



From Untouched Nature  
to Tourist Magnet

THIRD QUARTER 2015

SpareBank   
SR-BANK

# Disclaimer


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


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

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


# The leading financial group in the southwest of Norway

**1 Rogaland** 

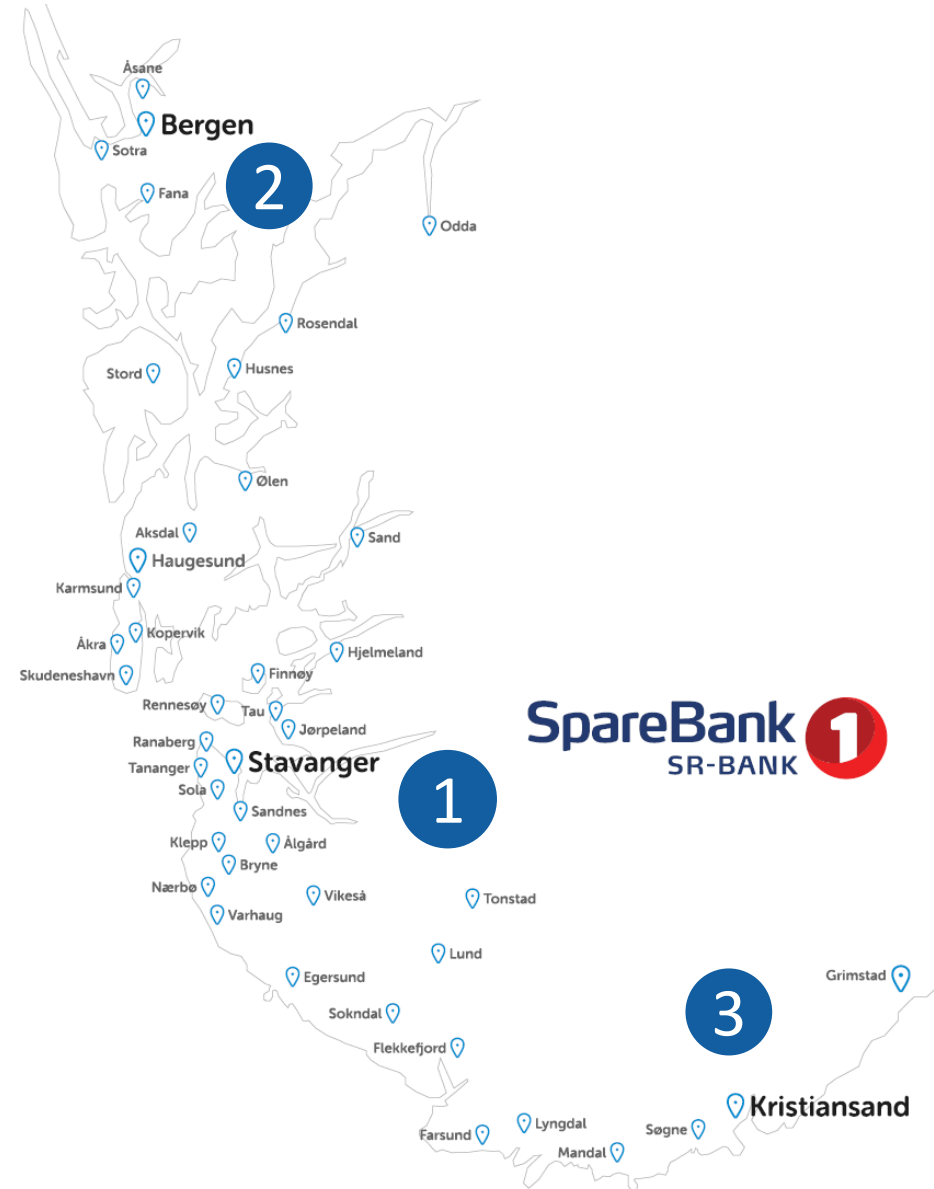
Population	467.000
Market share	37%
Year of establishment	1839
Market strategy	Market leader
Unemployment rate	3.8%

**2 Hordaland** 

Population	512.000
Market share	6%
Year of establishment	2006
Market strategy	Entry/growth
Unemployment rate	2.8%

**3 Agder** 

Population	296.000
Market share	9%
Year of establishment	2002
Market strategy	Growth
Unemployment rate	3.7%



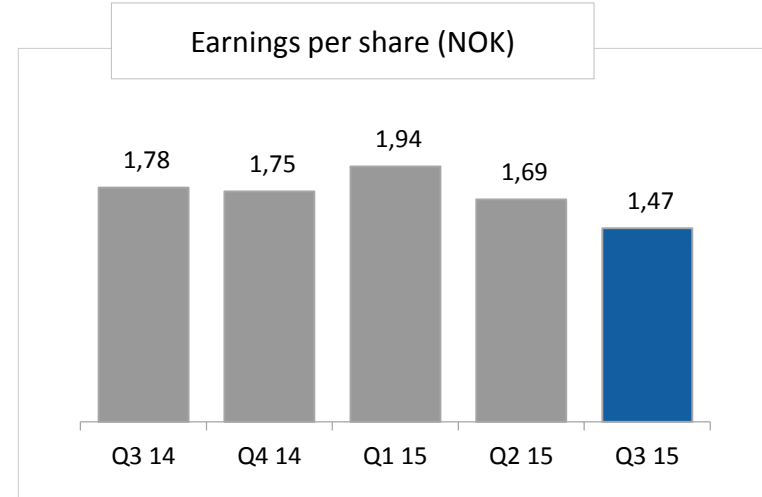
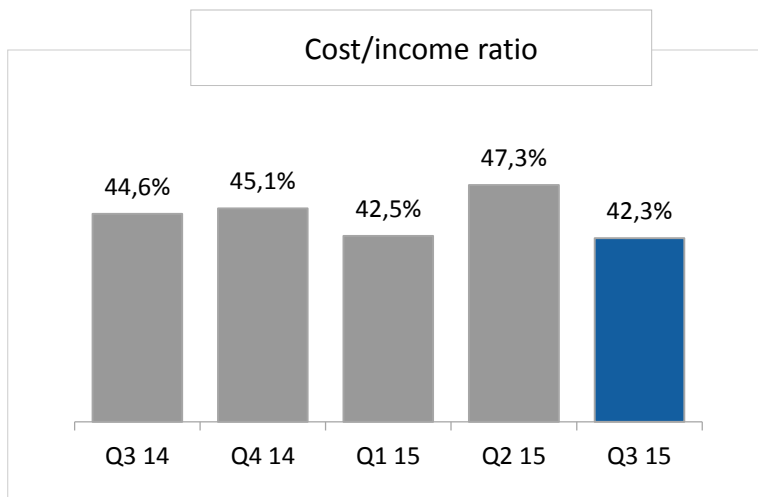
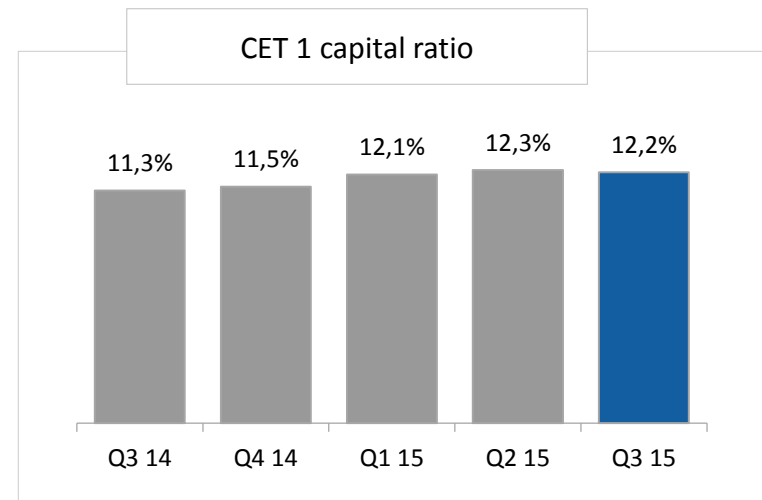
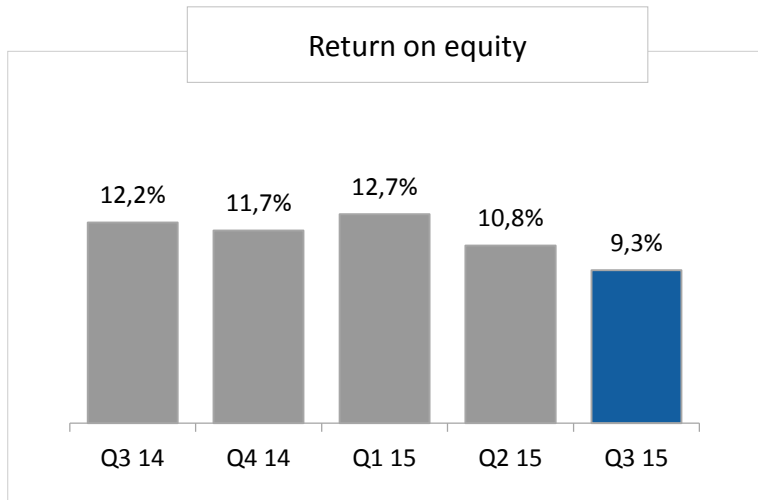
# Stable operating income, good cost control and low losses

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- Pre-tax profit for the quarter is NOK 489 million compared to NOK 577 million last year
  - Return on equity after tax 9.3%
- Pre-tax profit year-to-date is NOK 1.669 million compared to NOK 2.048 million last year
  - Return on equity after tax 10.9%
- 12 months lending growth of 7.4%\*
- 12 months deposits growth of 9.5%
  - Growth of 17% in other capital under management in the last 12 months
- Growth in costs of -2.0% over the last 12 months
  - Low cost growth is influenced by the changed pension scheme and lower bonus provisions
  - Normalised costs growth is 1.1%
- Low impairment losses on loans
  - 0.21% of gross lending recognised on the balance sheet as at 30 September 2015
- Common equity tier 1 capital ratio increased to 12.2% from 11.3% last year
  - IRB Advanced approval for the corporate market portfolio

\* 12 months lending growth excluding currency effect is 6.0%

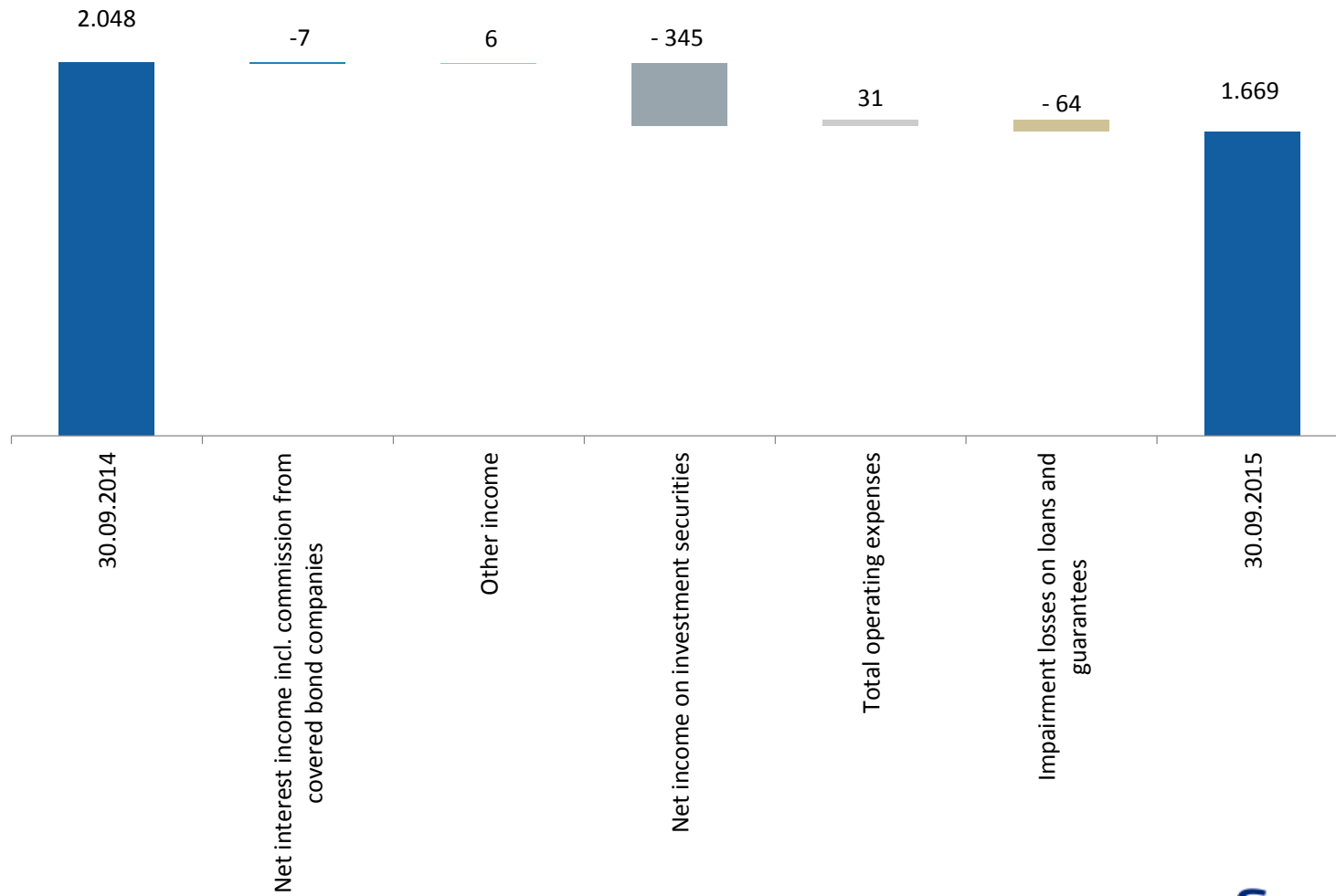
# Key figures – quarterly development



# Income statement

	30.09 15	30.09 14	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14
<i>Group Income Statement (MNOK)</i>							
Net interest income	1.915	1.749	649	639	627	655	621
Net commission and other income	1.160	1.327	353	399	408	405	403
Net income on investment securities	317	662	12	94	211	116	142
Total income	3.392	3.738	1.014	1.132	1.246	1.176	1.166
Total operating expenses	1.495	1.526	429	536	530	530	520
Operating profit before losses	1.897	2.212	585	596	716	646	646
Impairment losses on loans and guarantees	228	164	96	44	88	93	69
Operating profit before tax	1.669	2.048	489	552	628	553	577
Tax expense	365	401	112	121	132	105	123
Net profit	1.304	1.647	377	431	496	448	454

