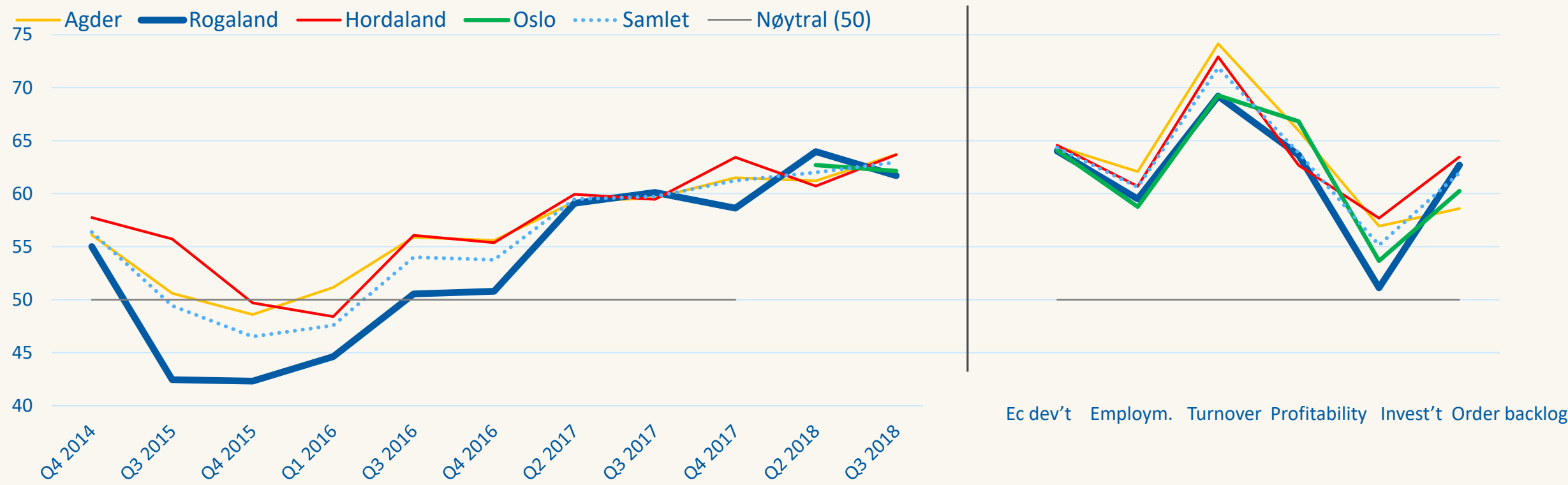
Share of businesses (%) expecting growth



2b

Highest optimism in manufacturing

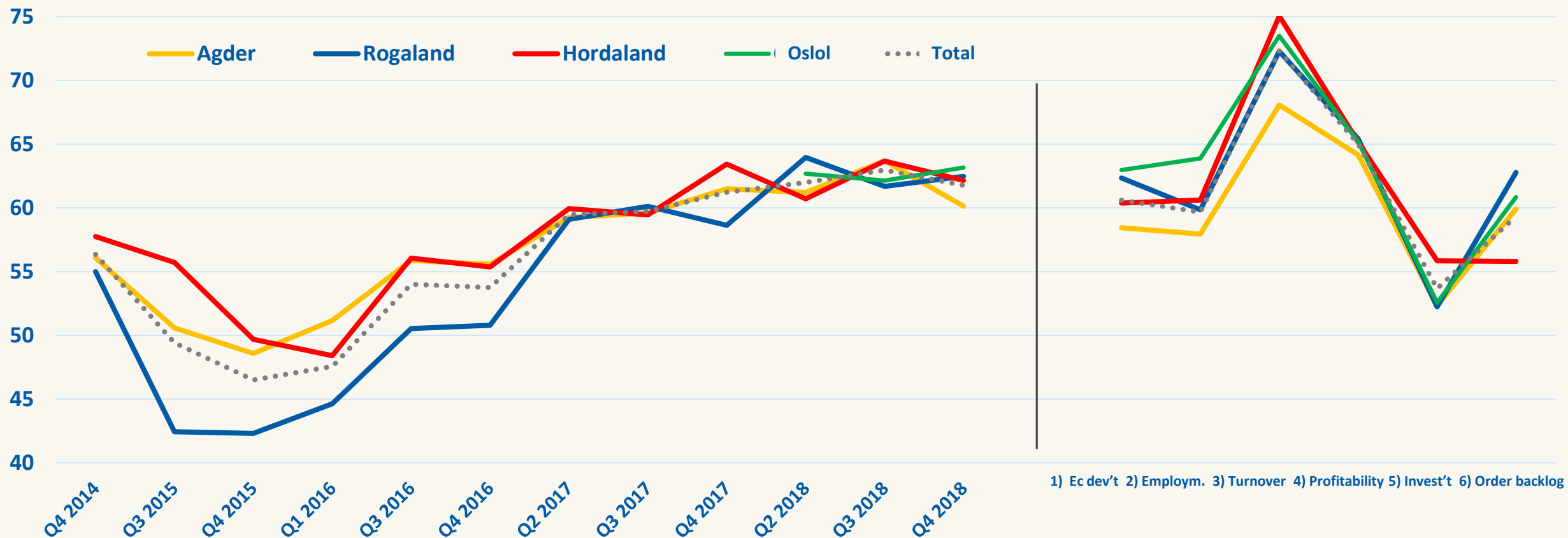
Counties. Main and subindices (as of last survey)



3

Optimism in all counties – all subindices indicate growth (above 50- neutral)

