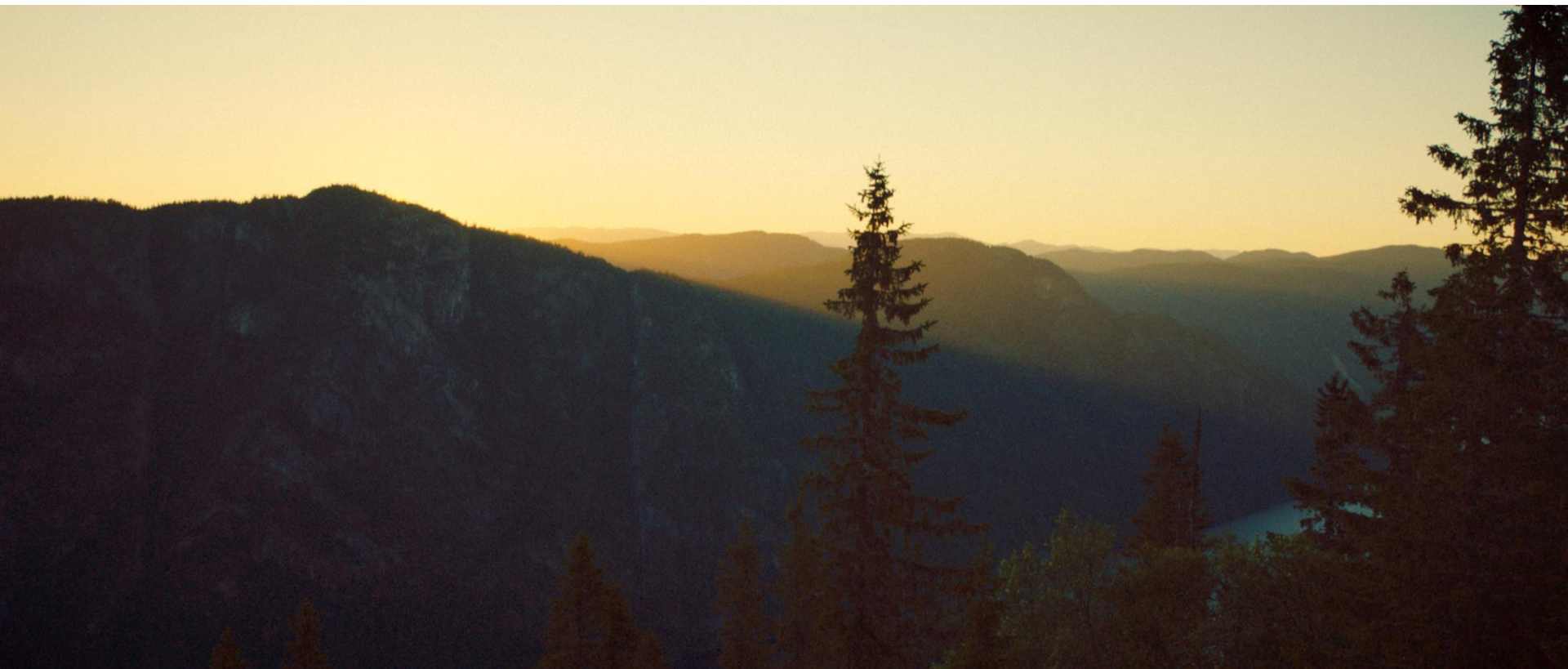


Sparebanken Sør



Investor presentation

April 2018

CEO Geir Bergskaug



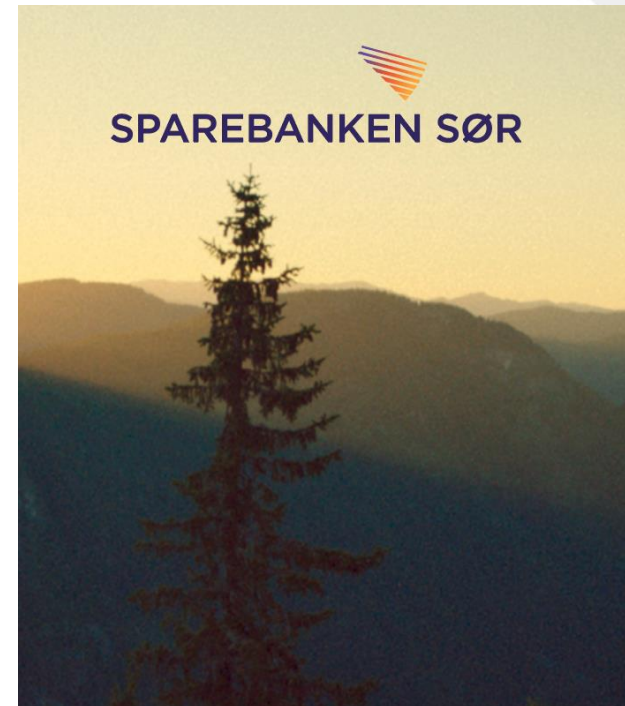
SPAREBANKEN SØR

Executive summary

Sparebanken Sør	<ul style="list-style-type: none">• The sixth largest savings bank in Norway with a strong market position in Southern Norway• High capitalization; Core Tier 1 ratio of 14.9 %, and leverage ratio of 9.2% at 31 December 2017• Rated A1 (negative outlook) by Moody's• Strong asset quality – 65 % of loan book to retail customers• Very low direct exposure to oil and oil service industry• Positive development in net interest income in 2017• Interest margin trend – Flat development in the corporate market while increasing in the retail market• Loan growth of 7.2 percent during 2017• Deposit growth of 7.8 percent during 2017
Norwegian economy	<ul style="list-style-type: none">• Economic growth in Norway has picked up and unemployment is falling• Oil investment is set to increase again after the sharp drop that followed the oil price collapse, and a weak NOK and strong growth abroad support exports. An improving labour market supports private consumption. Mainland business investments are also on the rise• Only drag to growth is housing investment which will drop from a high level• Still large surplus on the current account and government budgets despite the drop in oil price
Southern region economy	<ul style="list-style-type: none">• The Southern region is clearly less exposed to oil production than Western Norway• Registered unemployment in the Southern region remains below 4 % and has decreased at a higher pace than the national average• House price development over the past years has been more moderate than average in Norway

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Sparebanken Sør – A leading financial institution in Southern Norway