# Change in profit 30.09.2014 – 30.09.2015

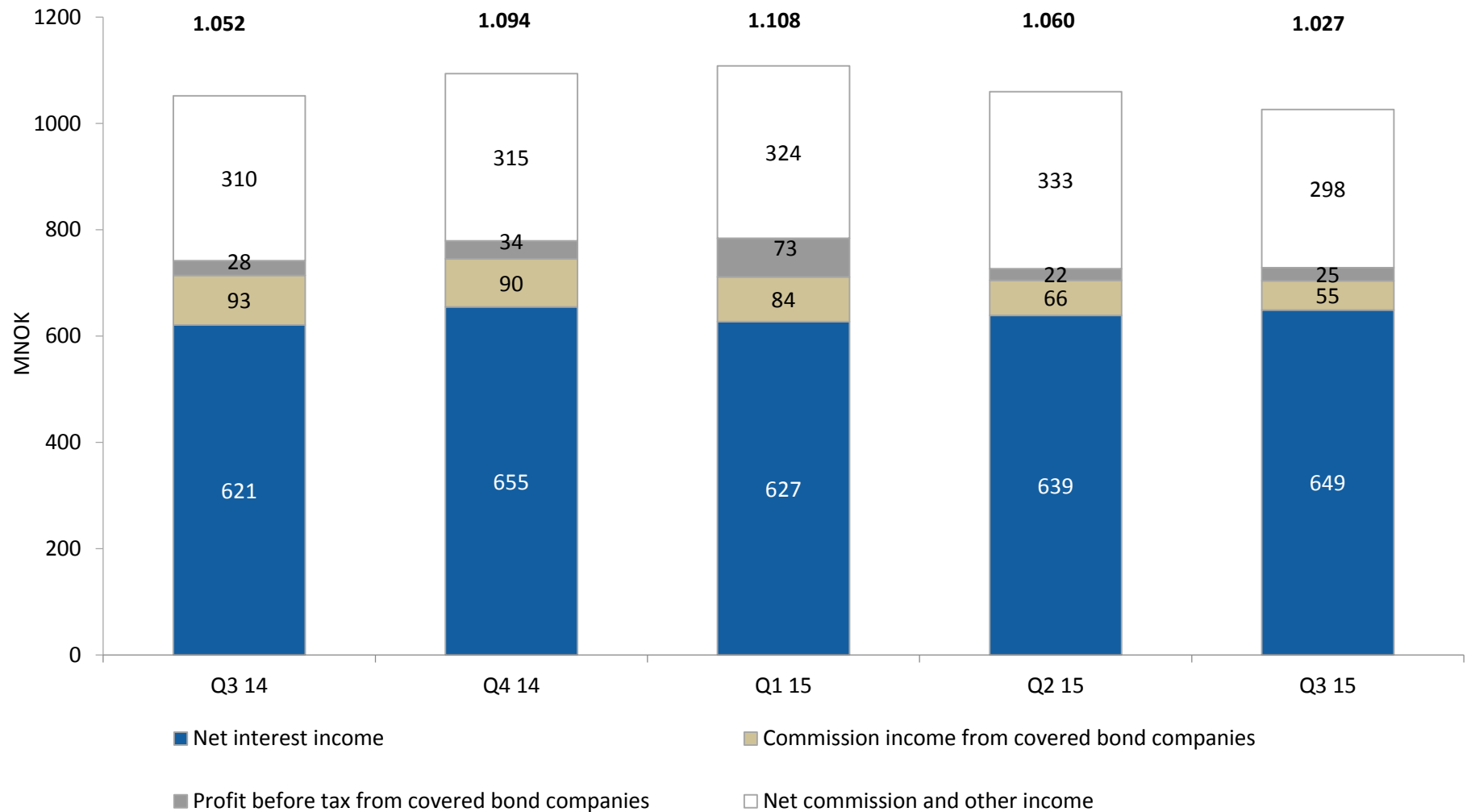


# Key figures

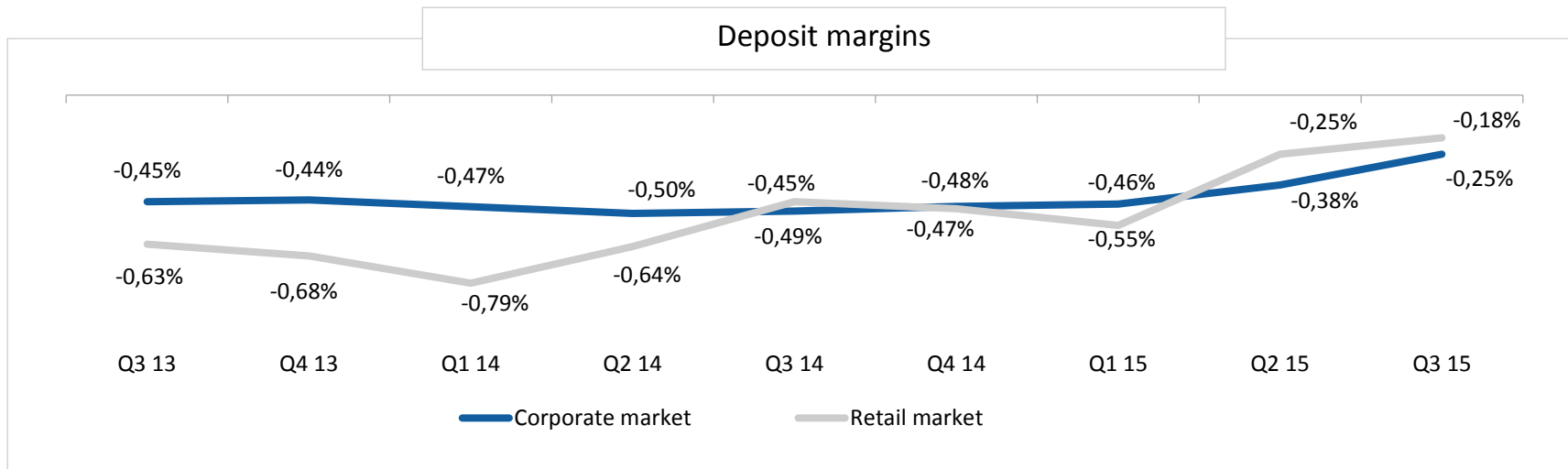
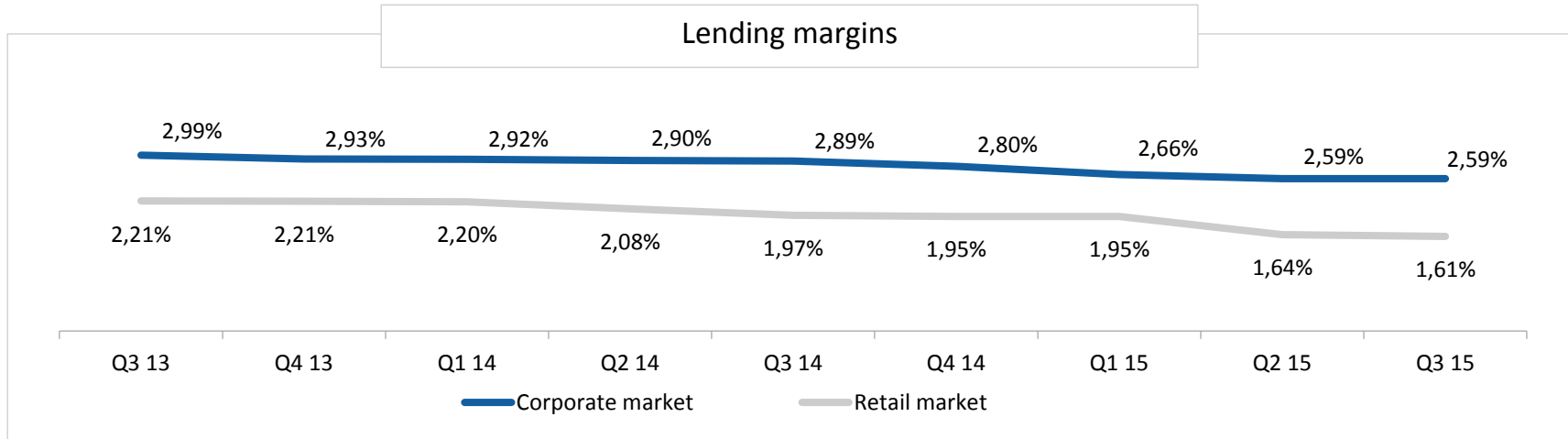
	30.09 15	30.09 14	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14
Return on equity after tax (%)	10,9	15,0	9,3	10,8	12,7	11,7	12,2
Net interest margin (%)	1,42	1,43	1,39	1,44	1,45	1,51	1,48
Impairment losses on loans and guarantees in % of gross loans	0,21	0,17	0,25	0,12	0,25	0,27	0,2
<i>-incl. covered bond companies</i>	0,17	0,13	0,21	0,10	0,20	0,22	0,16
Non-performing and other problem commitments in % of gross loans	0,68	0,77	0,68	0,78	0,81	0,66	0,77
<i>-incl. covered bond companies</i>	0,56	0,62	0,56	0,64	0,66	0,54	0,62
Cost to income ratio	44,1	40,8	42,3	47,3	42,5	45,1	44,6
Annual growth in loans to customers, gross incl. covered bond companies (%)	7,4	3,5	7,4	7,6	7,3	4,7	3,5
Annual growth in deposits from customers (%)	9,5	14,9	9,5	11,1	15,5	13,7	14,9
Total assets (BNOK)	191,5	168,3	191,5	181,9	176,9	174,9	168,3
Portfolio of loans in covered bond companies (BNOK)	31,0	32,9	31,0	31,2	34,1	32,9	32,9
Risk weighted assets (BNOK)	122,4	117,3	122,4	120,4	117,6	120,2	117,3
Earnings per share (NOK)	6,24	6,45	1,47	1,69	1,94	1,75	1,78
Book value per share (NOK)	64,02	59,21	64,02	62,56	62,40	60,28	59,21
Number of shares issued (million)	255,8	255,8	255,8	255,8	255,8	255,8	255,8



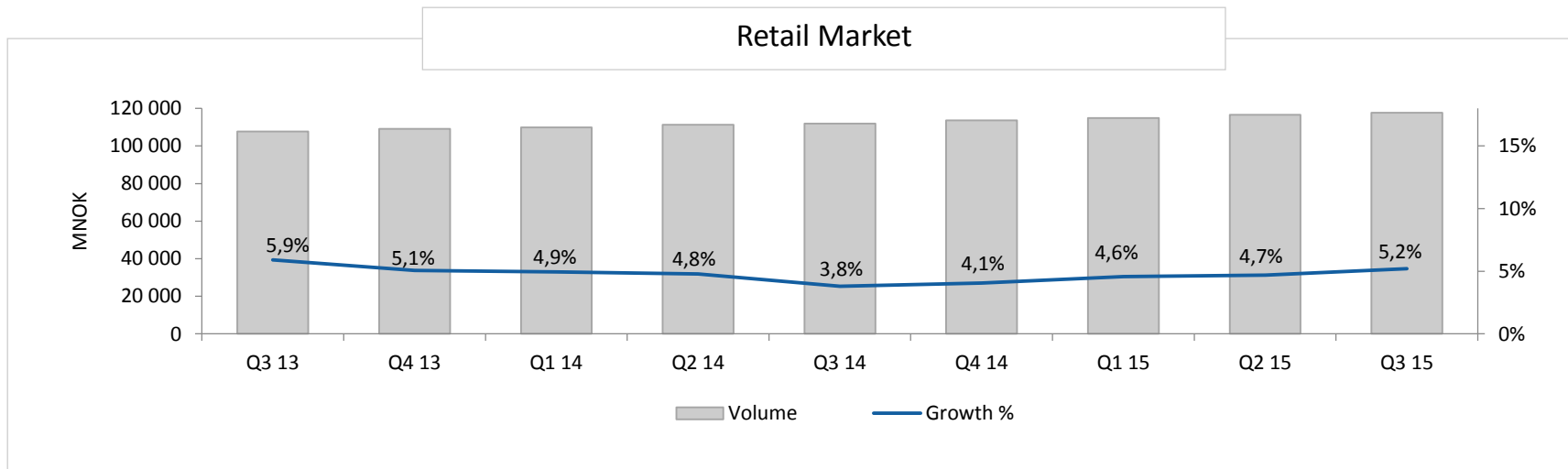
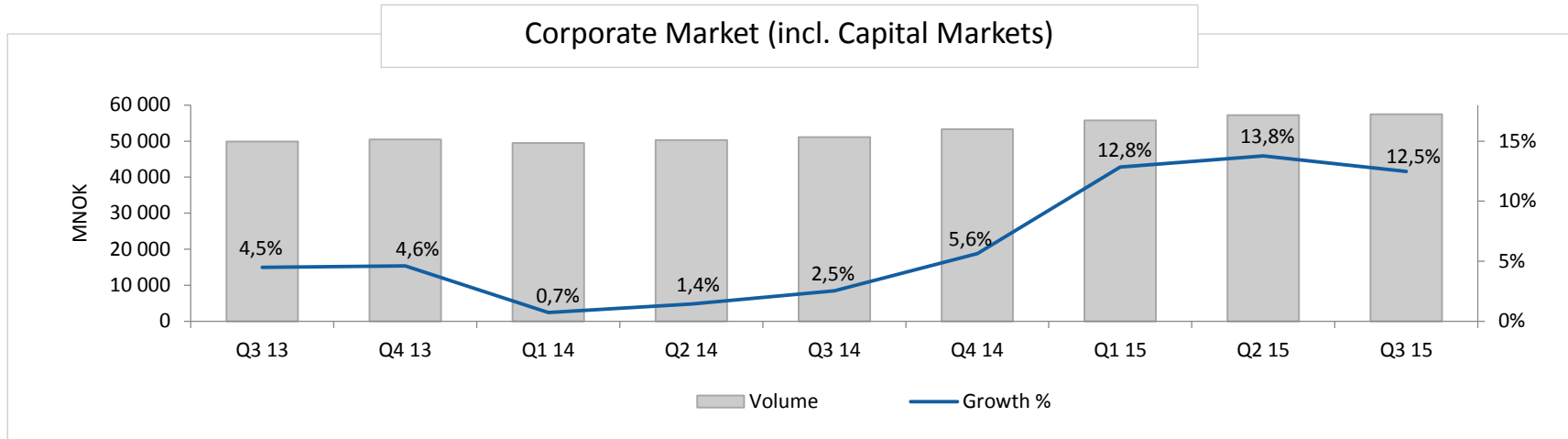
# Consolidated income profile