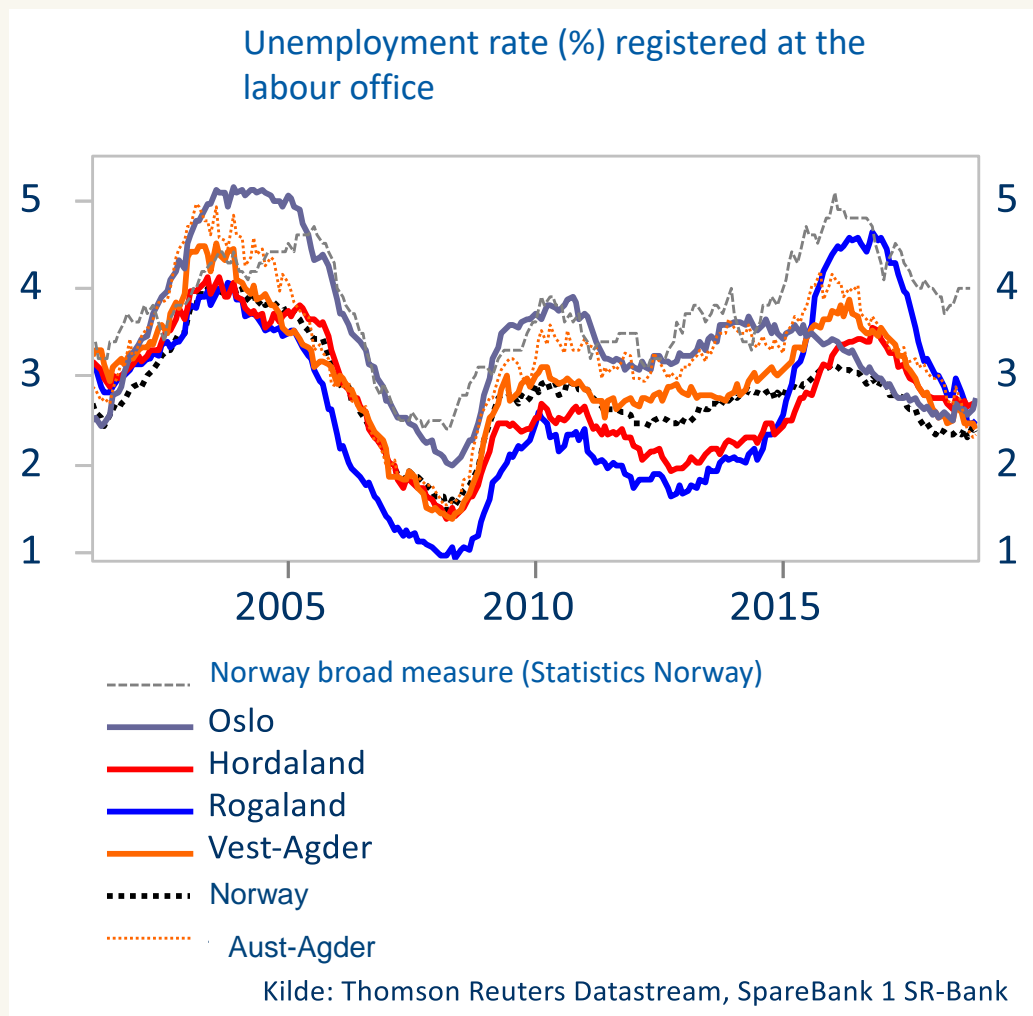
Fylker. Hovedindeks og delindekser per siste måling



3

Optimism in all counties – all subindices indicate growth (above 50- neutral)

Lower unemployment rate (especially in Rogaland) & muted layoffs



Source: Thomson Reuters Datastream, Sparebank 1 SR-Bank

Key takeaways

- 2016 - bottom reached & 2017 better than expected
- 2018 – oil-uplift and solid job-creation
- Still challenges, but also great opportunities
- Resilience, competitiveness and robustness

Appendix

The Times They Are A Changin'

Profound changes (Brexit & Trump)
vs
economic uplift

No hard-landing in China (yet)

Global economic uplift last 1 ½ years

Oil from (100 to) 30 to above 80 usd/bbl

Low interest rates (and inflation)