- RM
- CM/RM*
- Consulting office
- By appointment



Established in 1824,
525 employees



175 000 retail
customers



Financial group with
banking, securities and
real estate brokerage



23 000 corporate
customers



Publicly traded and
community-owned



Over NOK 114 bn in
total assets

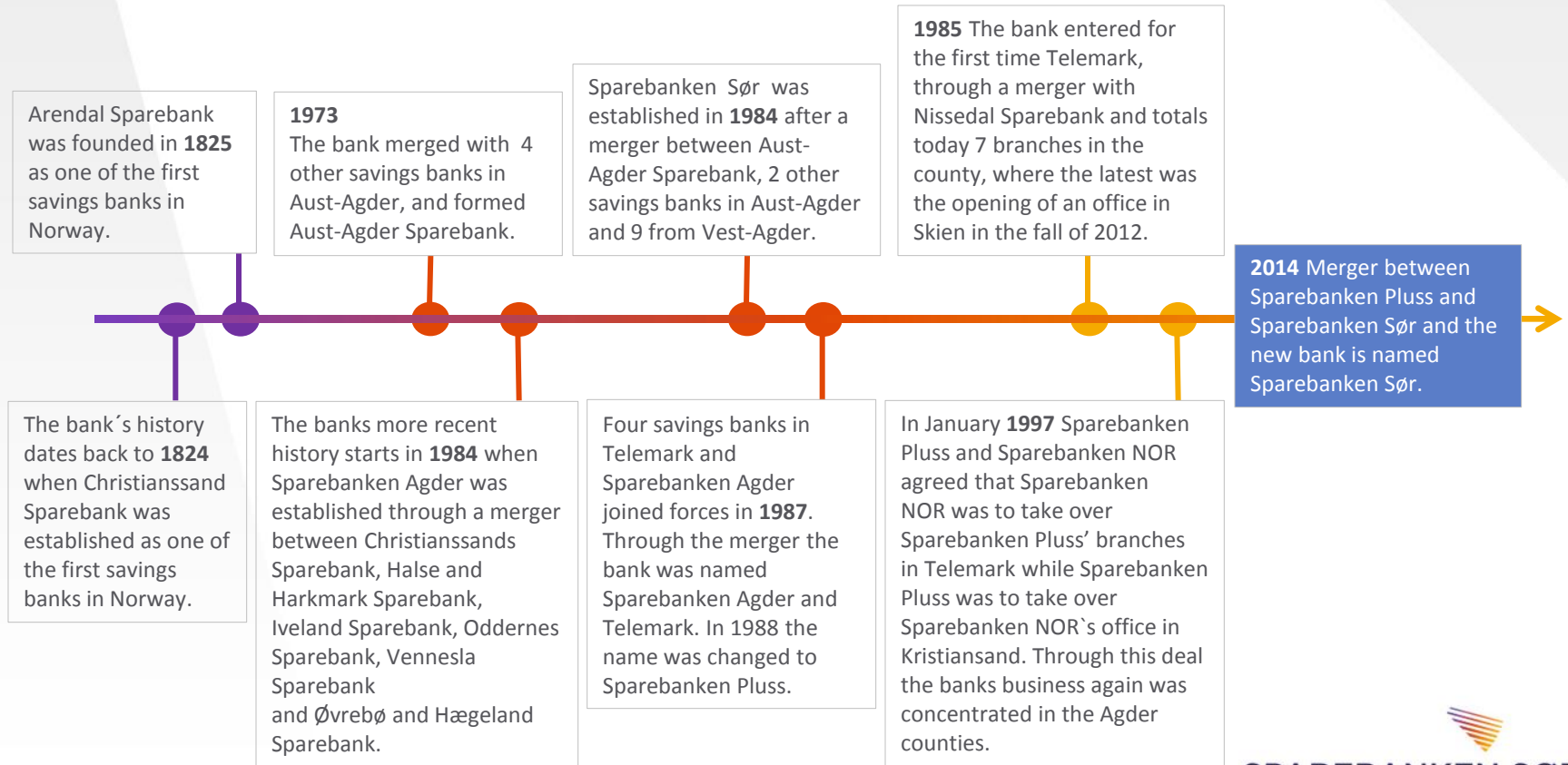
A market with 470 000 inhabitants. No other bank covers this area as widely as Sparebanken Sør. The bank has approximately 175 000 retail customers and 23 000 corporate customers.

In the first quarter of 2017, Sparebanken Sør opened a new office at Bryne in Rogaland. This opens up a market with approx. 60 000 people.

*CM = Corporate Market, RM = Retail Market

Historical milestones

190 years of development and renewal



Sparebanken Sør

Business

Sparebanken Sør is an independent financial group with activities within banking, securities and real estate

Balance

The sixth largest Norwegian bank with total assets above NOK 114 billion

Employees

432 employees in branch offices across the counties of Aust-Agder, Vest-Agder, Telemark and Rogaland

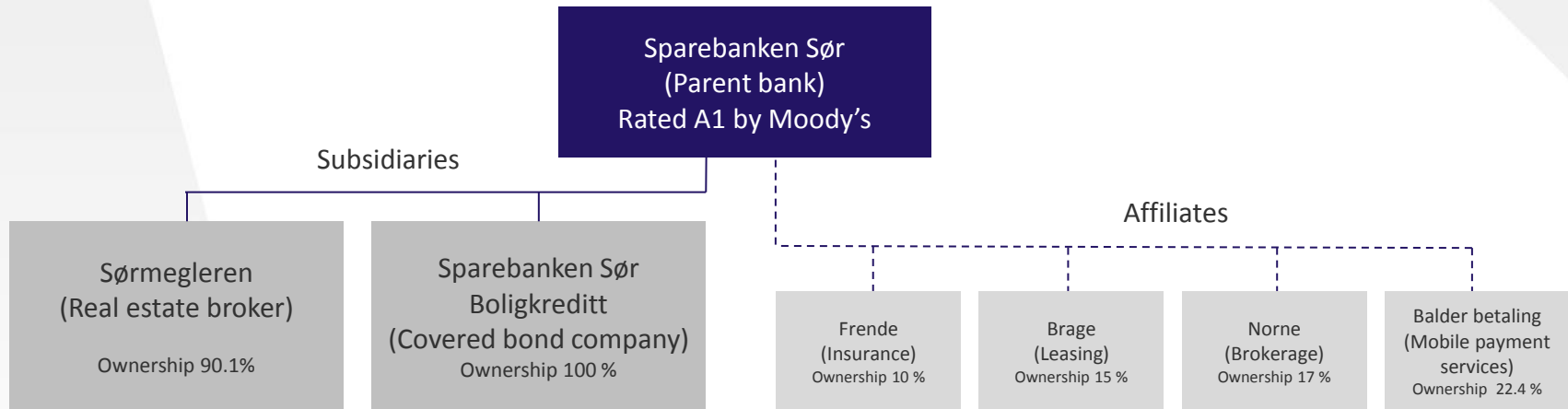
Products and services

General banking services and products, supplemented by real-estate brokerage, life- and non-life insurance, stock brokerage and leasing through wholly and partially owned subsidiaries and companies