# Lending and deposit margins



# Lending volume and 12 months growth

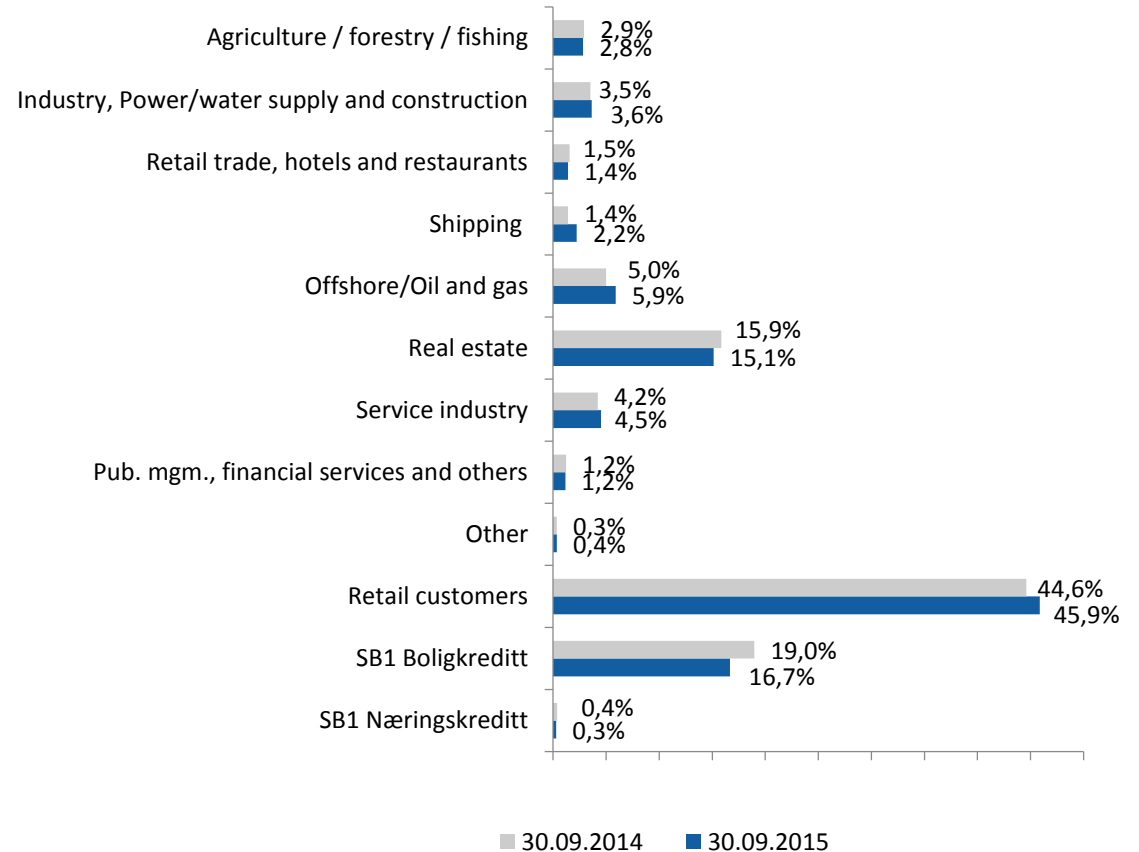


\* 12 months lending growth in Corporate Market excluding currency effect is 9.3%

Figures incl. loan portfolio in covered bond companies

# Loan portfolio as at 30.09.2015

- Gross loans as at 30 September 2015 amount to NOK 182.9 billion compared with NOK 170.3 billion at the same time last year.
- 12-month growth in loans of 7.4%.
- Loans to retail customers (incl. covered bond company) account for 62.6% of total loans.
- Loans to the commercial property sector account for 15.1% of total loans.

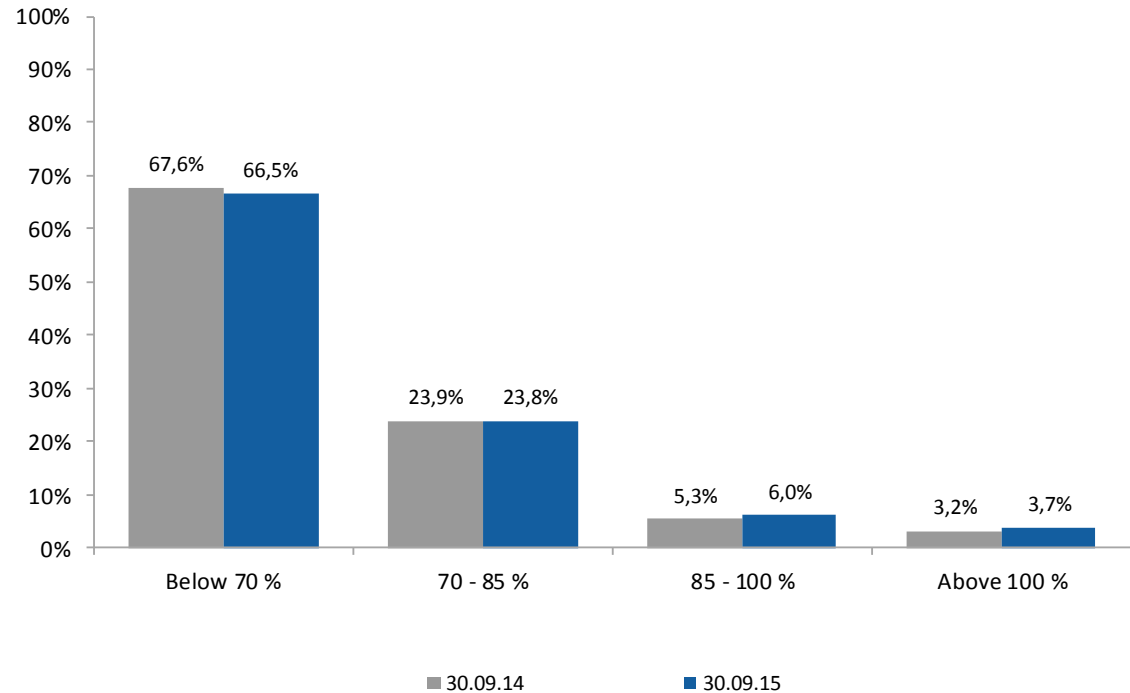


Loans before individual write-downs, nominal amounts.

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

# Loan to value ratio on home mortgage loans

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

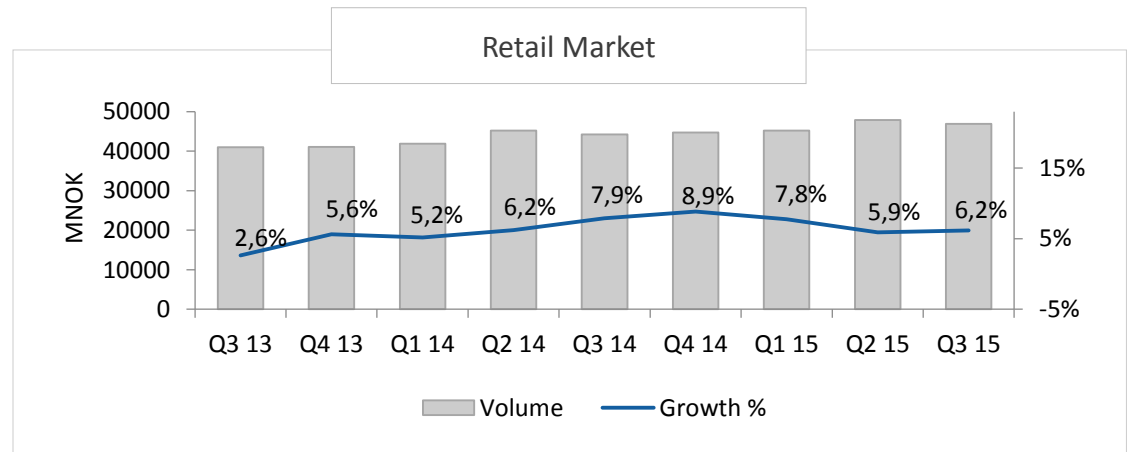
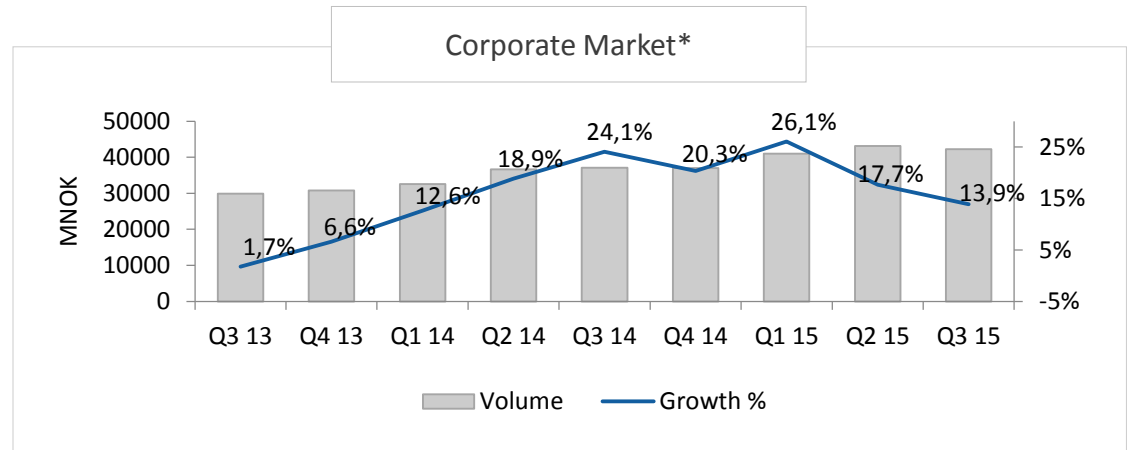


*In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.*

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

# Deposits volume and 12 month growth

- Last 12 months deposits increased by NOK 7.8 billion to 89.0 billion.
  - Corresponds to an increase in the period of 9.5%.



\* Includes also the Capital Markets Division.

# Net commission and other income

	30.09	30.09					
<i>MNOK</i>	15	14	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14
Payment facilities	180	179	66	56	58	57	66
Savings/placements	142	130	45	48	49	42	45
Insurance products	142	131	48	47	47	46	45
Commission income real estate broking	301	333	84	113	104	101	105
Guarantee commission	95	77	28	33	34	26	24
Arrangement- and customer fees	58	75	16	26	16	40	20
Accounting services SpareBank 1 Regnskapshuset SR*	25	-	7	8	10	-	-
Other	12	24	4	2	6	3	5
<b>Net commission and other income excl. covered bond companies</b>	<b>955</b>	<b>949</b>	<b>298</b>	<b>333</b>	<b>324</b>	<b>315</b>	<b>310</b>
Commission income SB1 Boligkreditt and SB1 Næringskreditt	205	378	55	66	84	90	93
<b>Net commission and other income incl. covered bond companies</b>	<b>1.160</b>	<b>1.327</b>	<b>353</b>	<b>399</b>	<b>408</b>	<b>405</b>	<b>403</b>

\*SpareBank 1 Regnskapshuset SR was established in the first quarter of 2015 in connection with the acquire of the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet AS, and in the second quarter of 2015 the company acquired ODB Accounting AS Sotra.

# Net income on investment securities

	30.09	30.09	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14
<i>MNOK</i>	15	14					
Dividends	16	35	1	8	7	1	10
Investment income, associates	312	368	78	101	133	138	150
Securities gains/losses	-137	222	-100	-14	-23	-41	-34
- of which capital change in shares and certificates	-6	208	-6	-4	4	24	-22
- of which capital change in certificates and bonds	-195	-31	-100	-46	-49	-61	-30
- of which derivatives; bonds and certificates	64	45	6	36	22	-4	18
Currency/interest gains/loans	126	37	33	-1	94	18	16
- of which currency customer- and own-account trading	79	102	31	17	31	6	40
- of which value change basis swap spread*	82	2	13	2	67	9	11
- of which IFRS-effects	-35	-67	-11	-20	-4	3	-35
<b>Net income on investment securities</b>	<b>317</b>	<b>662</b>	<b>12</b>	<b>94</b>	<b>211</b>	<b>116</b>	<b>142</b>

\* Value change of basis swap spread amounted NOK 82 million per 30.09.2015 of which NOK 37 million was realised per 30.09.2015.



# Subsidiaries

<i>MNOK</i>	30.09.15	30.09.14
<b>EiendomsMegler 1 SR-Eiendom AS</b>		
Number of sales	5.207	5.793
Operating profit before tax	27	47
<b>SpareBank 1 SR-Finans AS</b>		
Total assets (BNOK)	7	7
Operating profit before tax	119	110
<b>SR-Forvaltning AS</b>		
Total assets under management (BNOK)	9	9
Operating profit before tax	24	20
<b>SR-Investering AS</b>		
Operating profit before tax	-11	12
<b>SpareBank 1 Regnskapshuset SR AS</b>		
Operating profit before tax*	2	-
<b>SR-Boligkreditt AS</b>		
Operating profit before tax**	10	-
<b>Other</b>		
Operating profit before tax	-5	-6
<b>Total subsidiaries</b>		
Profit before tax	166	183

\*SpareBank 1 Regnskapshuset SR was established in the first quarter of 2015 in connection with the acquire of the Rogaland branch of SpareBank 1 Regnskapshuset Østlandet AS, and in the second quarter of 2015 the company acquired ODB Accounting AS Sotra.