Oil activity rebounding & solid salmon-price

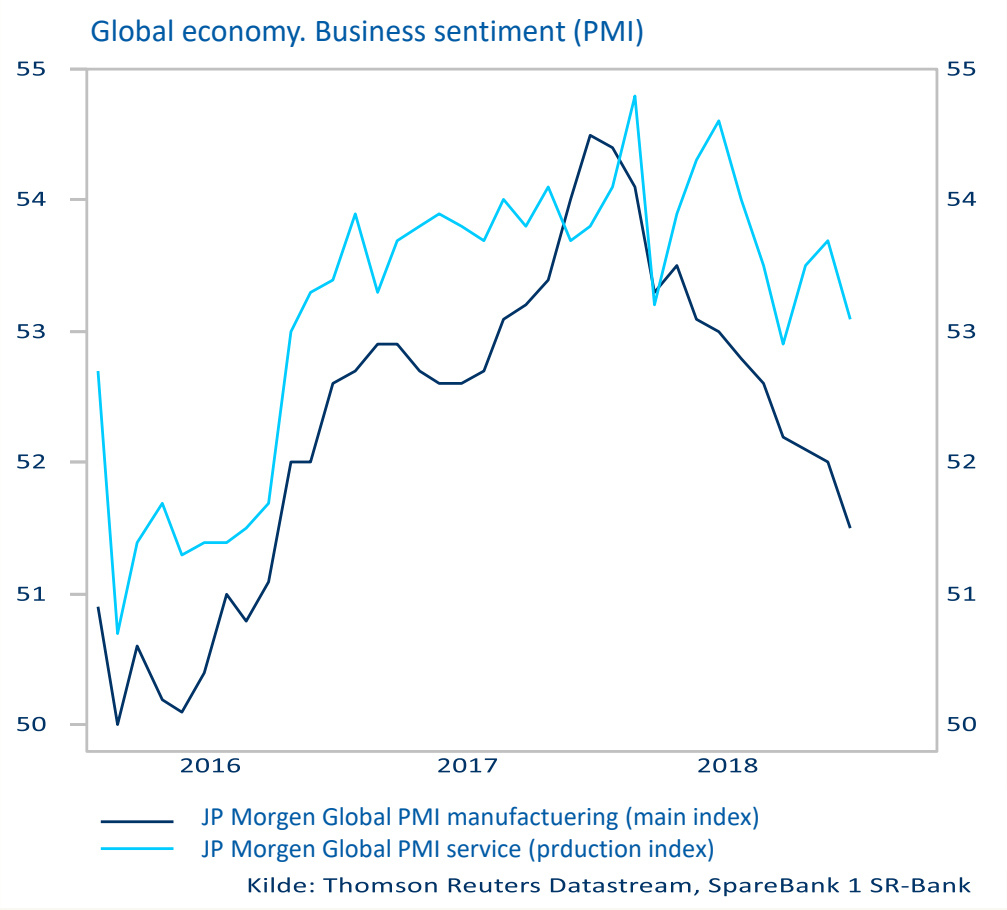
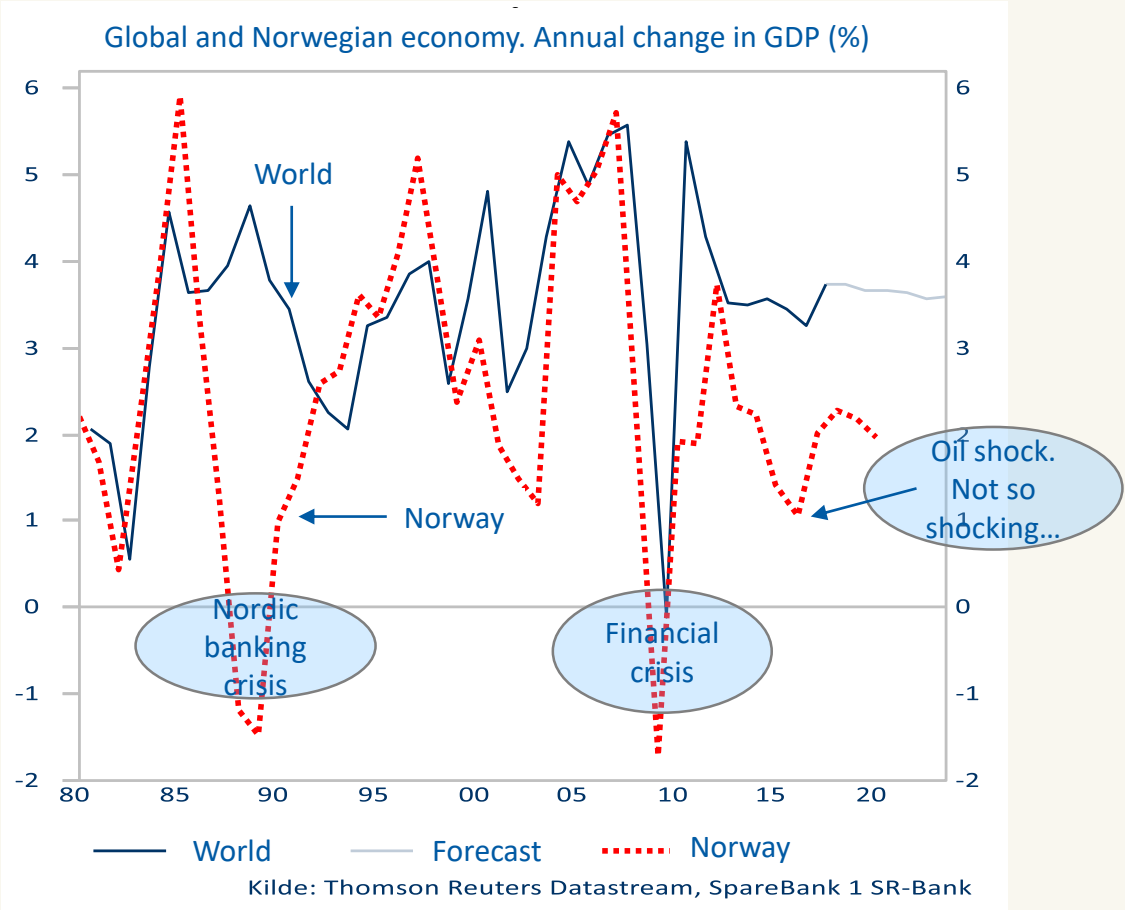
Optimism in financial markets