Summary

As one of the largest regional banks, Sparebanken Sør is committed to further growth and development in the region

Company structure



A complete provider of financial services

Considerable product range – still potential for increased product sales

Subsidiaries



SPAREBANKEN SØR BOLIGKREDITT AS

- Sparebanken Sør Boligkreditt is a **wholly owned** subsidiary of Sparebanken Sør
- The subsidiary is licensed as a financial enterprise with the right to issue covered bonds, in which investors receive preferential coverage in home mortgages granted by the bank (covered bonds)
- Through the issuance of covered bonds, the Sparebanken Sør Group can offer mortgages with competitive terms to its customers



SØRMEGLEREN

- Sparebanken Sør is a **90.1%-owner** in Sørmeqleren Holding AS, which is the parent company of the real estate agency Sørmeqleren AS
- Sørmeqleren is represented with a total of 14 offices, with its headquarters in Kristiansand
- Conveys about 2.200 homes a year, and is the regions largest real estate agency

Business partners



FrendeForsikring

- Sparebanken Sør entered in 2008 as a **10%-owner** in Frende Holding and is one of 15 independent savings banks with holdings
- Frende has 175 000 customers and offers insurance, both life and general, to corporate and retail customers



BRAGE FINANS

- Brage Finans is a financing company owned by 12 independent savings banks, and Sparebanken Sør is a **15%-owner**
- The distribution of the company's products is handled through the ownerbanks through its own sales organization



- Sparebanken Sør is a **17% co-owner** in Norne Sec. and is one of 14 independent savings banks with holdings
- Norne is a full service investment firm with corporate finance – services, analysis, and stock and bond brokerage



- Together with 14 other savings banks within the Frende collaboration group, Sparebanken Sør has entered Vipps, through the newly established company, Balder Betaling AS
- Sparebanken Sør is a **22.4%-owner** of Balder Betaling AS, which is a 12%-owner of Vipps AS

Suppliers

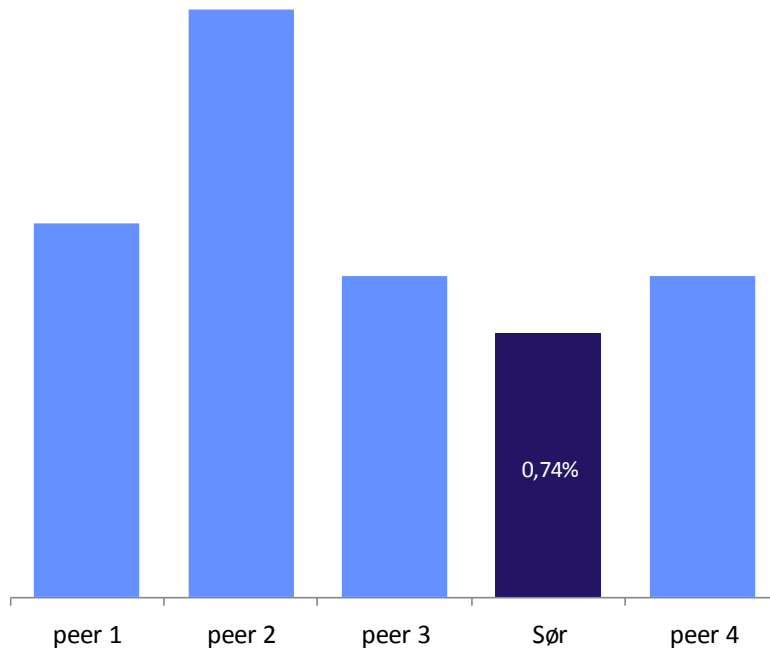


HolbergFondene



Three strategic pillars

One of the most cost effective financial institutions¹⁾

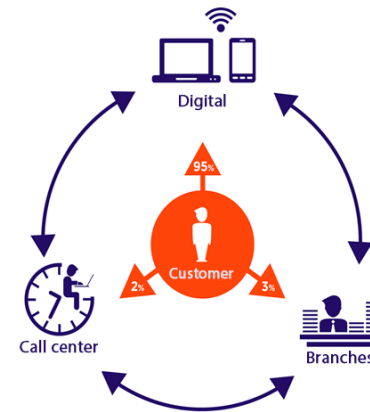


1) Costs as a percentage of total assets, Q4 2017, Norwegian regional savings banks