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

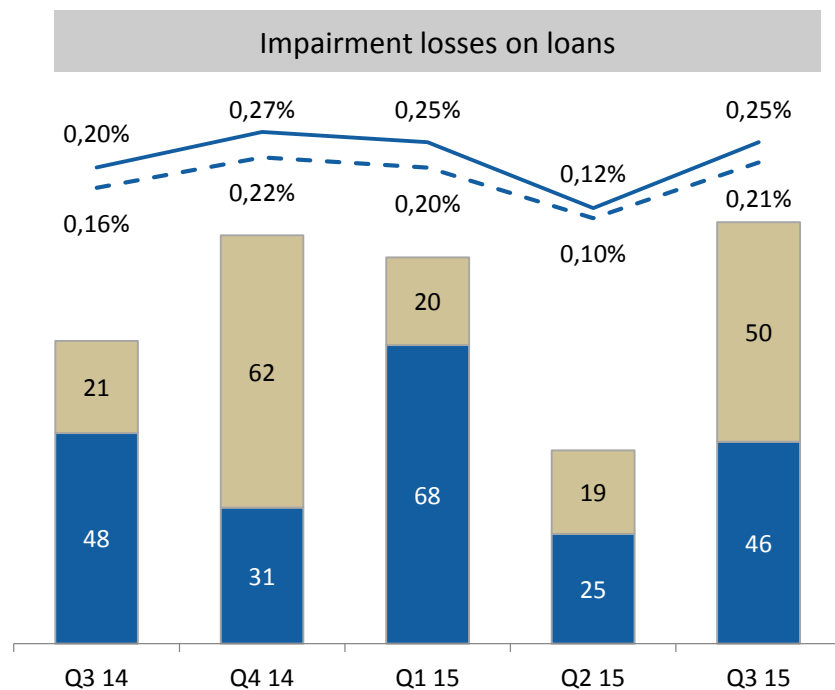
# Ownership interests

<i>MNOK</i>	30.09.15	30.09.14
<b>SpareBank 1 Gruppen AS</b>		
<i>Interest ownership</i>	19,5%	19,5%
Profit after tax	183	262
Adjusted profit previous years	0	-4
<b>SpareBank 1 Boligkreditt AS</b>		
<i>Interest ownership</i>	20,1%	20,4%
Profit after tax	70	30
Adjusted profit previous years	0	2
<b>SpareBank 1 Næringskreditt AS</b>		
<i>Interest ownership</i>	26,8%	26,8%
Profit after tax	18	23
Adjusted profit previous years	0	1
<b>BN Bank ASA</b>		
<i>Interest ownership</i>	23,5%	23,5%
Profit after tax	22	56
<b>SpareBank 1 Kredittkort AS</b>		
<i>Eierandel</i>	18,1%	17,9%
Resultat etter skatt	15	-1
<b>Other</b>		
Profit after tax	4	-1
<b>Total ownership interests</b>		
Profit after tax	312	368

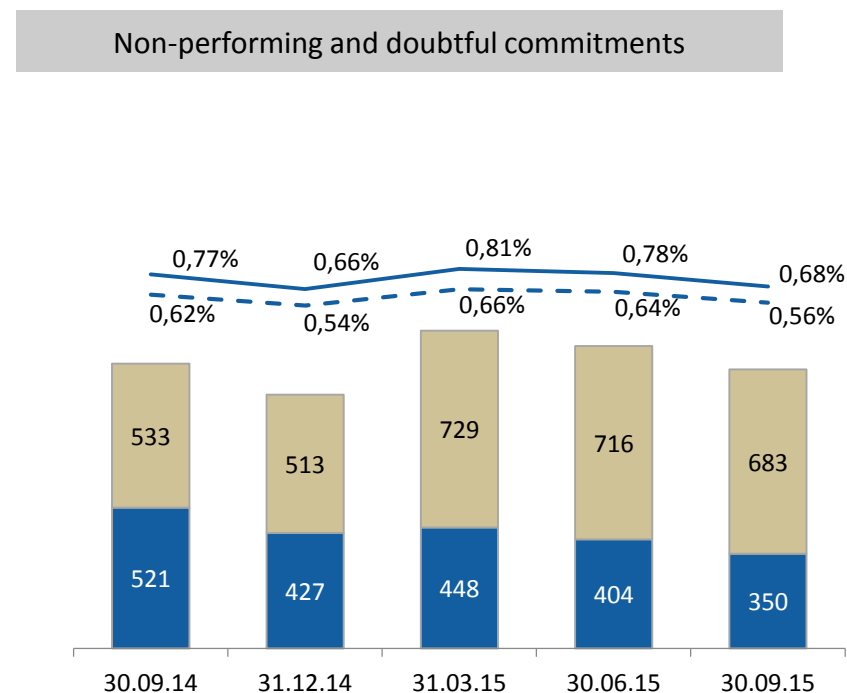
# Operating expenses

	30.09	30.09	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14
<i>MNOK</i>	15	14					
Personnel expenses	887	884	284	300	303	303	304
Restructuring- and non-recurring costs, pensions	-56	10	-63	0	7	5	3
Total personnel expenses	831	894	221	300	310	308	307
IT expenses	215	202	70	73	72	75	69
Marketing	71	67	24	26	21	29	21
Other administrative expenses	69	71	20	23	26	24	24
Total administrative expenses	355	340	114	122	119	128	114
Depreciation	62	66	20	22	20	22	32
Operating expenses from real estate	29	27	9	10	10	10	7
Other operating expenses	218	199	65	82	71	62	60
Total other operating expenses	309	292	94	114	101	94	99
Total operating expenses	1.495	1.526	429	536	530	530	520

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



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



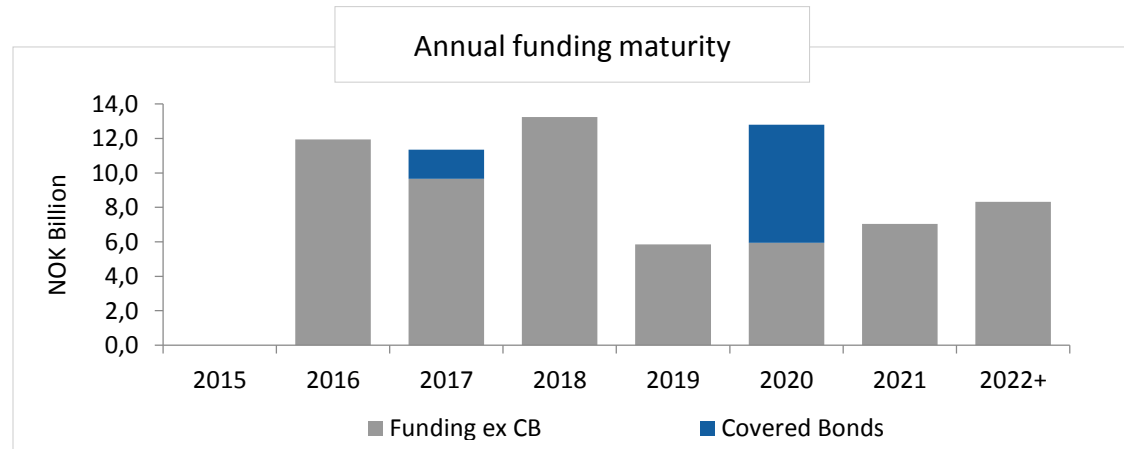
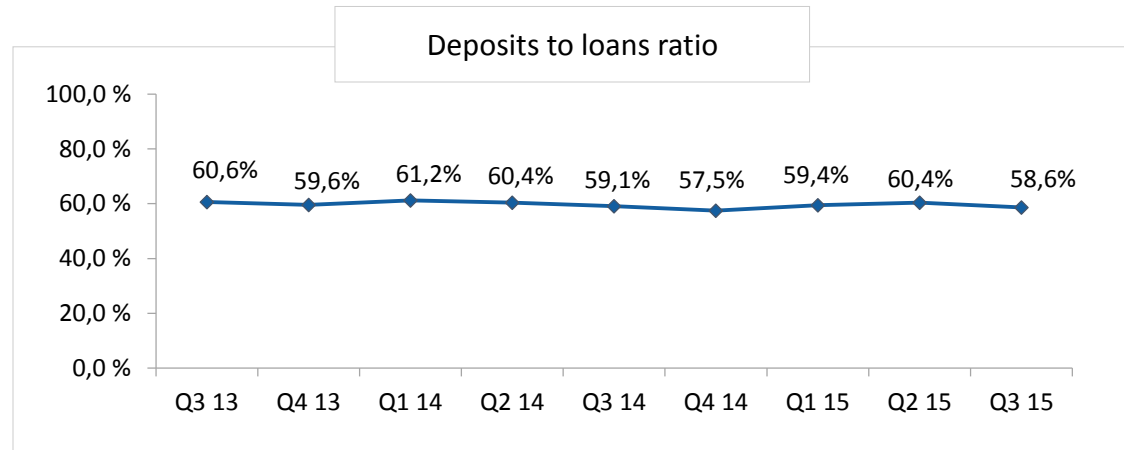
- Doubtful commitments, MNOK
- Non-performing loans, MNOK
- Non-performing and doubtful commitments in % of gross loans
- Non-performing and doubtful commitments in % of gross loans incl. from covered bond companies

# Impairment losses on loans and guarantees

	30.09	30.09					
<i>Losses on loans in income statement (MNOK)</i>	15	14	Q3 15	Q2 15	Q1 15	Q4 14	Q3 14
Corporate customers	120	140	39	19	62	27	39
Retail customers	19	11	7	6	6	4	9
Change in collective impairment losses on loans	89	13	50	19	20	62	21
Net impairment losses on loans	228	164	96	44	88	93	69
	30.09	30.09	30.09	30.06	31.03	31.12	30.09
<i>Impairment losses on loans (MNOK)</i>	15	14	15	15	15	14	14
Corporate customers	301	285	301	292	292	262	285
Retail customers	65	58	65	64	59	60	58
Collective impairment losses on loans	467	315	467	417	398	378	315
Total impairment losses on loans	833	658	833	773	749	700	658

# Funding

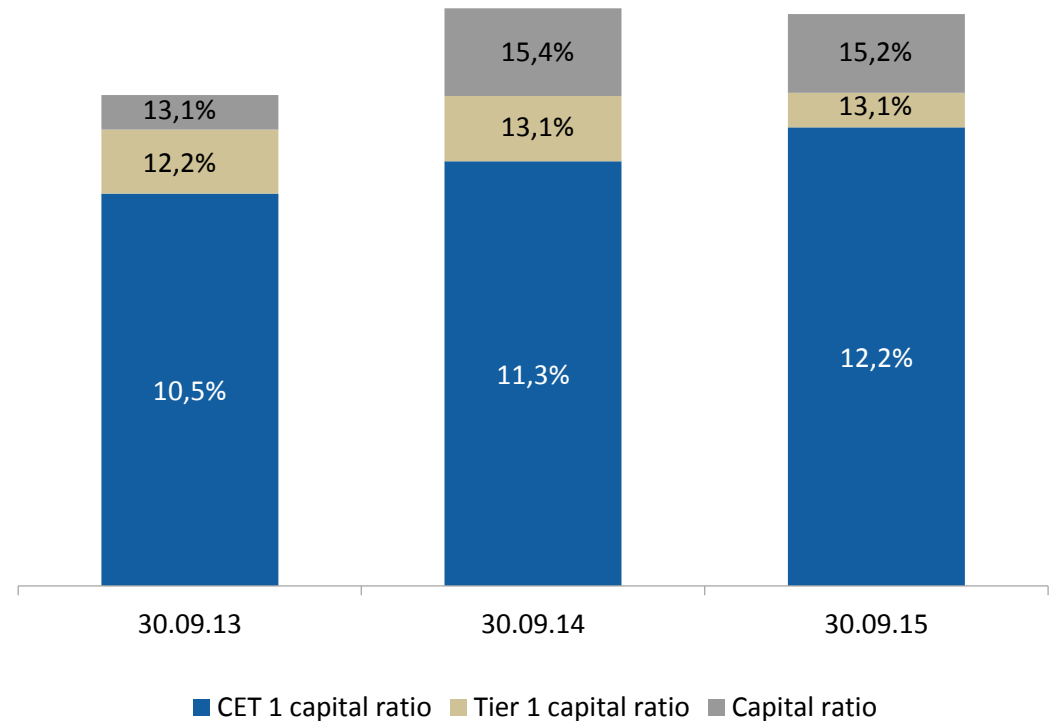
- *Well diversified funding.*
- *Greater share of senior funding last year.*
  - *6 outstanding euro-benchmarks with due dates in each of the years 2016- 2021.*
  - *Issuance of euro-benchmark OMF through SR-Boligkreditt in September 2015.*
- *Funding indicator 1\* is 111.9% for the parent bank and 110.9% on consolidated basis.*
- *Good liquidity in a more demanding market environment.*
  - *Net refinancing need over the next 12 months is NOK 6.7 billion.*
  - *Liquidity buffer is NOK 24.1 billion for normal operation in 27 months with closed markets. In addition to the liquidity buffer, NOK 21.4 billion of home mortgages are prepared for covered bond funding.*



\*Funding indicator 1 is a ratio of illiquid assets financed by issued securities with a duration of more than 1 year.

# Capital ratio

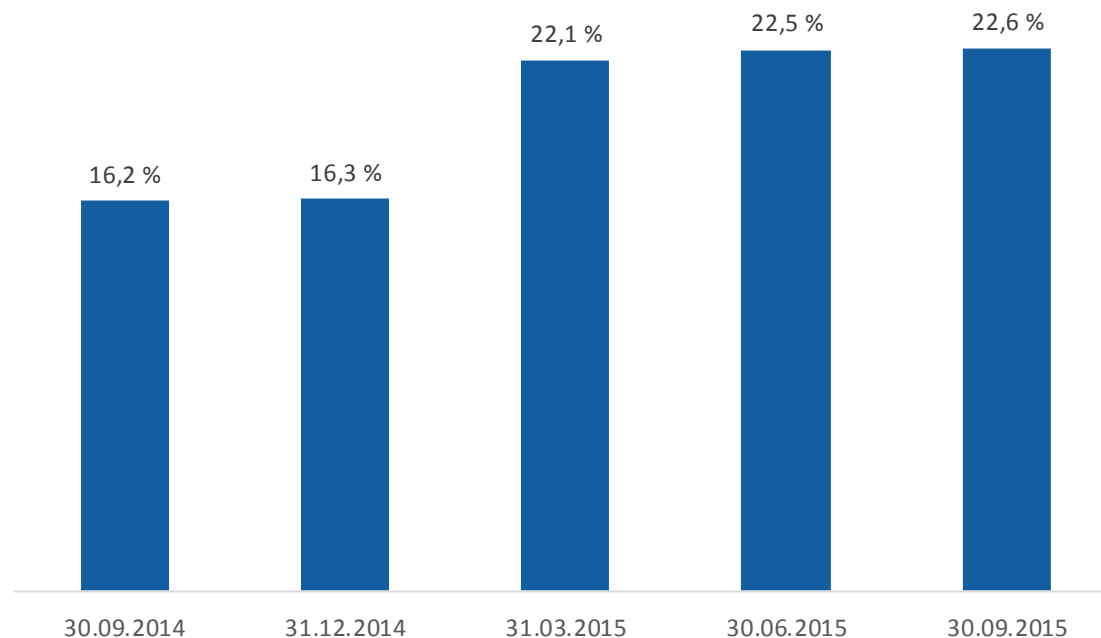
- SpareBank 1 SR-Bank is compliant with capital requirements per 30.09.2015.
- SpareBank 1 SR-Bank received IRB Advanced approval for the corporate market portfolio in the first quarter of 2015.
- The use of different risk weights in the Nordic countries makes comparisons of actual financial strength difficult.
  - The Basel I floor is also practised differently.
- Leverage ratio is 5.9% per 30.09.2015. SpareBank 1 SR-Bank substantially exceeds the levels being discussed internationally.