Weak NOK spurs competitiveness

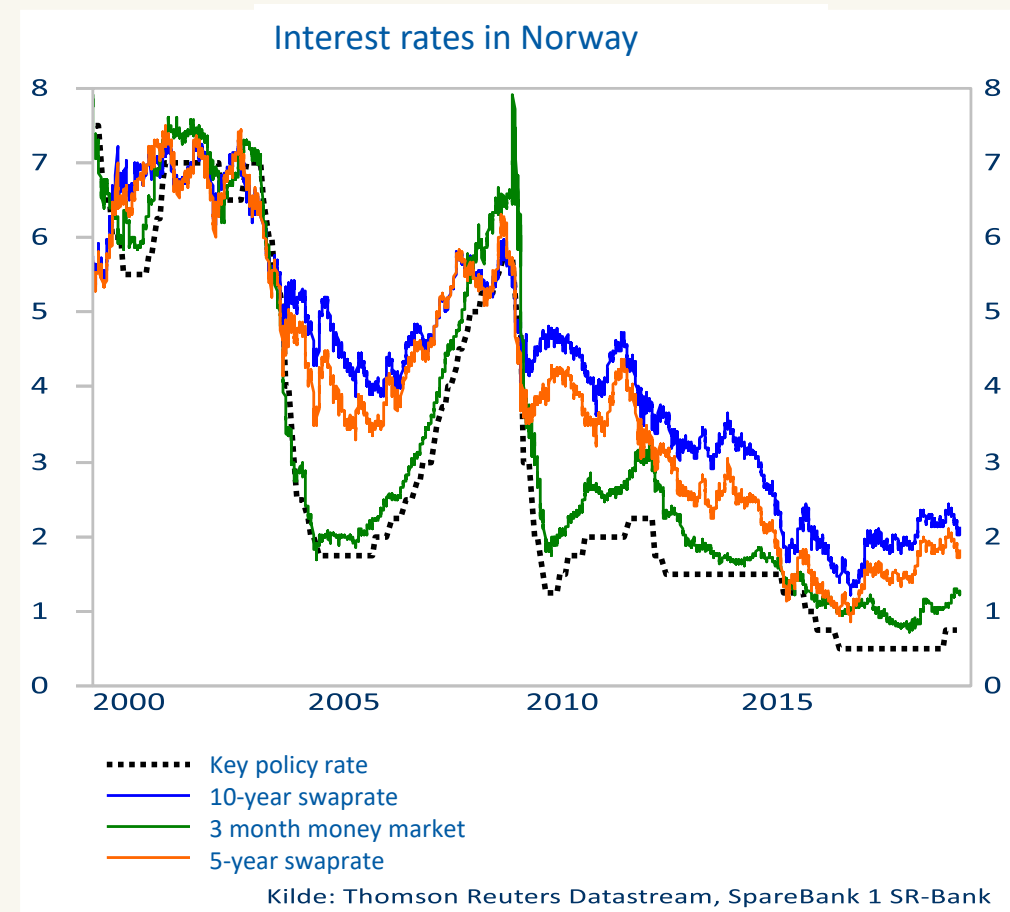
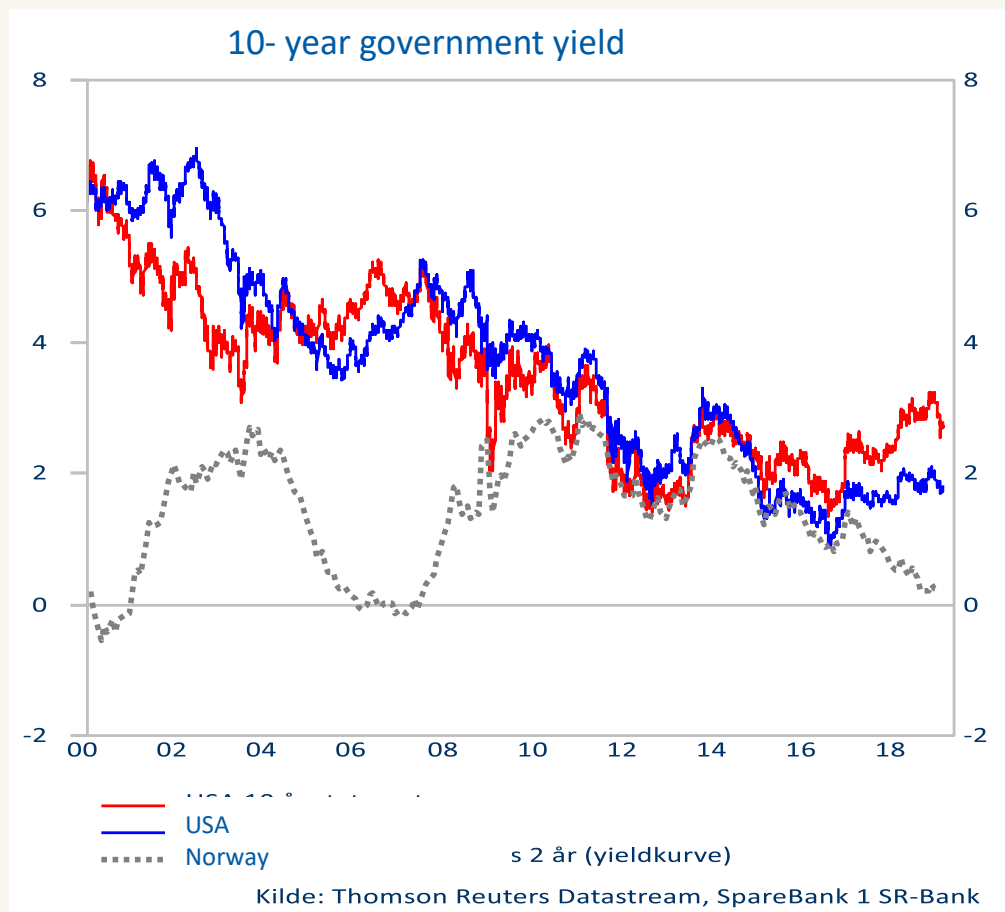
Norwegian ec. and region improving