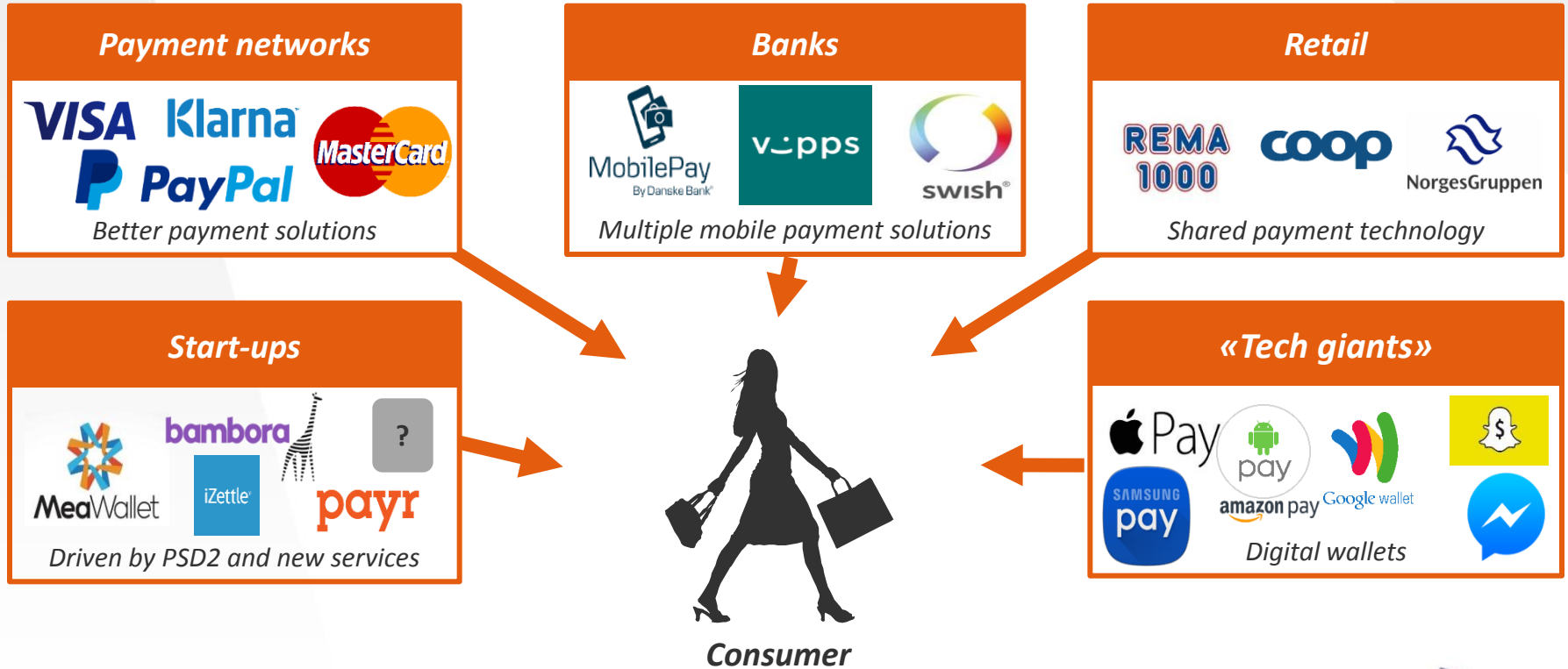
Strong customer relations

The bank is customer relation oriented, known for fast decisions based on local knowledge through closeness to customers and market

Optimal channel interaction and digitalization



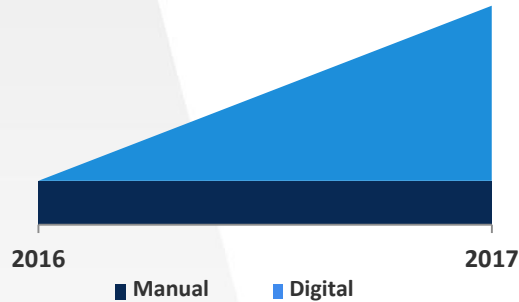
Payment services – The new frontier



Strategic moves

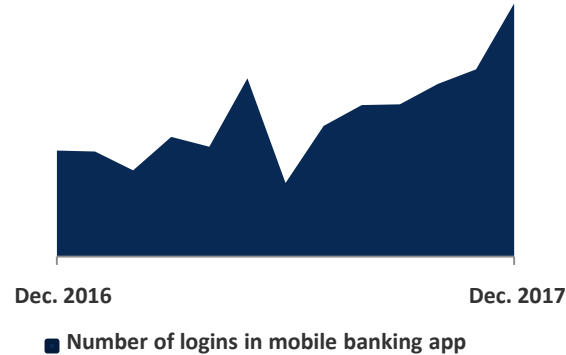
Changes in distribution structure

80 percent increase in sales of BSU after launch of new digital solutions



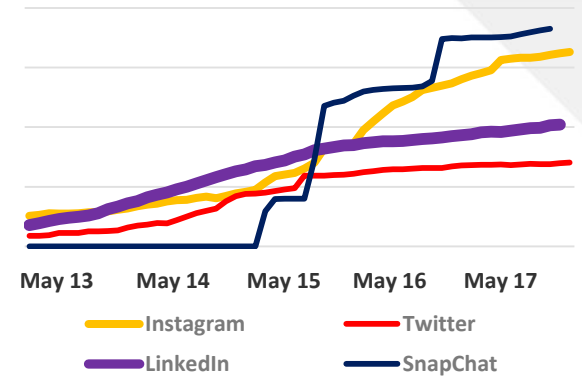
Better tools for consumers

Improvements in mobile banking

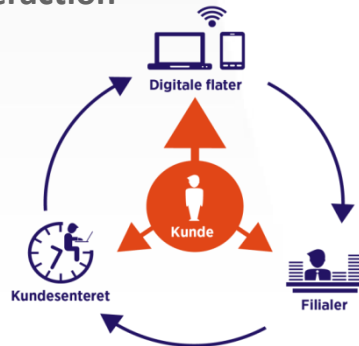


Building relations through multiple channels

Large following from customers in social media



CRM - a valuable tool for channel interaction



Aquiring expertise in new fields



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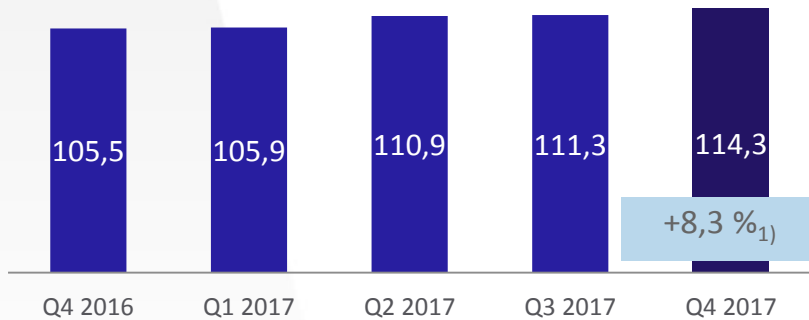
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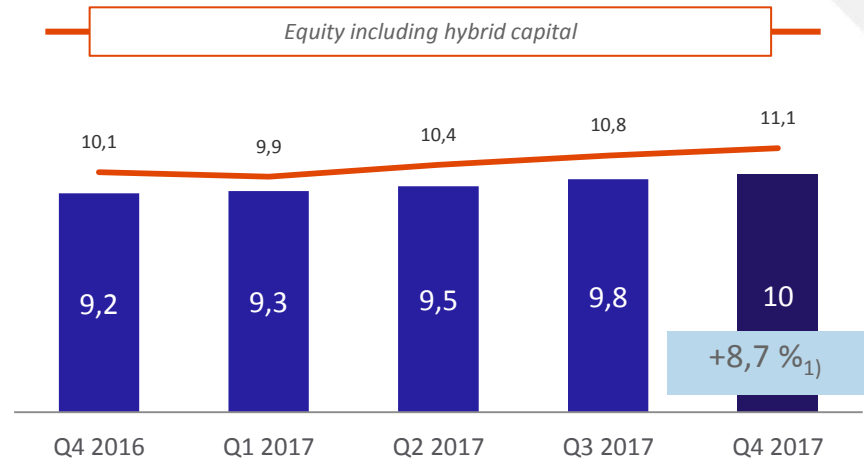
Balance sheet items – Quarterly development