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

# RWA home mortgages

- *RWA on home mortgages reflects a solid and stable portfolio.*
- *The shift that occurs from the first quarter of 2015 is due to restrictions on PD and LGD imposed by the Norwegian FSA.*



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

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

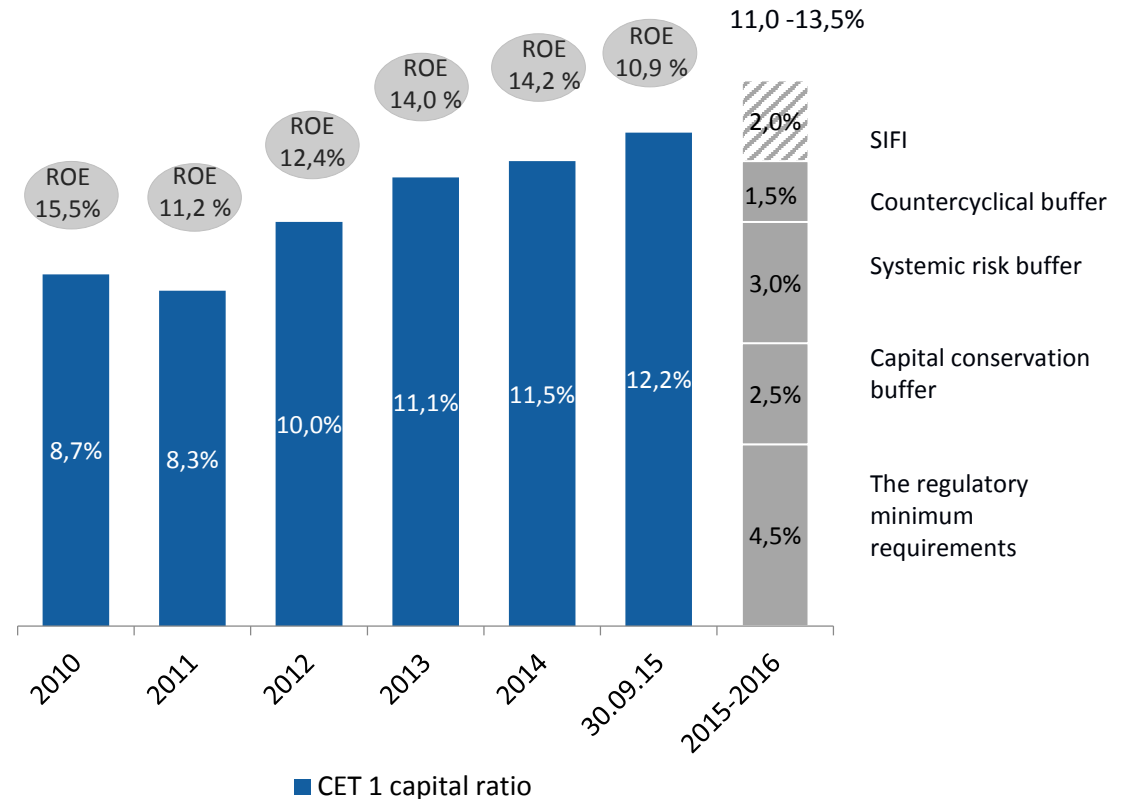
*Home mortgages as defined in the Norwegian IRB framework; residential property must make up at least 30 % of a loan's security.*

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



# Common equity tier 1 being strengthened in line with stricter regulatory requirements

- *New capital requirements entail a need to continue increasing common equity tier 1 capital going forward.*
- *Norges Bank has decided that the countercyclical buffer will be increased to 1.5% from 30 of June 2016.*
- *In addition, the Norwegian FSA will during the 2016 determine individual Pillar 2-requirements that will be added on the regulatory minimum requirements for CET 1.*
- *SpareBank 1 SR-Bank is not defined as systemically important financial institution (SIFI) according to the Regulations of 12 May 2014 but is close at SIFI-requirement for market share.*
- *To meet regulatory and market requirements for solvency, the target CET 1 level is 14.0% in 2016 and 14.5% during 2017. The target is reached through good profitability and retained earnings combined with limited growth in risk-weighted assets.*



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

# Outlook

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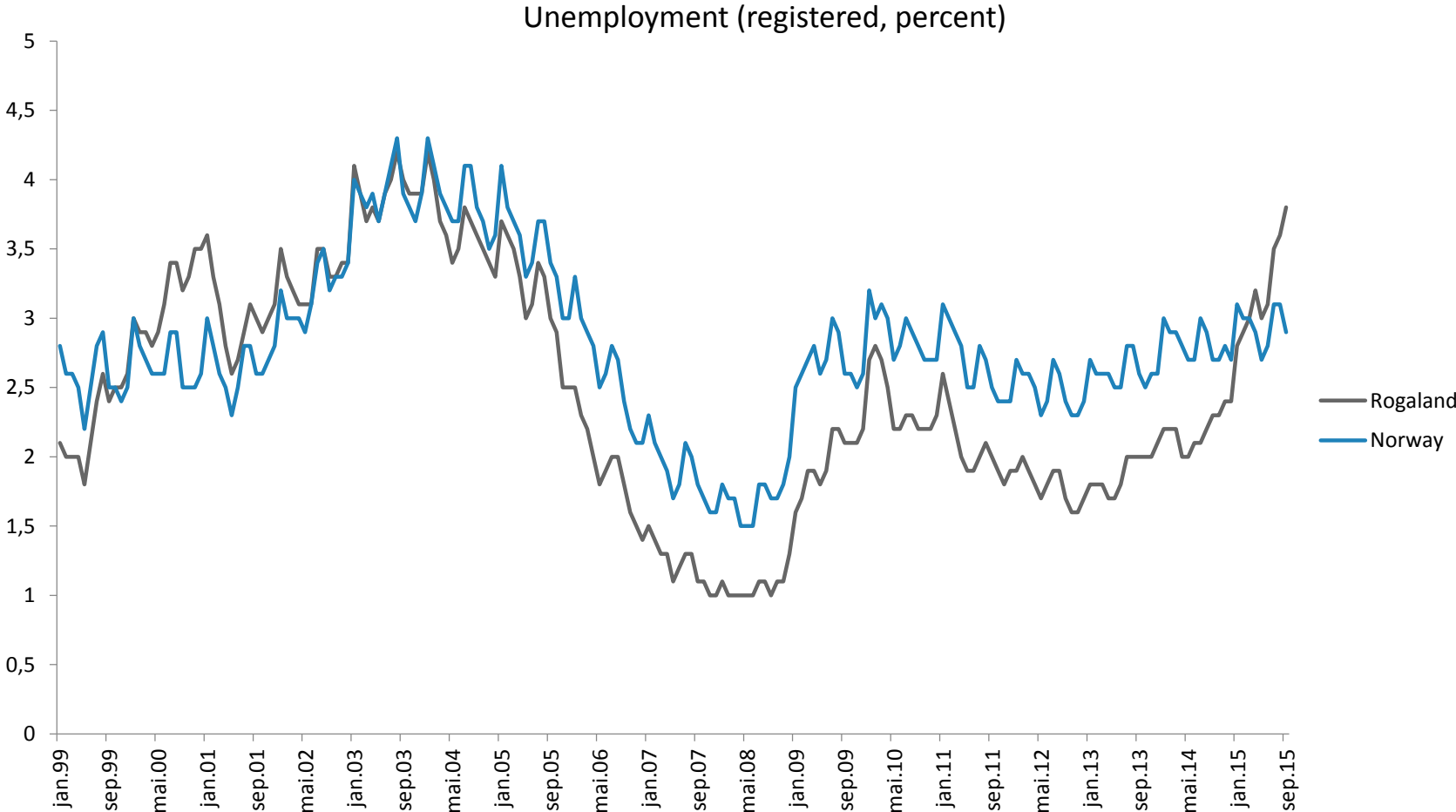
- Uncertainty, especially in the petroleum sector, has increased due to lower oil prices. From record high levels, oil investments are expected to be reduced with approximately 12% - 15% in 2015, and continue with the same magnitude in 2016.
- Major infrastructure projects and high activity in house building are helping to ensure good conditions for the region's business and population growth, with lasting low to moderate unemployment.
- A weaker exchange rate makes Norwegian exports more competitive, while interest rates also stimulate business and household spending.
- Uncertainty about economic developments may dampen demand for loans, while low interest rates work in the opposite direction. We expect stable house prices going forward and still strong competition for new home mortgage customers.
- Lasting low oil prices may have negative impacts for the construction sector and the retail sector in the region.
- Non-performance and loan impairment losses are expected to gradually increase to moderate in the coming quarters. No significant effects from oil and gas operations so far.
- Solid earnings from a robust business model indicates SpareBank 1 SR-Bank well positioned to build up the necessary capital going forward, while ensuring continued competitiveness.
- An offensive approach for the future
  - The acquisition of Swedbank's Stavanger office, increased focus on capital services
  - The acquisition of 4 accounting offices
  - Investing in new CM system, increased customers in international markets
  - Investing in new technology, customer behavior changes as a result of digitization

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# APPENDIX

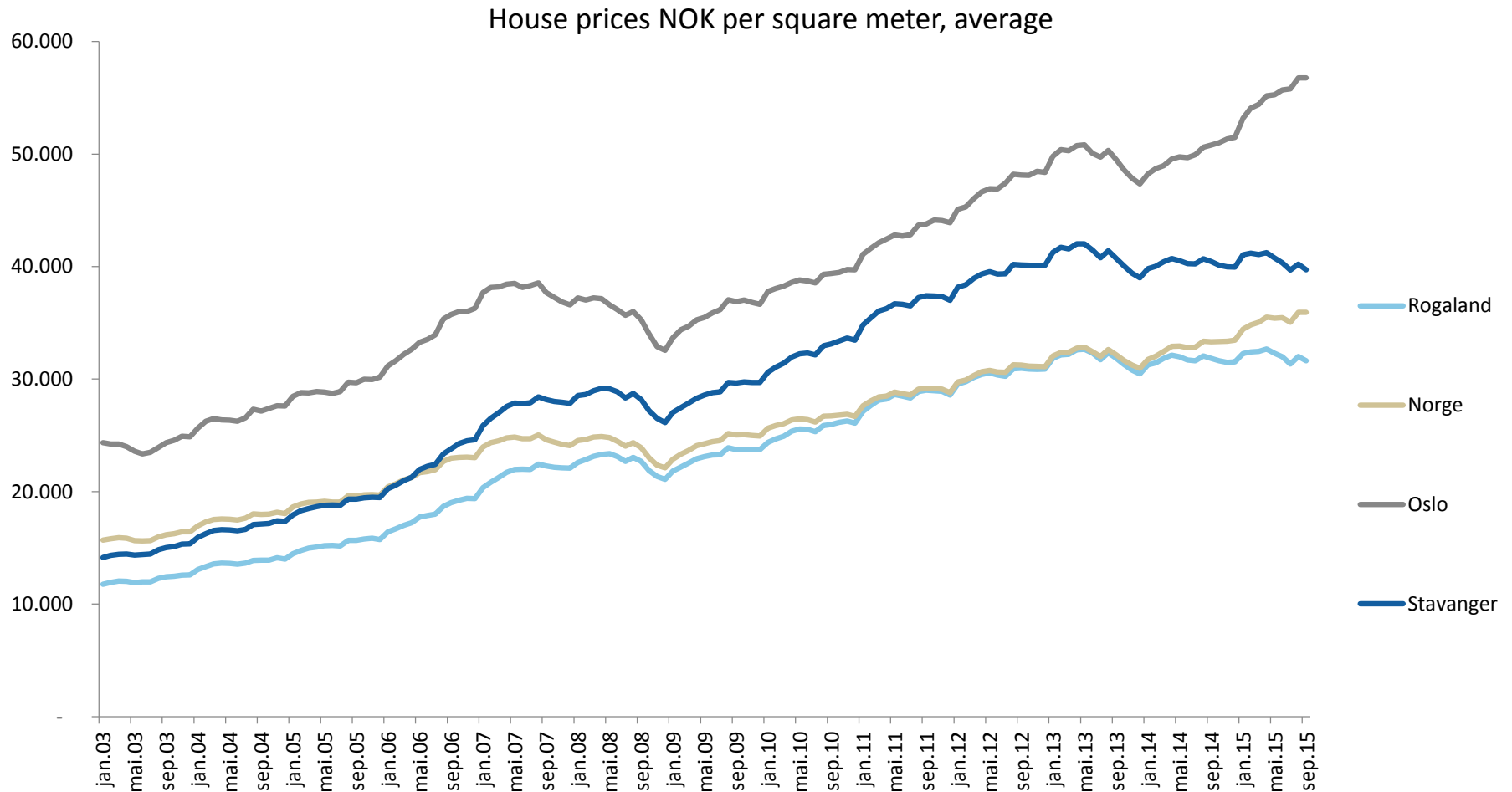
# Unemployment has increased, but remains moderate