Climate policy headwinded by Trump

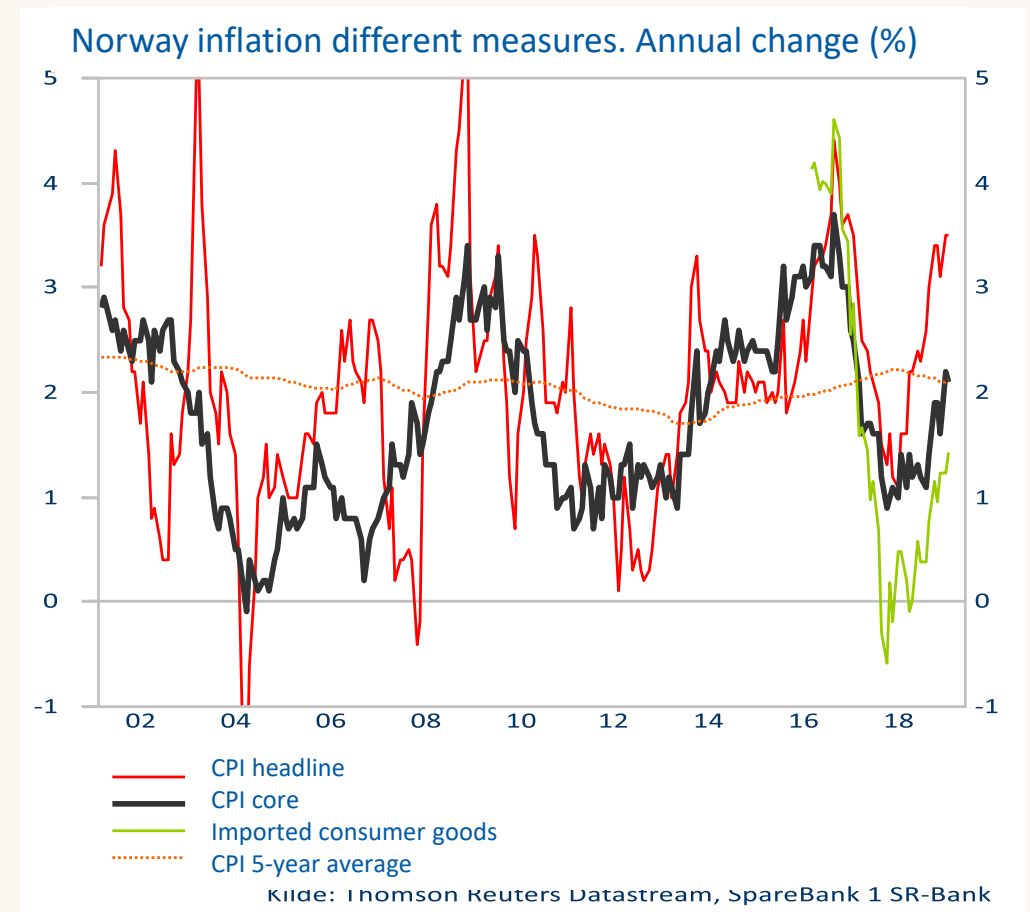
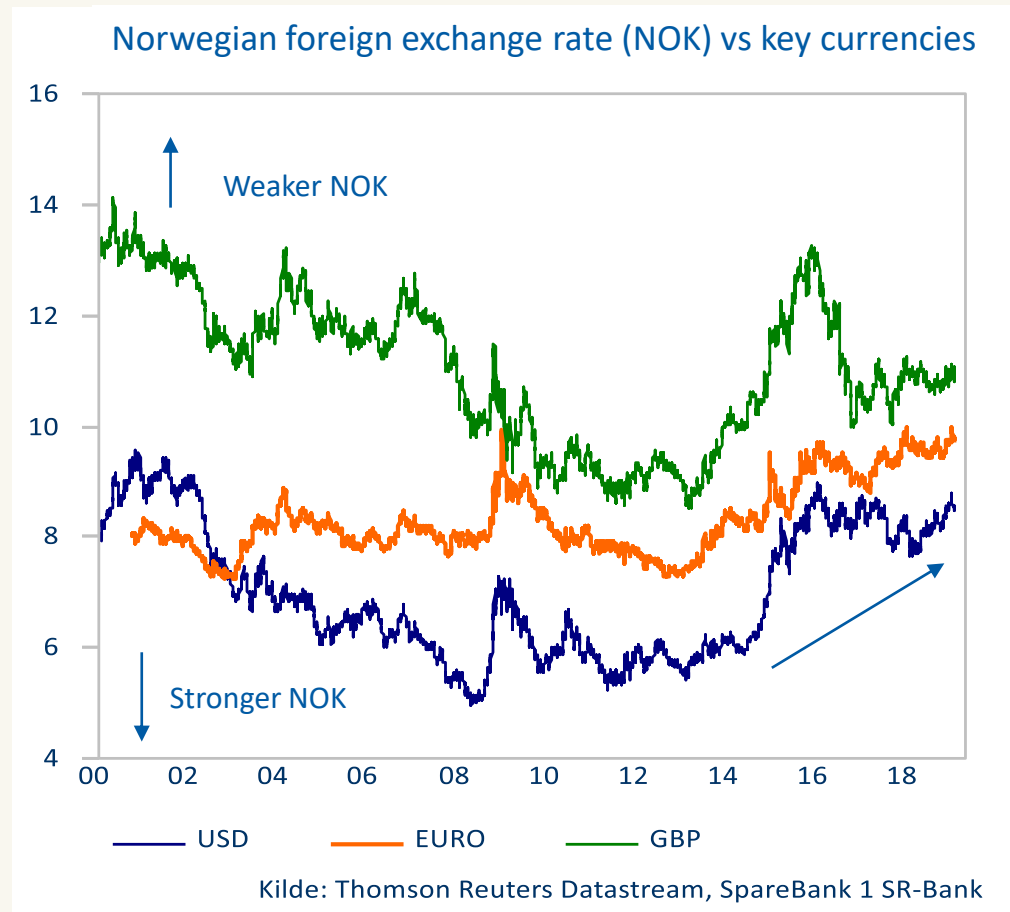
Global and Norwegian economy correlating most of the time