NOK billion

Total assets



Equity

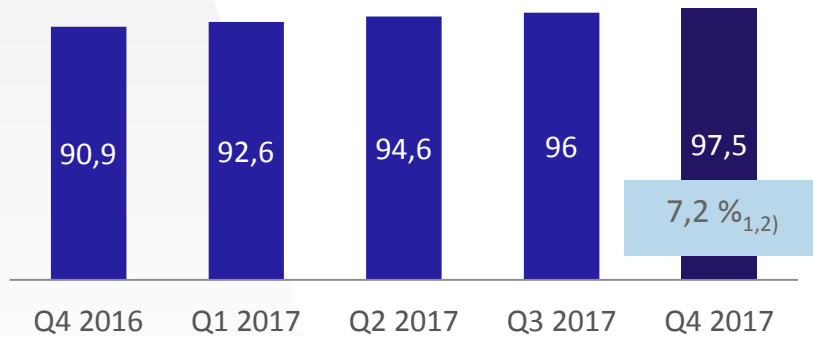


1) Changes from the same accounting period in 2016

Balance sheet items – Quarterly development

NOK billion

Loans



Deposits



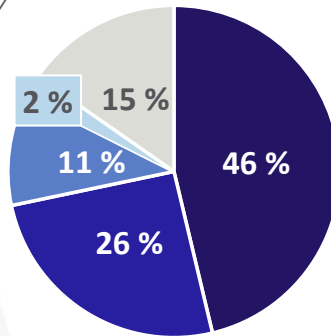
- 1) Changes from the same accounting period in 2016
- 2) Loan growth in 2017 amounted to NOK 6.6 billion, equivalent to 7.2 percent, of which retail customers accounted for 6.7 percent and corporate customers 8.1 percent

A well diversified loan portfolio

High RM share and geographical diversification contribute to a balanced portfolio

Geographical distribution of loans

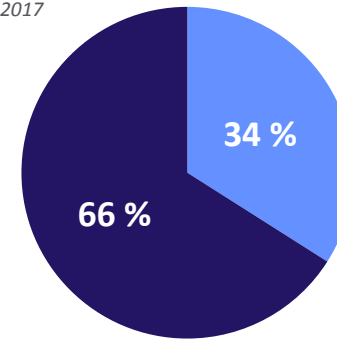
Gross loans, year end 2017



■ Vest-Agder ■ Aust-Agder ■ Telemark ■ Rogaland ■ Others

Distribution Retail (RM) / Corporate Market (CM)

Gross loans, year end 2017



■ CM ■ RM

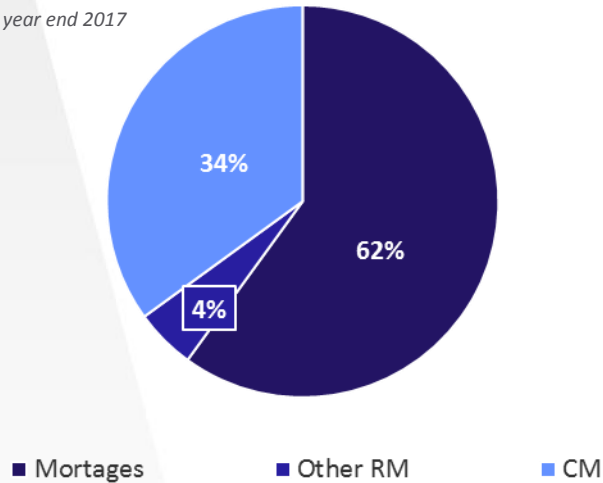
- # 1 position in Vest-Agder and Aust-Agder, # 3 position in Telemark. Positive development in Rogaland.
- Close and long term cooperation with major firms/organizations in the region. The KNIF* segment amounts to NOK 8.1 billion in loans to customers and NOK 4.6 billion in customer deposits. KNIF corporates constitute the biggest share with NOK 4.9 billion in loans and NOK 4 billion in deposits
- Loans to customers are concentrated in the banks market area
- High RM share is risk reducing.

Note(*): KNIF = Kristen-Norges interessefellesskap (Norwegian Christian interest organization) -> Consists of more than 70 national organizations

Sparebanken Sør – Mortgages

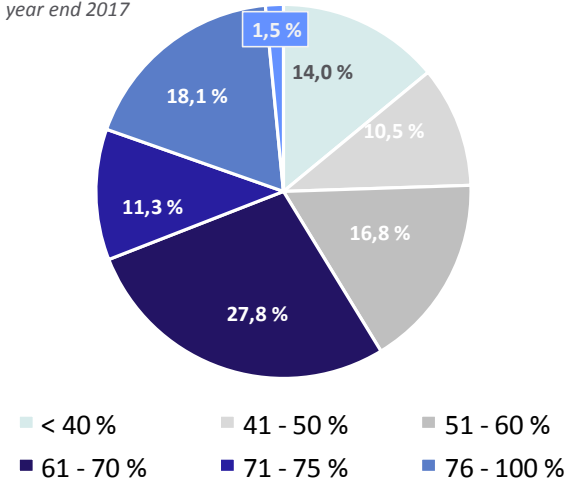
The loan portfolio in Sparebanken Sør

Gross loans, year end 2017



Loan to Value (Group)