## Rogaland somewhat above the national average



Source: NAV

# House prices in Rogaland flattened last 2 years

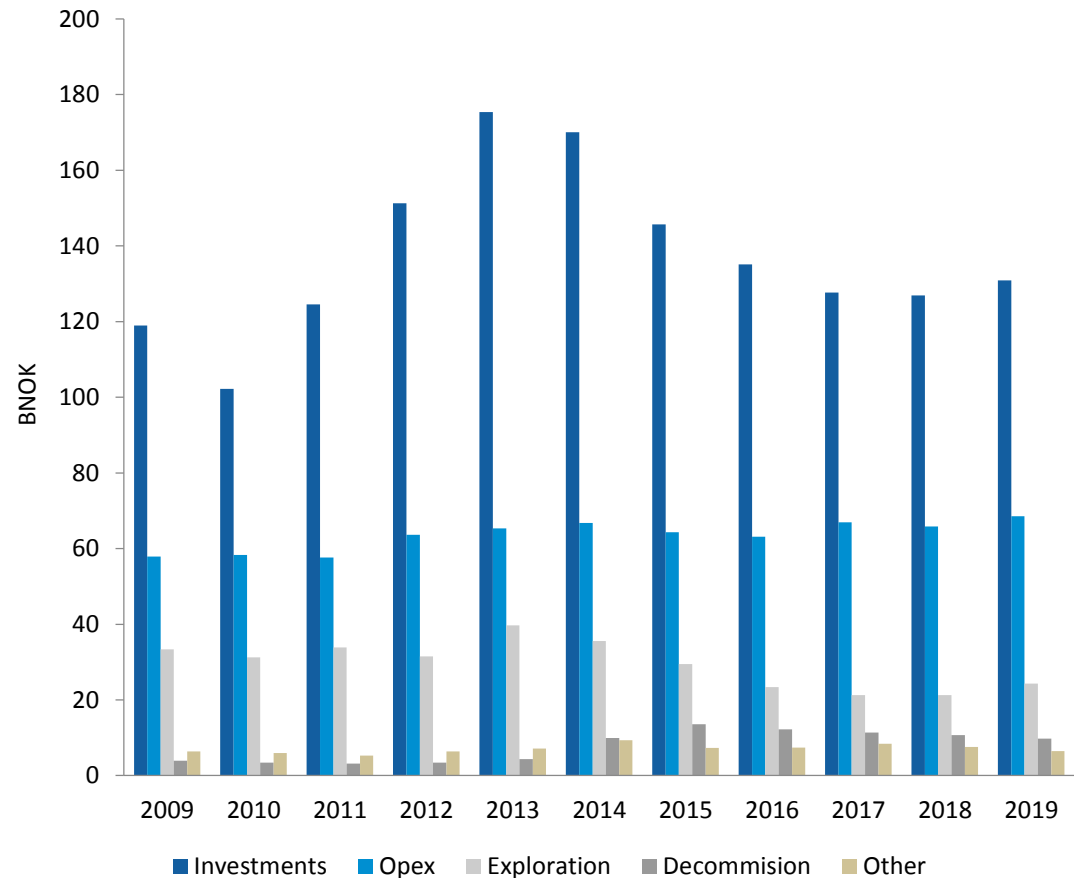


Source: Finn.no, Eiendom Norge and Eiendomsverdi

# Reduced petroleum activity in 2015

## Lower investments, whereas operating expenditures are more stable

- *Investments levelled out in 2014 following several years of growth. Investments expected to be reduced by 12% - 15% in 2015.*
- *Operating expenditures (opex), which are important for the region, are usually more stable. In 2015 it has been fluctuating. Going forward opex is expected to remain steady for the next few years.*



Source: Norwegian Petroleum Directorate

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

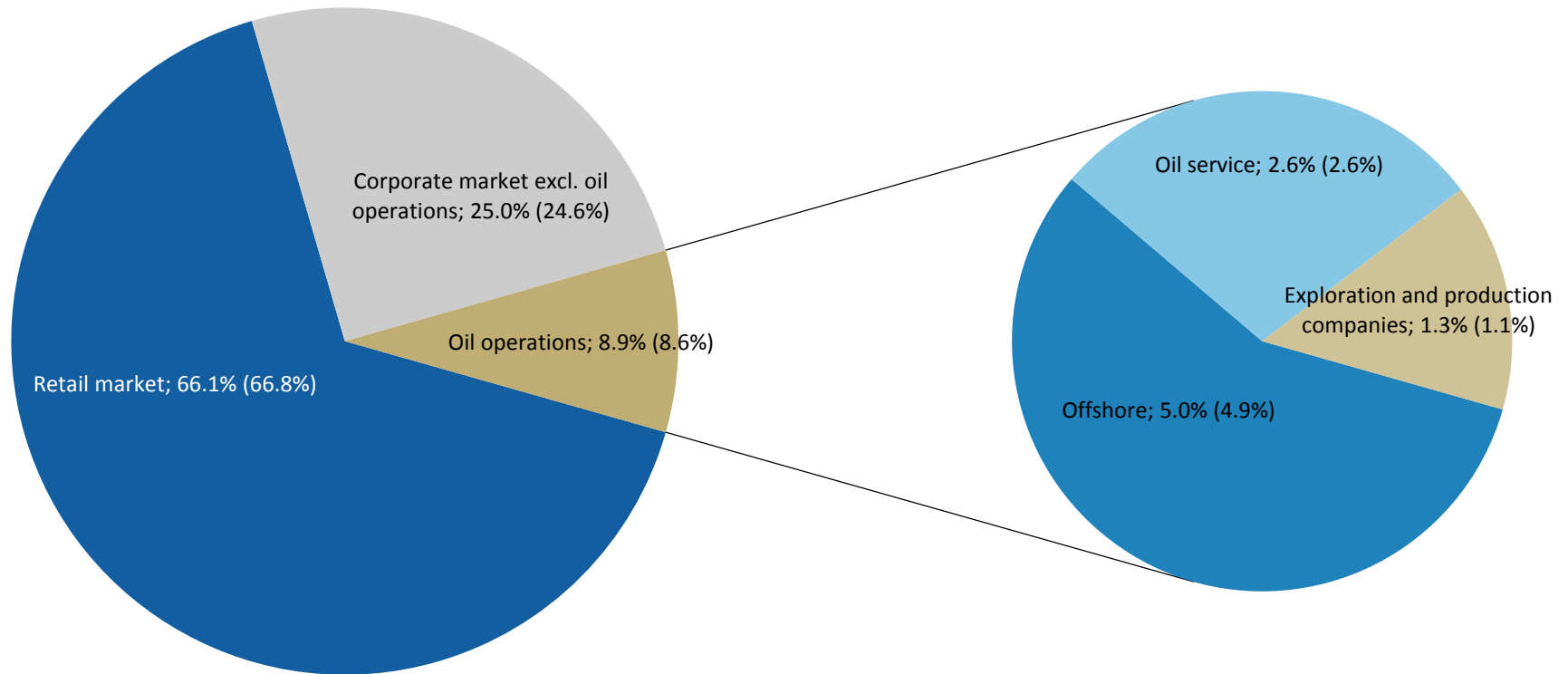
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- The core purpose of the banking industry is to create value by assuming deliberate and acceptable risk
  - SpareBank 1 SR-Bank therefore invests significant resources in developing risk management systems, processes and expertise that are in line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

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

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

BNOK 18.3 (17.6) EAD is related to oil operations



EAD: Exposure at default

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

\* Include portfolio in covered bond company.



# Oil services - total NOK 5.3 billion

(NOK 5.2 billion as at 31.12.2014)

## Exploration and concept studies

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

## Field development and start-up drilling

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

## Operational fields and operational drilling

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

## On shore facilities

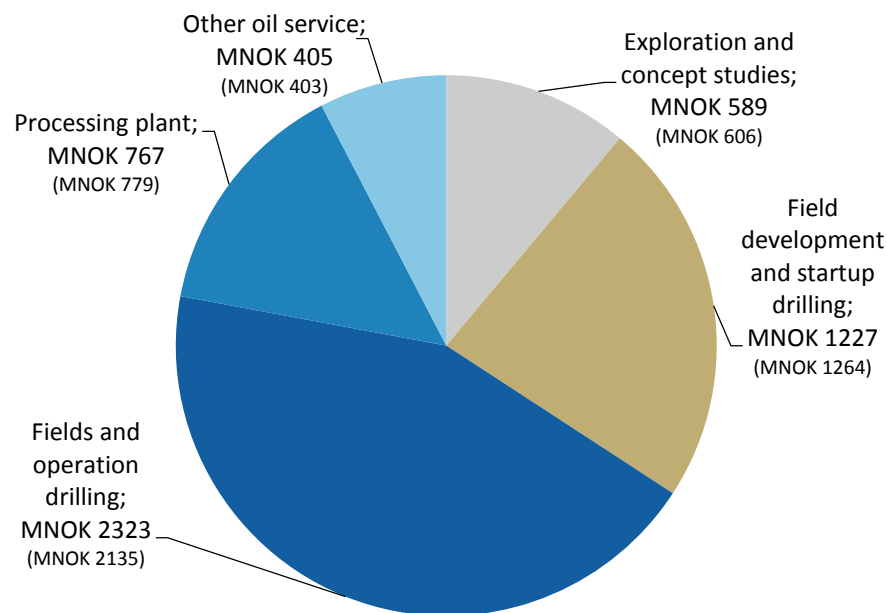
- EAD NOK 0.8 billion
- Average weighted probability of default 1.7%

## Other oil services

- EAD NOK 0.4 billion

## Oil services

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



EAD: Exposure at default

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

# Oil and gas - total NOK 2.6 billion

(NOK 2.2 billion as at 31.12.2014)

## Exploration financing

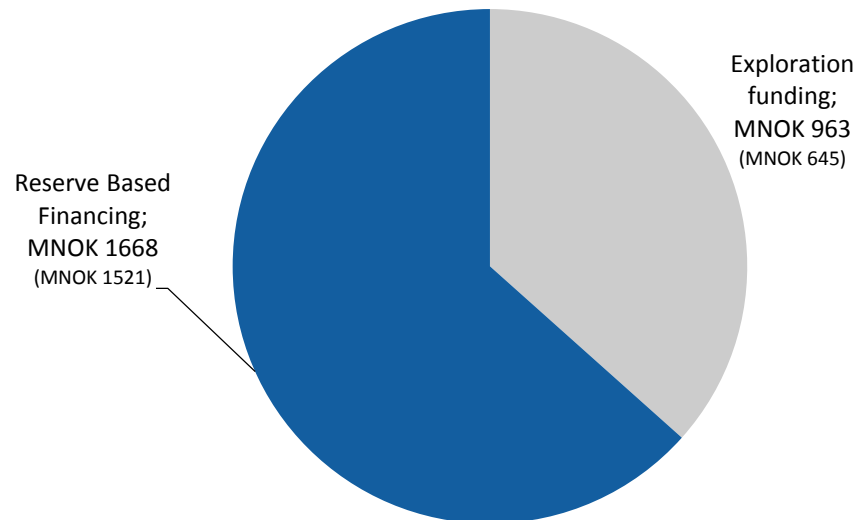
- EAD NOK 963 million
- Average weighted probability of default 3.6%
- Secured by a tax refund from the Norwegian State. No direct oil price risk

## Reserve based lending (RBL)

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

## Exploration and production companies

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



EAD: Exposure at default

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

# Offshore - total NOK 10.4 billion

(NOK 9.9 billion as at 31.12.2014)

## Offshore Service Vessels

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

## Rigs

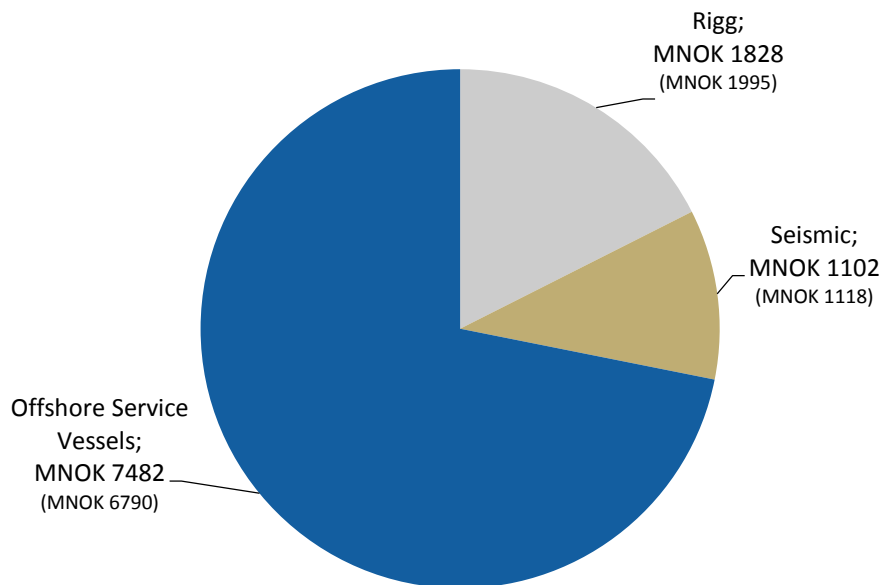
- EAD NOK 1.8 billion, average weighted probability of default is 2.0%, weighted average age is 11.3 years, average weighted contract coverage for 2015 and 2016 of 88% and 72% respectively

## Seismology

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

## Offshore

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



EAD: Exposure at default

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

# Offshore Service Vessels

## PSV

- EAD NOK 2.8 billion, weighted average age is 4.6 years

## AHTS

- EAD NOK 0.6 billion, weighted average age is 7.2 years

## Subsea

- EAD NOK 2.6 billion, weighted average age is 6.8 years

## Standby/area contingency

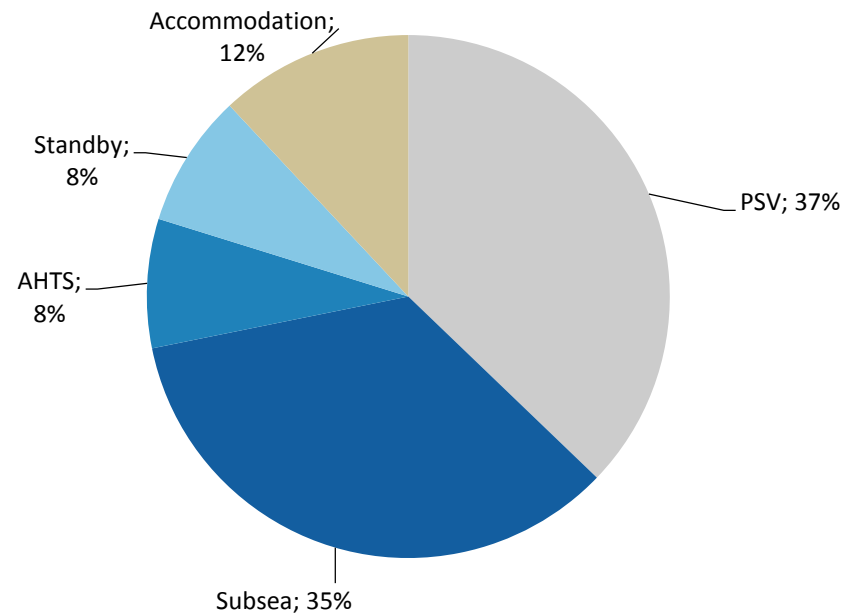
- EAD NOK 0.6 billion, weighted average age is 4.2 years