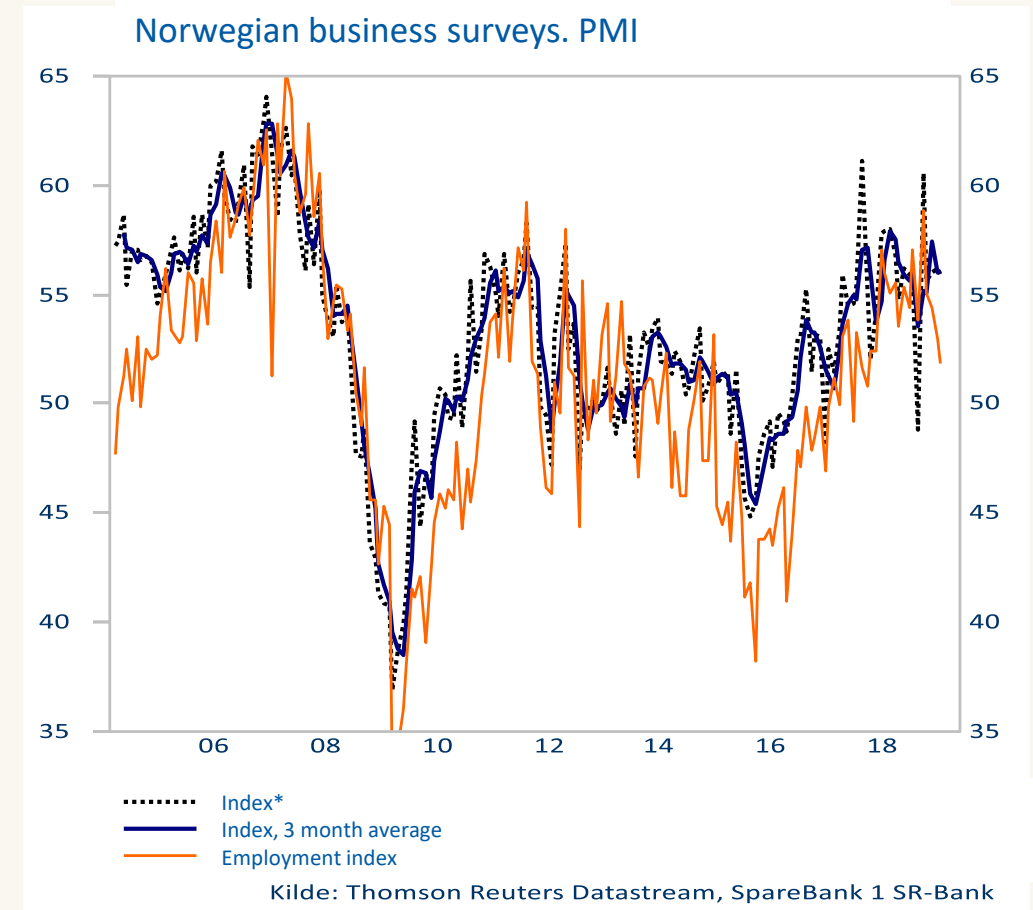
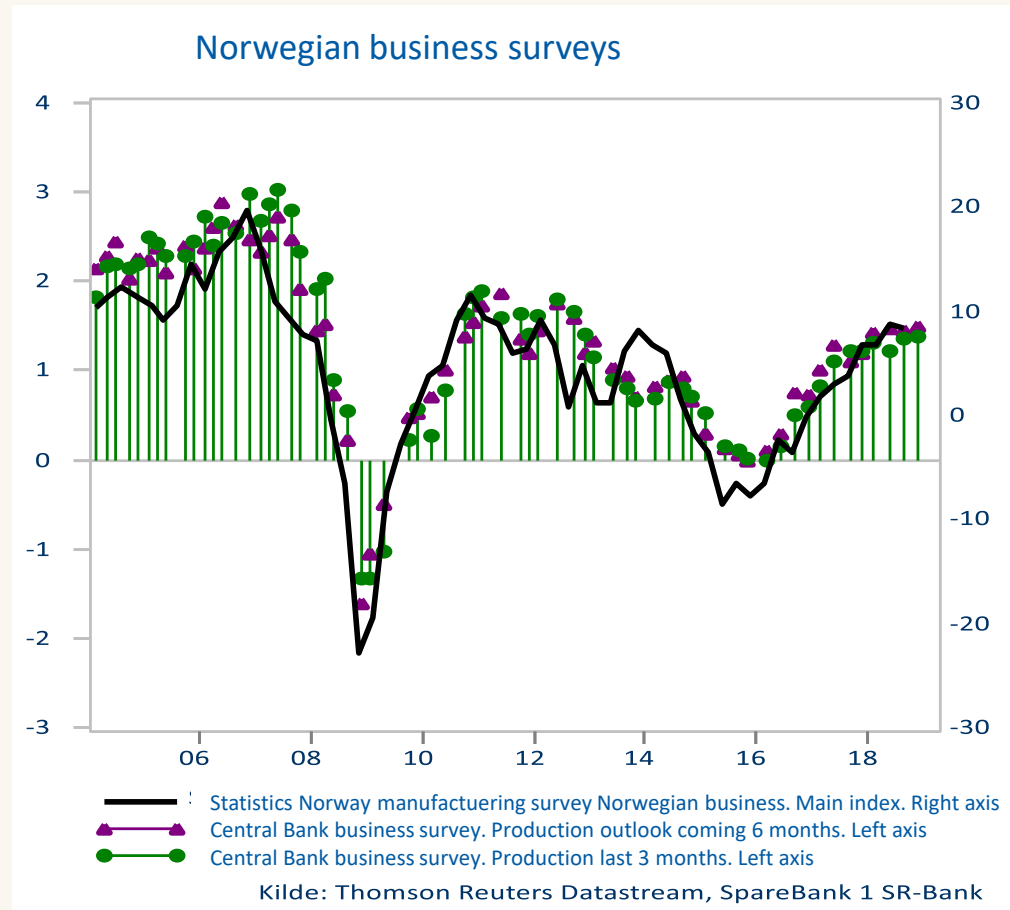
Interest rates still at low levels – next hike in Norway probably in Q1 2019