Mortgages, year end 2017



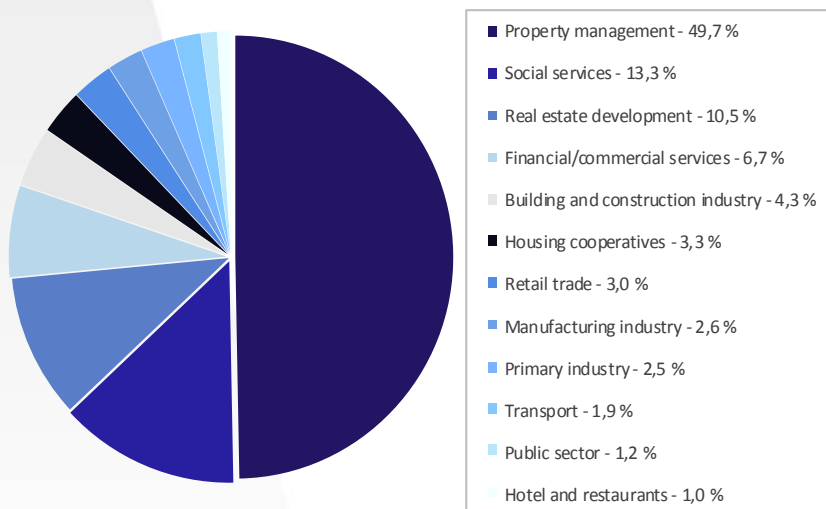
- Mortgages constitute a large part of the RM portfolio
- Loans with LTV (Loan to Value) below 75 percent constitute 80.4 percent

The LTV distribution is based on a distribution, of which the whole commitment is rated as the last part of the commitment.

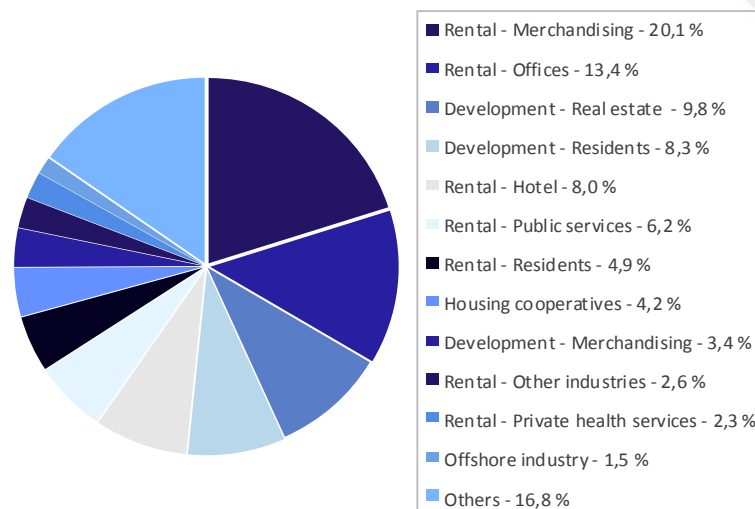
As a consequence the actual LTV-distribution will be lower than what is displayed in the table.

A well diversified loan portfolio

Distribution Corporate Market (CM):



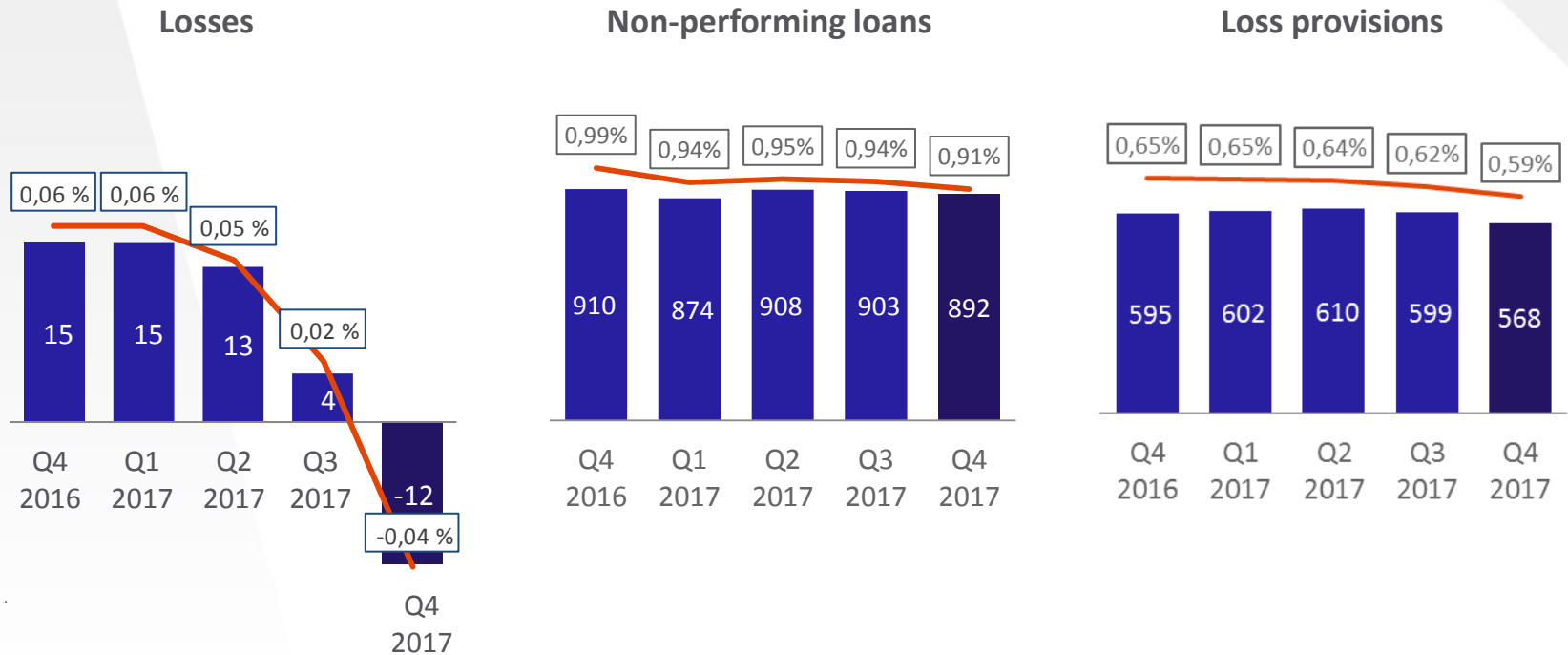
Tenant distribution₁₎:



The CM loan portfolio reflects the business activity in the region with two major exceptions: Sparebanken Sør has a very low direct exposure to the oil industry (incl. oil service) and shipping industry.

1) *Property management, real estate development, housing cooperatives* and *building and construction* (Loan commitment > NOK 10 million). Q3 2017, yearly update. Loan commitments (> NOK 10 million) for the respective industry groups amounted to NOK 17.7 billion.