## Accommodation

- EAD NOK 0.9 billion, weighted average age is 12.4 years

## Offshore Service Vessels

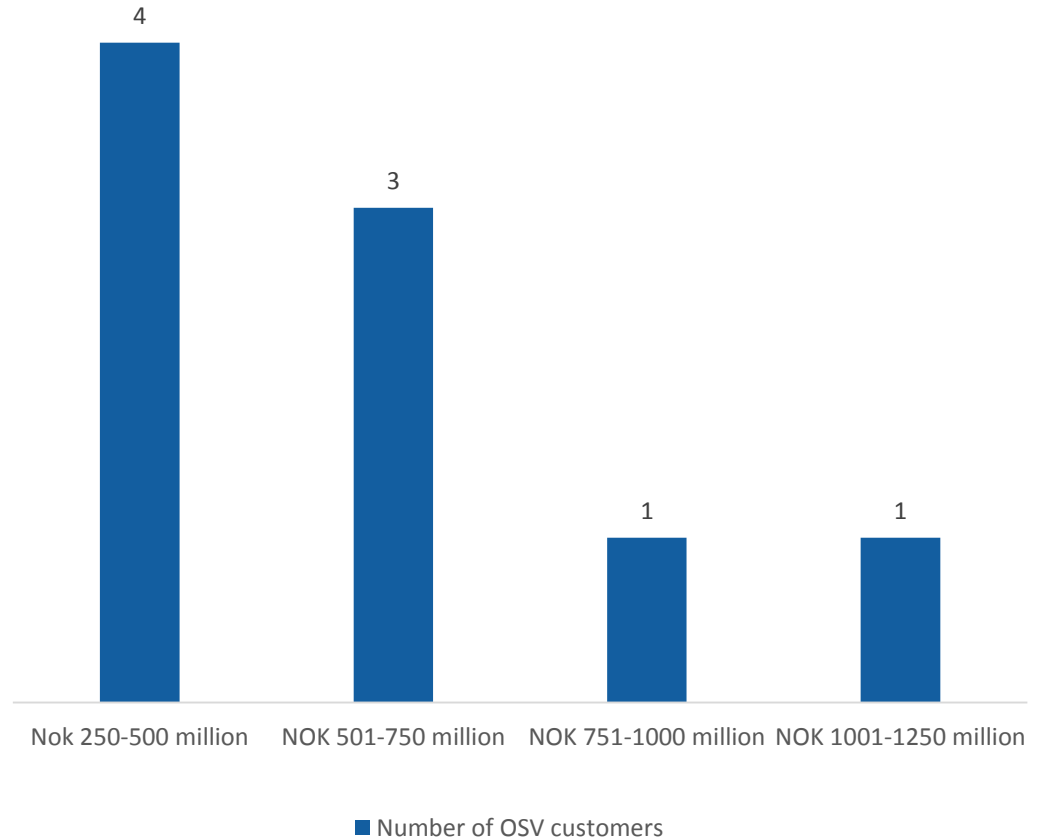
- Most customers with long history as a borrower in SpareBank 1 SR-Bank
- Most of the companies are listed on stock exchange or family owned
- A major part is industrially focused companies, only a small number of financially oriented owners



Figures as at 30.09.2015  
Latest available LTV (market value) is assumed.

# Offshore Service Vessels – largest customer group

- *SpareBank 1 SR-Bank has 9 single loan exposures within offshore service vessels where EAD is above NOK 250 million.*
- *Only 2 are above NOK 750 million.*



# Results from stress test

## Estimate of cash flow for servicing interest and installment

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- **Assumptions**
  - Based on known income statement and balance sheet figures
  - Rates and utilization from known contracts or;
  - Utilization 60% - 70% for spot contracts
  - Rate levels similar to 3. quarter 2015
- **Results of stress test**
  - The majority of customers will service their loans beyond 10 quarters
  - 8 loans of lower amount may get liquidity challenges within 4 - 8 quarters, but LTV is 50% or lower
  - 2 loans may get liquidity concerns about 2 - 4 quarters; EAD approximately NOK 580 million and LTV is about 80%

# Lending to commercial property

## Letting of real estate - oil operations

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

## Letting of real estate - other

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

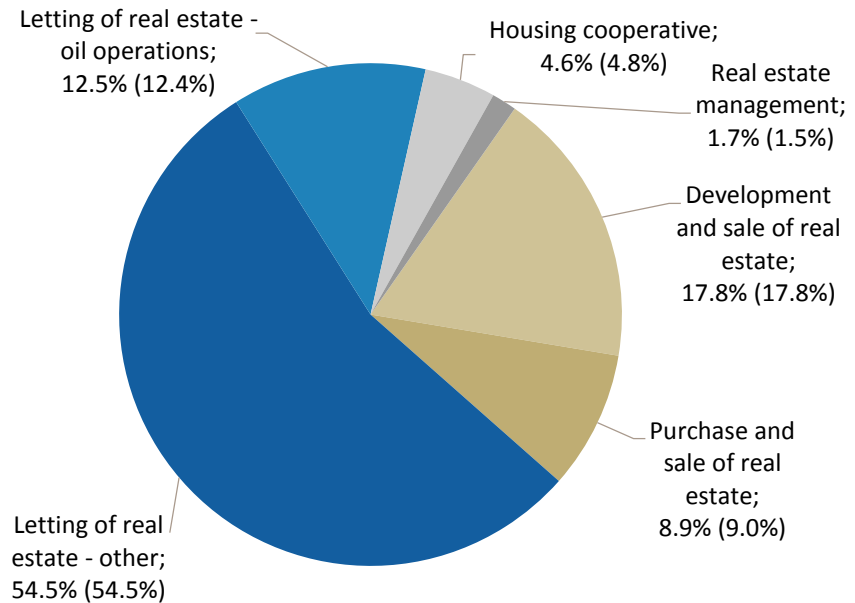
Sector allocation in accordance with the standard categories from Statistics Norway.

EAD: Exposure at default

Figures as at 30.06.2015. Figures in parentheses as at 31.12.2014.

## Lending to commercial property

- EAD NOK 28.4 billion 15.6% of the bank's total EAD
- The portfolio is characterised by lending to commercial properties for leasing with long-term contracts and financially solid tenants. The vacancy rate is limited. Interest rates for a significant portion of this portfolio have been hedged.



# SRBANK's activities



## Divisions of SpareBank 1 SR-Bank ASA

### Capital Markets

Number of man-years : 33

### Retail Market

Number of man-years : 462

### Corporate Market

Number of man-years : 168

### Administration & Support

Number of man-years : 207

## Fully owned companies



Number of man-years : 204

Key areas:

- Leading real estate broker



Number of man-years : 14

Key areas:

- Asset management



Number of man-years : 33

Key areas:

- Leasing



Number of man-years : 28

Key areas:

- Accounting
- Advisory



Number of man-years : 1

Key areas:

- Covered Bond Funding

## Partly owned companies

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

Holding company for the SpareBank 1 - Alliance

**BN Bank ASA**  
(23.5 %)

Commercial bank located in Oslo and Trondheim

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

Covered bond company (mortgages)

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

Covered bond company (commercial real estate)

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

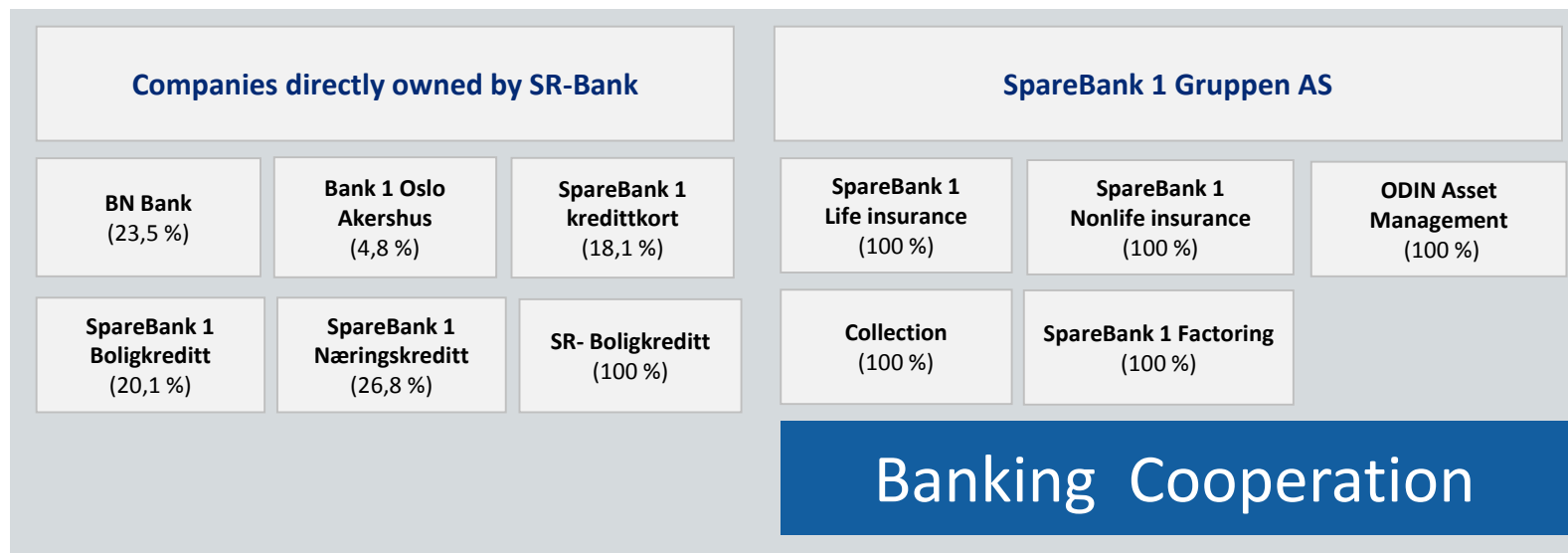
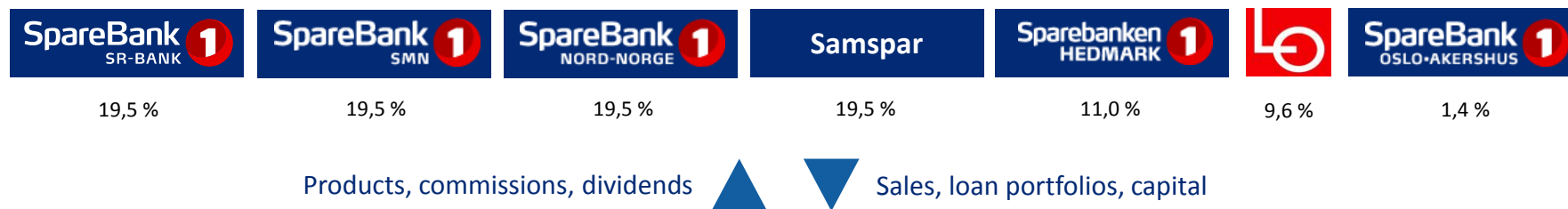
Credit card company located in Trondheim



# SpareBank 1 Alliance

## Owners of the alliance

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



# Our vision: Recommended by customers

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## Primary objective

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

## Financial targets

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

## Strategic goals

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

## Strategic focus

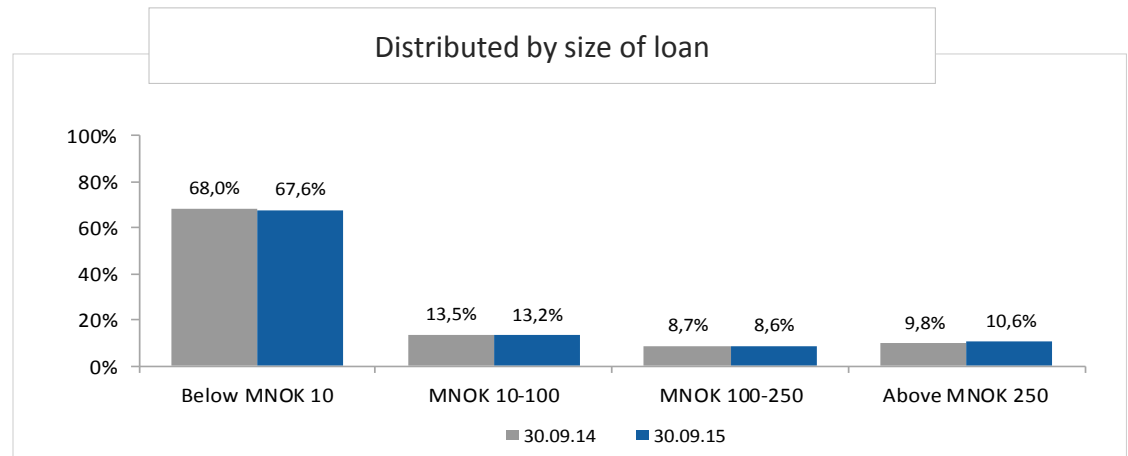
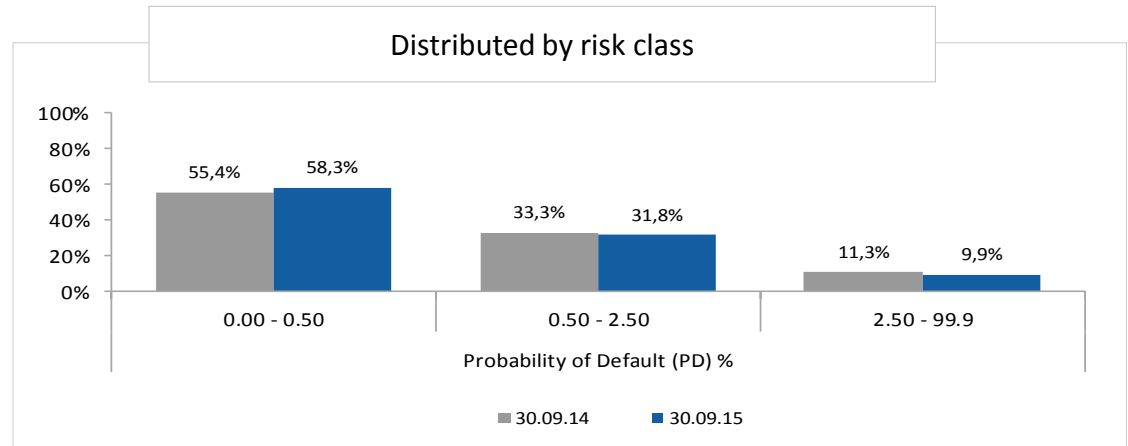
- Targeted customer growth and increased product mix
- Innovative and continuing focus on efficiency
- Expertise adapted to future customer needs
- Diversified funding platform

# Balance sheet

<i>Balance sheet (MNOK)</i>	30.09.2015	30.09.2014
Cash and balances with central banks	2.923	336
Balances with credit institutions	2.843	2.216
<b>Net loans to customers</b>	<b>151.078</b>	<b>136.685</b>
Certificates, bonds and other fixed-income securities	20.484	16.802
Financial derivatives	7.099	4.023
Shares, ownership stakes and other securities	516	623
Business available for sale	136	65
Investment in associates	4.839	4.601
Other	1.582	2.959
<b>Total assets</b>	<b>191.500</b>	<b>168.310</b>
Balances with credit institutions	6.129	5.493
Deposits from customers	88.980	81.228
Listed debt securities	70.444	56.009
Financial derivatives	3.224	3.146
Other liabilities	3.346	3.195
Additional Tier 1 and Tier 2 capital instruments	3.006	4.109
<b>Total liabilities</b>	<b>175.129</b>	<b>153.180</b>
<b>Total equity</b>	<b>16.371</b>	<b>15.130</b>
<b>Total liabilities and equity</b>	<b>191.500</b>	<b>168.310</b>