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

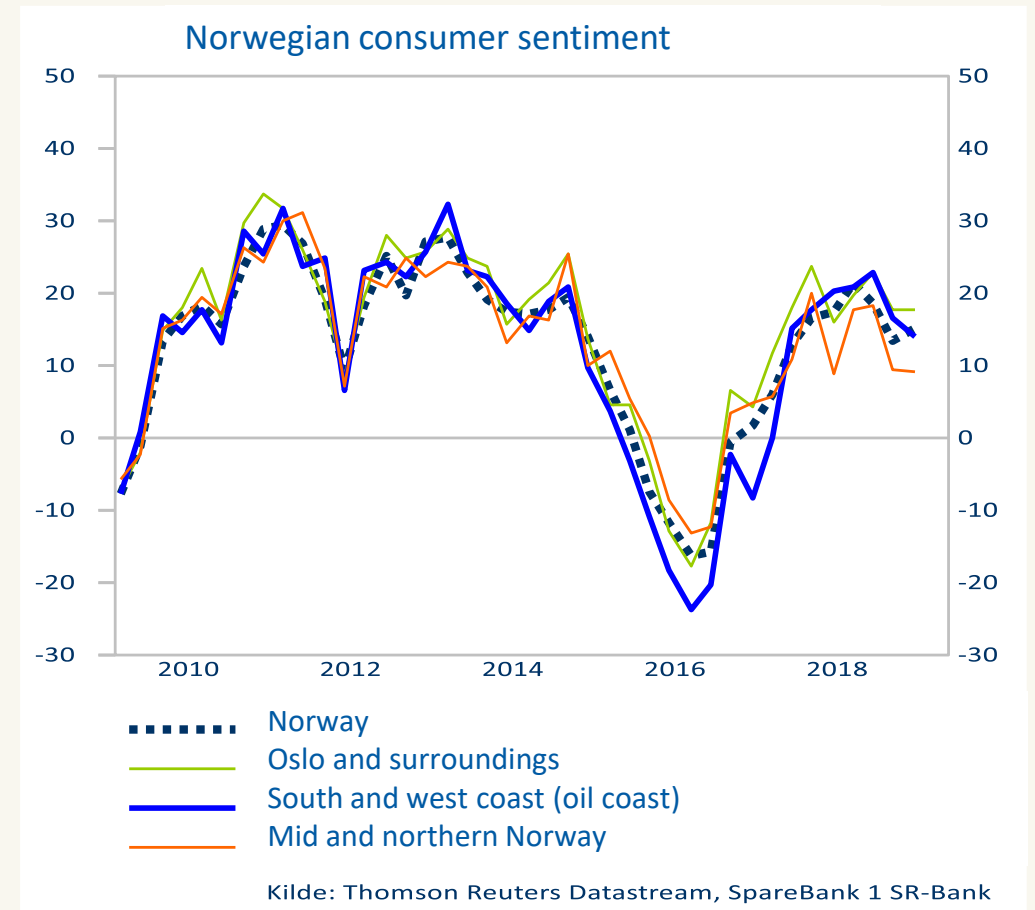
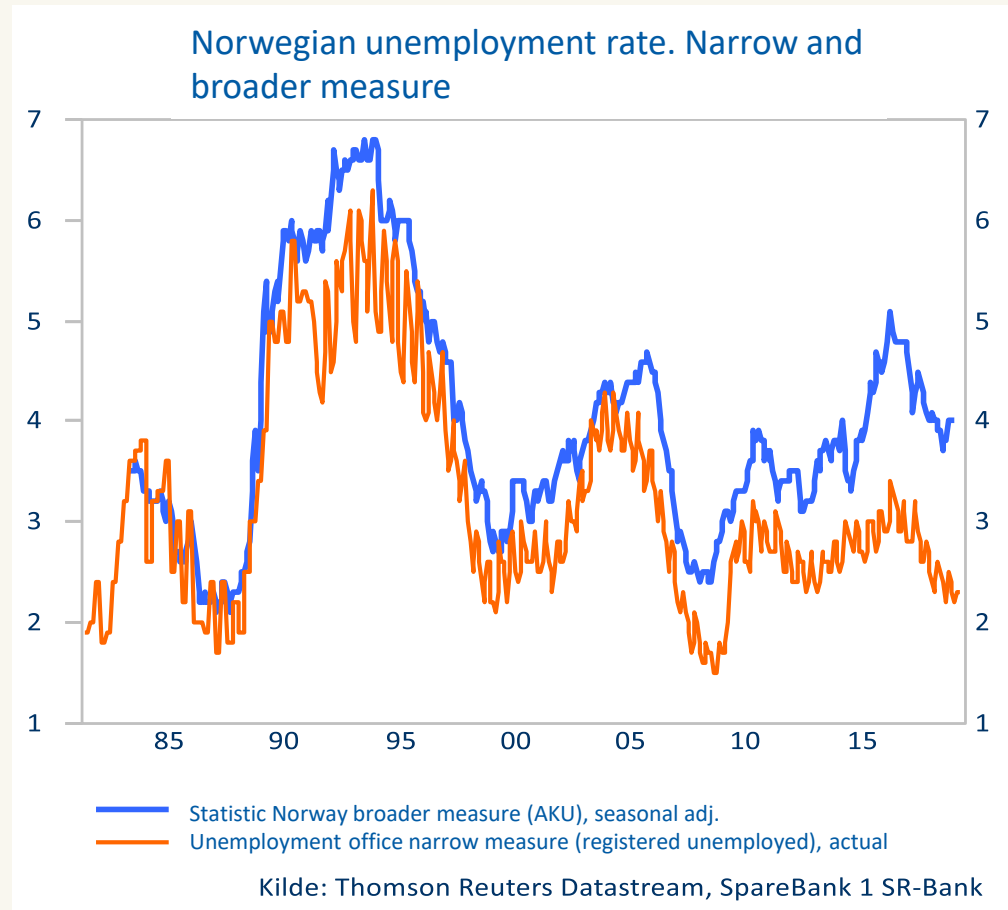