Losses and non-performing loans – Quarterly development



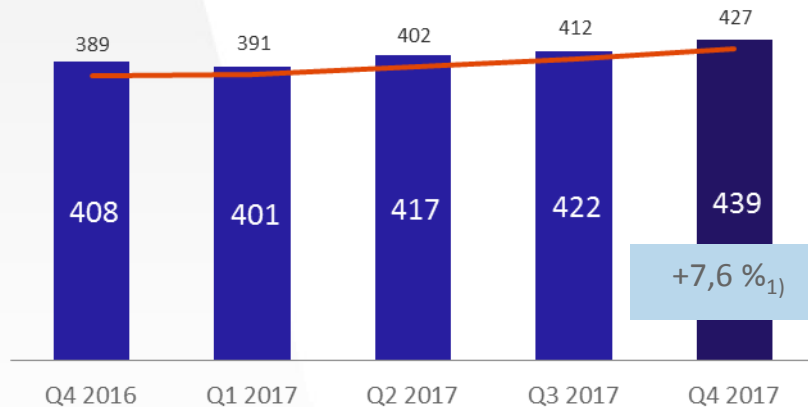
All graphs in NOK million and as a percentage of gross loans

Profit and loss – Quarterly development

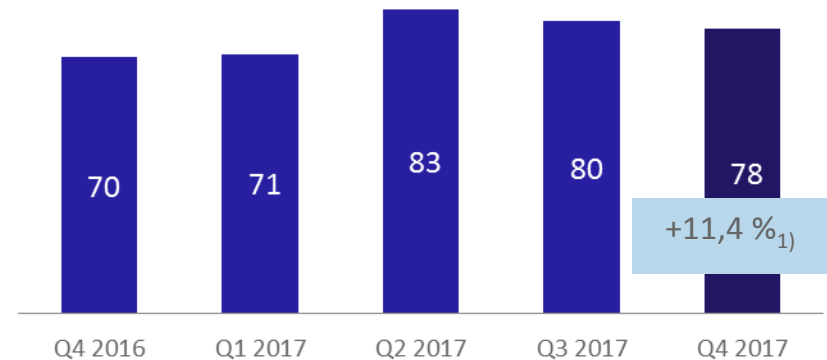
NOK million

Net interest income

Net interest income, adjusted for the fee to the Norwegian Banks' Guarantee Fund and interest on hybrid capital



Net commission income

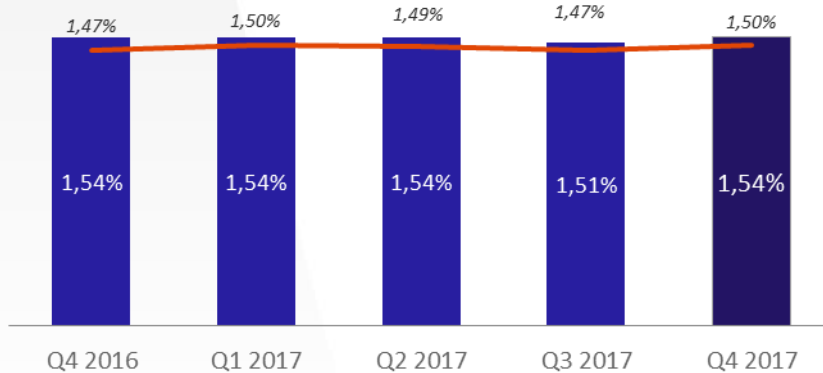


1) Changes from the same period in 2016.

Profit and loss – Quarterly development

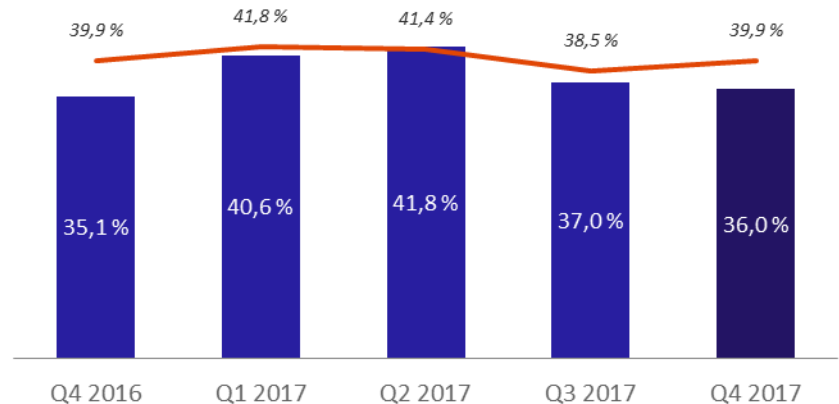
Net interest income to total assets

Net interest income to total assets, adjusted for the fee to the Norwegian Banks' Guarantee Fund