# Risk profile of the loan portfolio

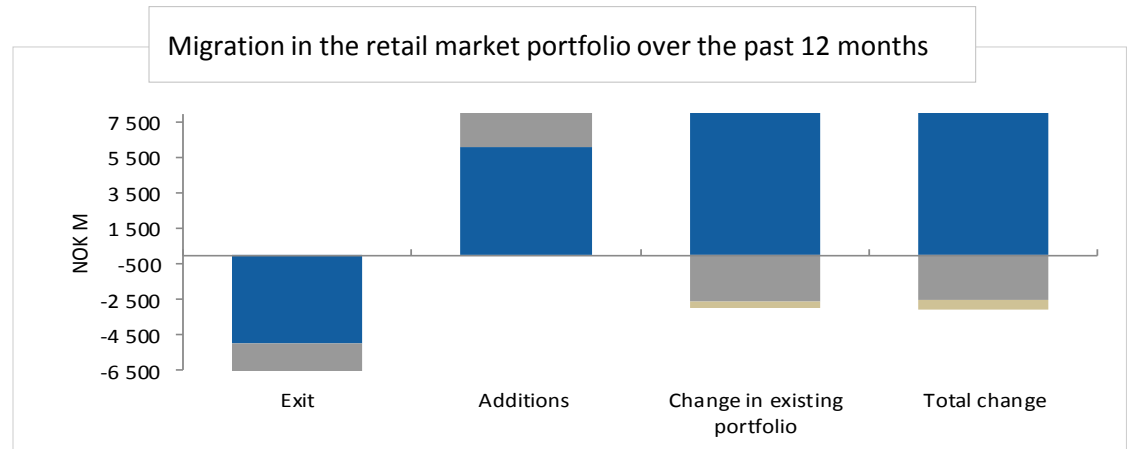
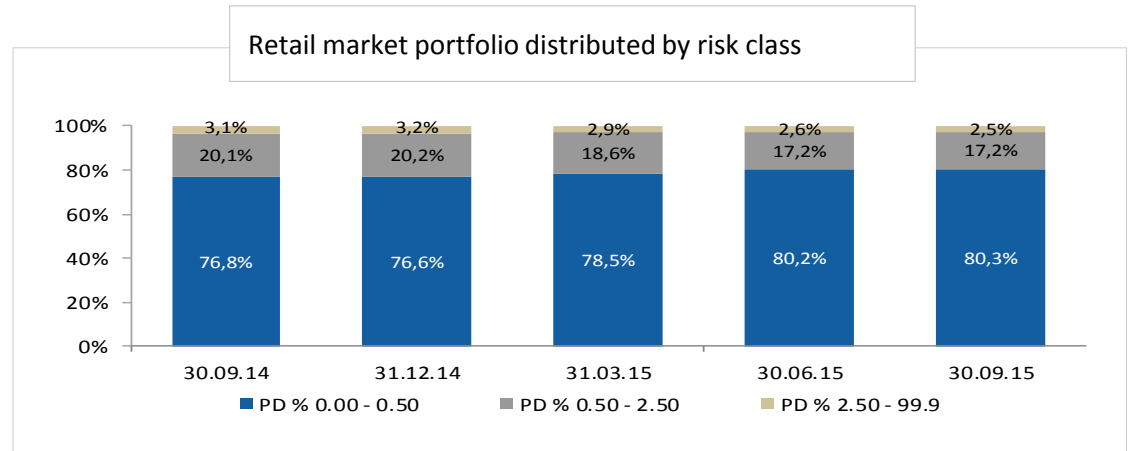
- SpareBank 1 SR-Bank has a stable and low risk portfolio.
- More than half of the bank's loan exposure has a PD\* below 0.5%.
- Single loan exposures less than NOK 10 million aggregates 68% of total loan portfolio.
- Single loan exposures above NOK 250 million aggregates 10.6% of total loan portfolio. The increase is partly driven by increased balances on currency loans due to weakened NOK FX rates. A minor part of the increase is driven by customer acquisition, and is considered to improve the portfolio's risk profile.



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

# Risk profile – Lending to the retail market

- *The quality of the retail market portfolio is considered to be good and has low potential losses.*
- *The proportion of loans with a PD\* below 0.5% has increased to 80.3% of the total retail portfolio.*
- *The low risk profile is achieved through prudent customer selection and requirements for moderate LTV.*
- *Most of the portfolio is secured against a mortgage on real estate, and lending is overall moderate compared to asset value.*

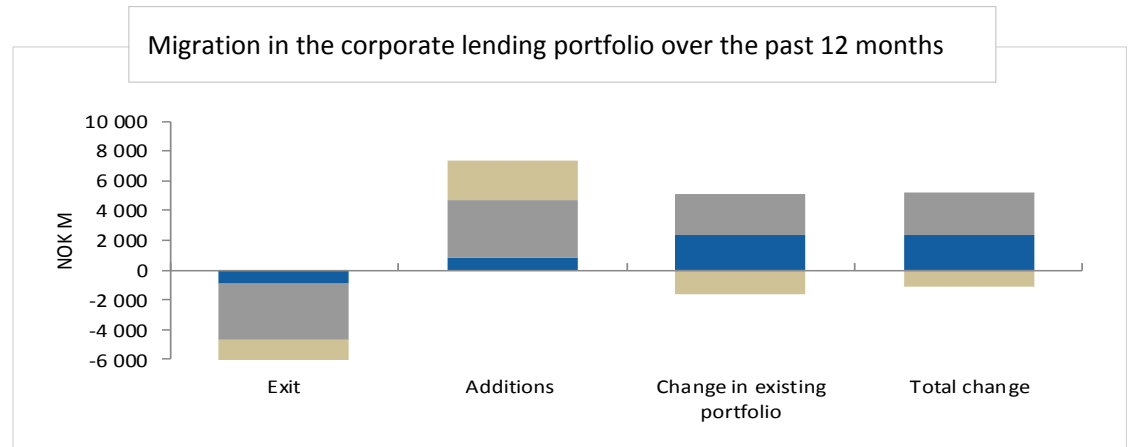
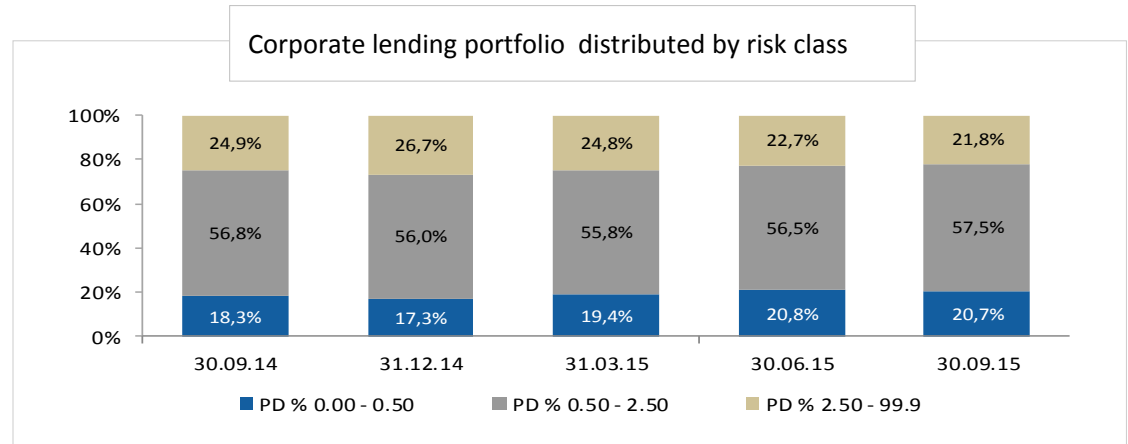


\*Probability of default (PD) through a full cycle of loss.

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

# Risk profile - Corporate lending

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



# A strengthened framework to meet increased economic uncertainty

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Uncertainty regarding the outlook for the Norwegian economy has increased due to lower oil prices.

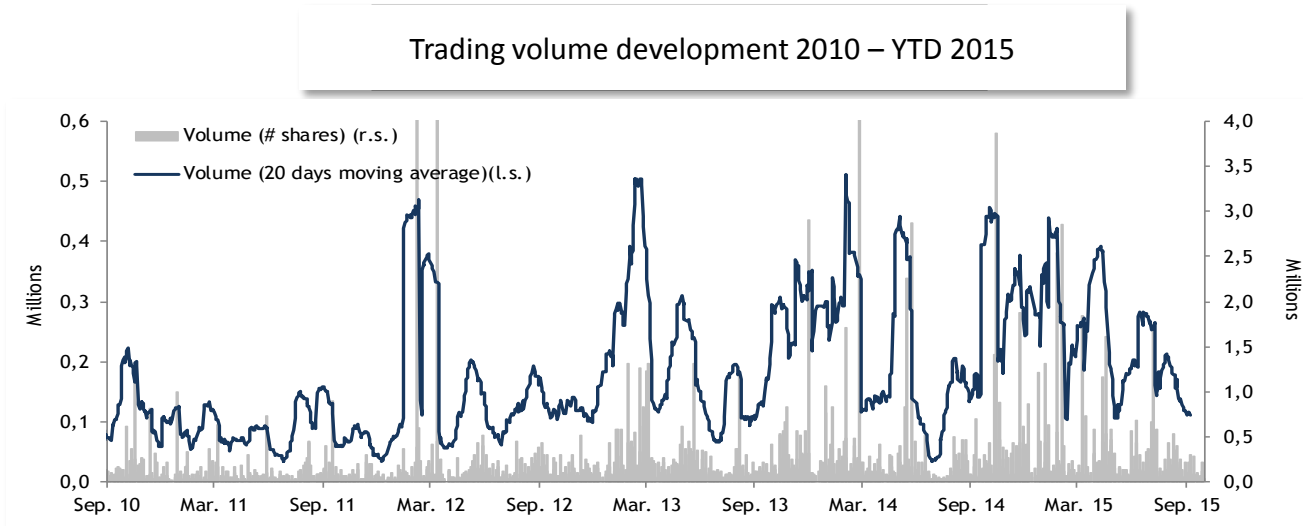
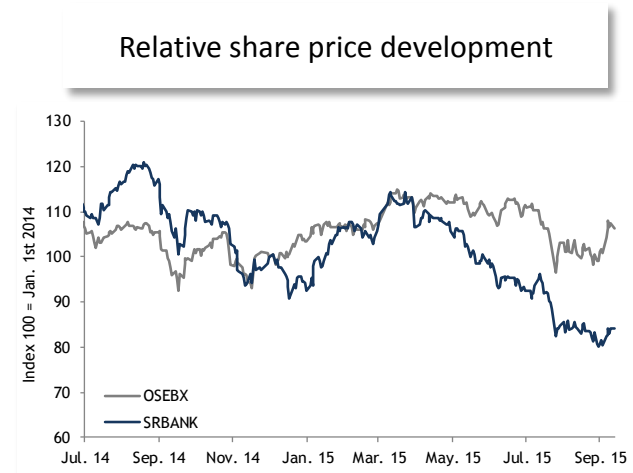
SpareBank 1 SR-Bank faces this uncertainty with a solid portfolio, a solid framework for lending and continuous focus on managing and controlling risk:

- Concentration risk in the corporate portfolio has been significantly reduced in recent years as a result of strict underwriting guidelines and active portfolio management.
- Guidelines for home equity loans have been further tightened.
- Enhanced risk models for estimating EAD and LGD were developed as part of AIRB approach for Corporates.
- The bank has also developed and adopted a new model for stress testing credit risk that enables instant simulation of the vulnerability of the credit portfolio.
- More accurate PD models for commercial real estate for lease and development projects were adopted in 2013. The models provide detailed information on the commercial real estate portfolio and thereby increases the understanding of its related risks.

In total, the effect in terms of good management and control of both new customers and existing portfolio.

# SRBANK

- *International ownership is 18.3% per 3. quarter 2015.*
- *Total market value at 3. quarter 2015 is NOK 10,8 billion.*





# 20 largest shareholders as at September 2015

- *International ownership is 18.3% per 3. quarter 2015.*

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
Gjensidige Forsikring ASA		26.808.416	10,5%
State Street Bank and Trust Co, U.S.A.	Nominee	10.030.921	3,9%
Vpf Nordea Norge Verdi		6.591.460	2,6%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Wimoh Invest AS		5.761.169	2,3%
Odin Norge		5.020.471	2,0%
Pareto Aksje Norge		4.155.668	1,6%
MSCO Equity Firm Account, U.S.A.		3.361.463	1,3%
State Street Bank and Trust Co, U.S.A.	Nominee	2.930.133	1,1%
Danske Invest Norske Instit. II		2.833.671	1,1%
Clipper AS		2.565.000	1,0%
The Bank of New York Mellon, U.S.A.	Nominee	2.292.034	0,9%
State Street Bank and Trust Co, U.S.A.	Nominee	2.274.212	0,9%
State Street Bank and Trust Co, U.S.A.	Nominee	1.887.223	0,7%
Danske Invest Norske Aksjer Inst.		1.674.894	0,7%
Vpf Nordea Kapital		1.653.050	0,6%
Vpf Nordea Avkastning		1.630.410	0,6%
Westco		1.577.534	0,6%
The Northern Trust Co, U.K.	Nominee	1.571.525	0,6%
<hr/>			
Top 5		122.076.685	47,7%
Top 10		143.305.589	56,0%
Top 20		163.265.142	63,8%

# SRBANK as at September 2015

- *Ownership interests:*
  - *From Rogaland, Agder-counties and Hordaland: 49.4%*
  - *International: 18.3%*
  - *10 largest: 56.0%*
  - *20 largest: 63.8%*
- *Number of shareholders: 10 083 (10 621)*
- *Employees owning: 1,8%*
- *Trading volume in Q232015: 5.1% (3.0%)*

	<b>30.09.15</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Share price	42,40	52,50	60,25	37,20	40,70
Stock value (MNOK)	10.844	13.427	15.409	9.514	5.182
Book value per share, NOK (group)	64,02	60,28	55,00	49,48	48,75
Earnings per share	5,10	8,20	7,28	5,33	5,42
Dividend per share	n.a.	2,00	1,60	1,50	1,50
P/E	6,24	6,40	8,28	6,99	7,51
P/BV (group)	0,66	0,87	1,10	0,75	0,83

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