Norwegian economy has improved – businesses more optimistic

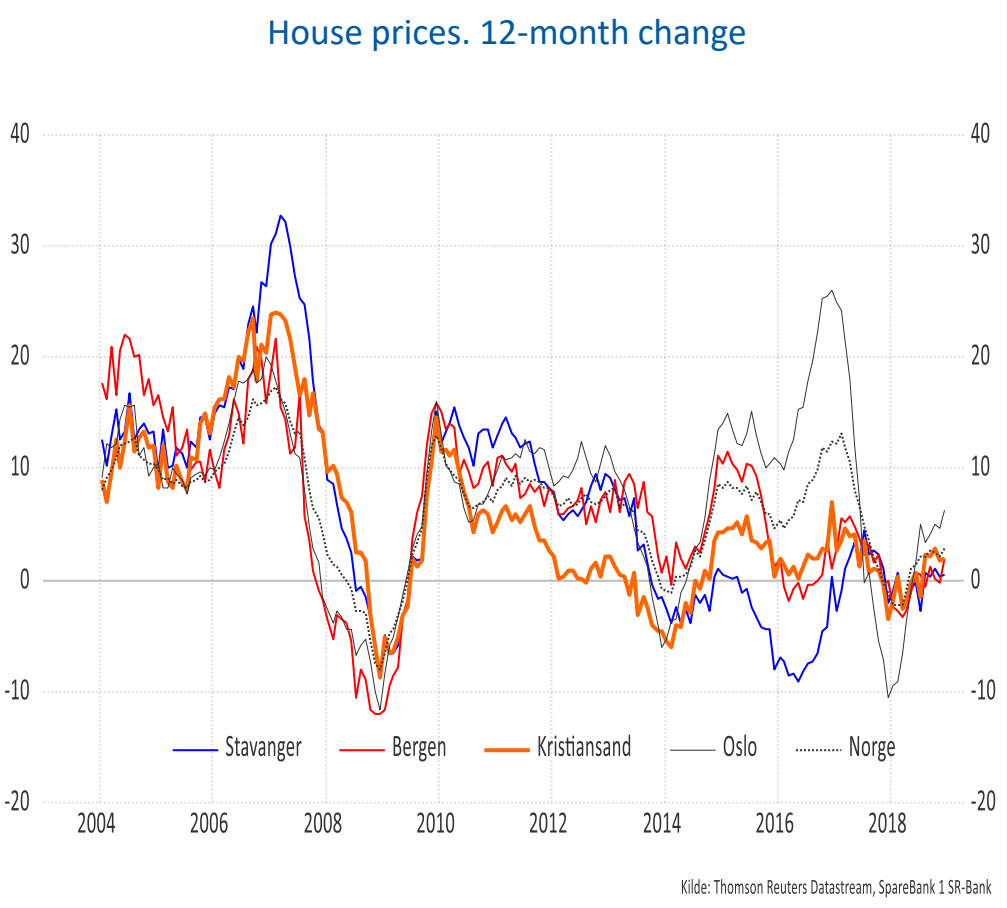
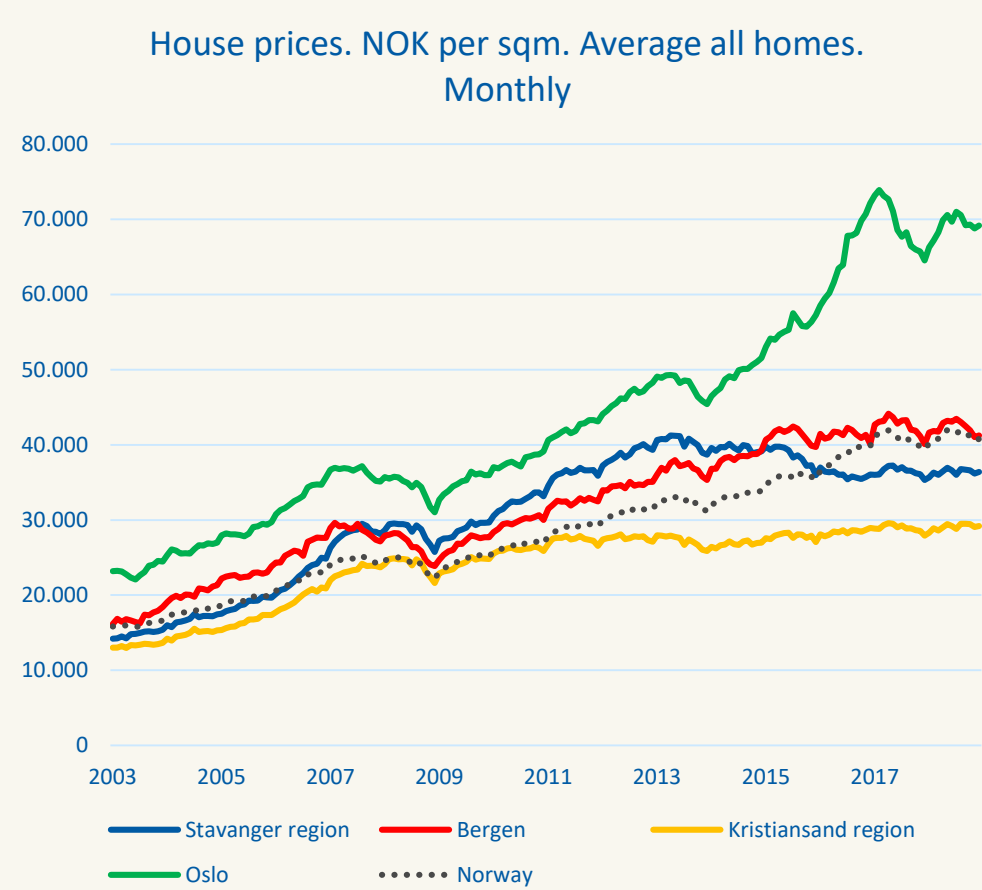


*PMI in July «distorted» by few companies responding

Unemployment rate trending down and households optimistic



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



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