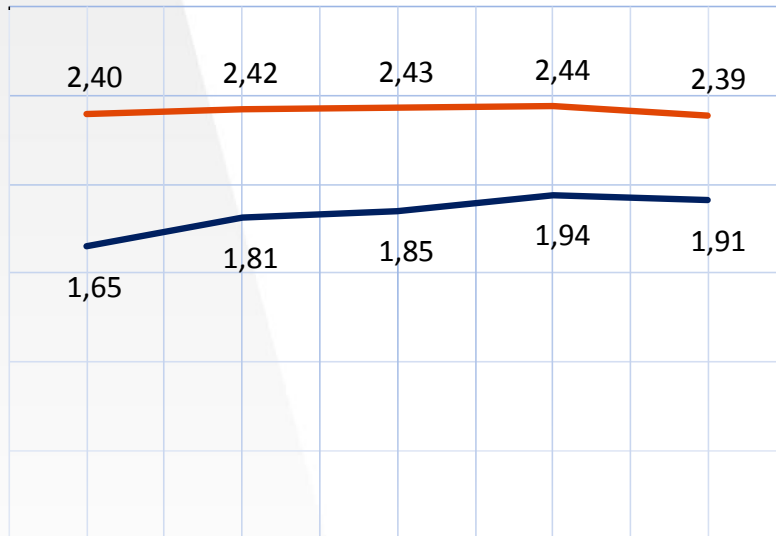
Cost Income Ratio

Cost income ratio excl. financial instruments



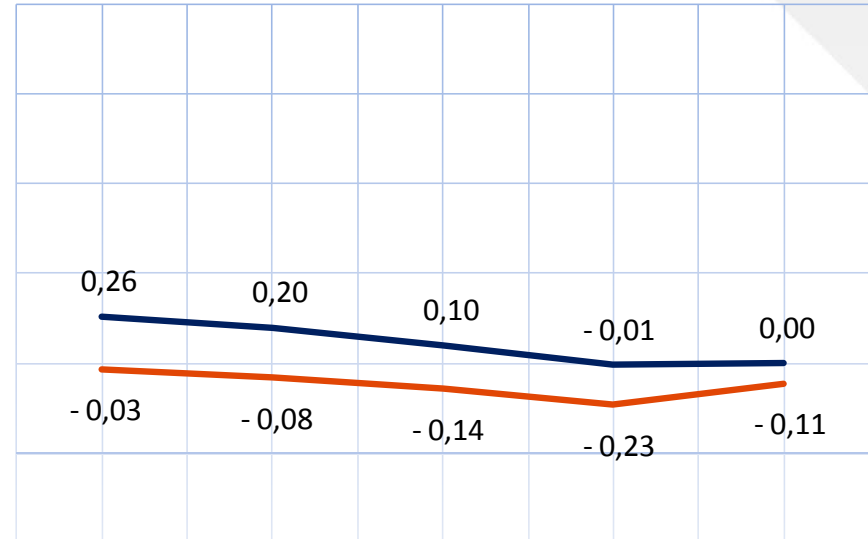
Interest margin - Quarterly development

Loans (%)



Q4 2016 Q1 2017 Q2 2017 Q3 2017 Q4 2017
 — Retail market (RM) — Corporate market (CM)

Deposits (%)



Q4 2016 Q1 2017 Q2 2017 Q3 2017 Q4 2017
 — Retail market (RM) — Corporate market (CM)

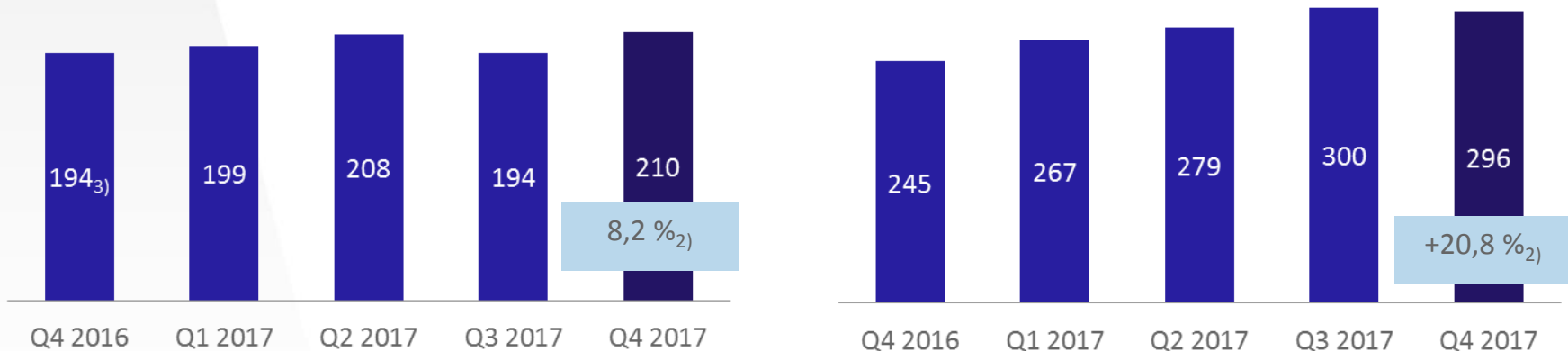
Loans: Average interest rates minus 3 month weighted average of 3 month NIBOR.
 Deposits: 3 month weighted average of 3 month NIBOR minus average interest rates.
 All numbers in % per annum.

Profit and loss - Quarterly development

NOK million

Operating expenses

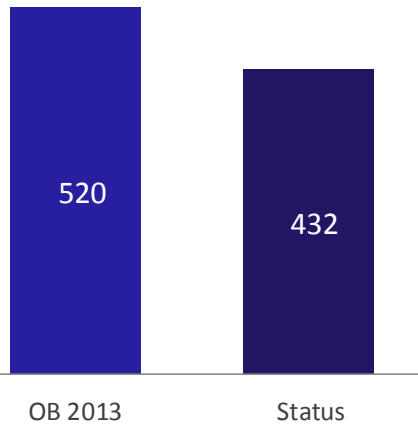
Profit from ordinary operations¹⁾



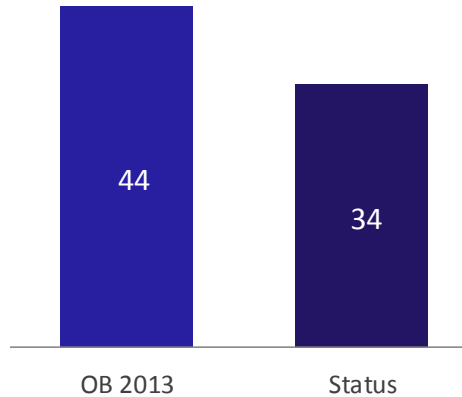
- 1) Net interest income, adjusted for accounting changes + Net commission income + Other operating income – Operating costs, adjusted for the conversion of the pension scheme
- 2) Changes from the same accounting period in 2016
- 3) Q4 2017 numbers are extraordinarily low because of the net accounting effect of NOK 28 million after the conversion of the pension scheme

Restructuring and cost focus

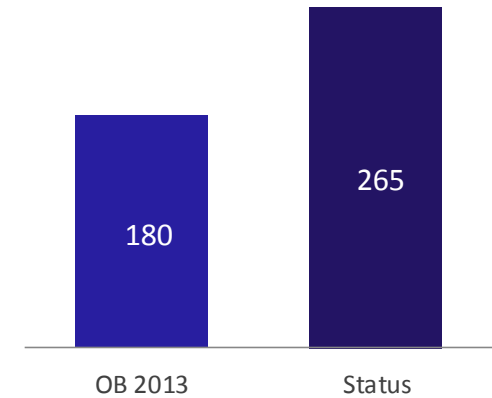
Number of employees



Number of offices



Total assets in NOK million per employee



Considerable potential has been realized – further efficiency improvements will take place as part of ongoing operations.
The Group opened a new office in Bryne on 27 April 2017.

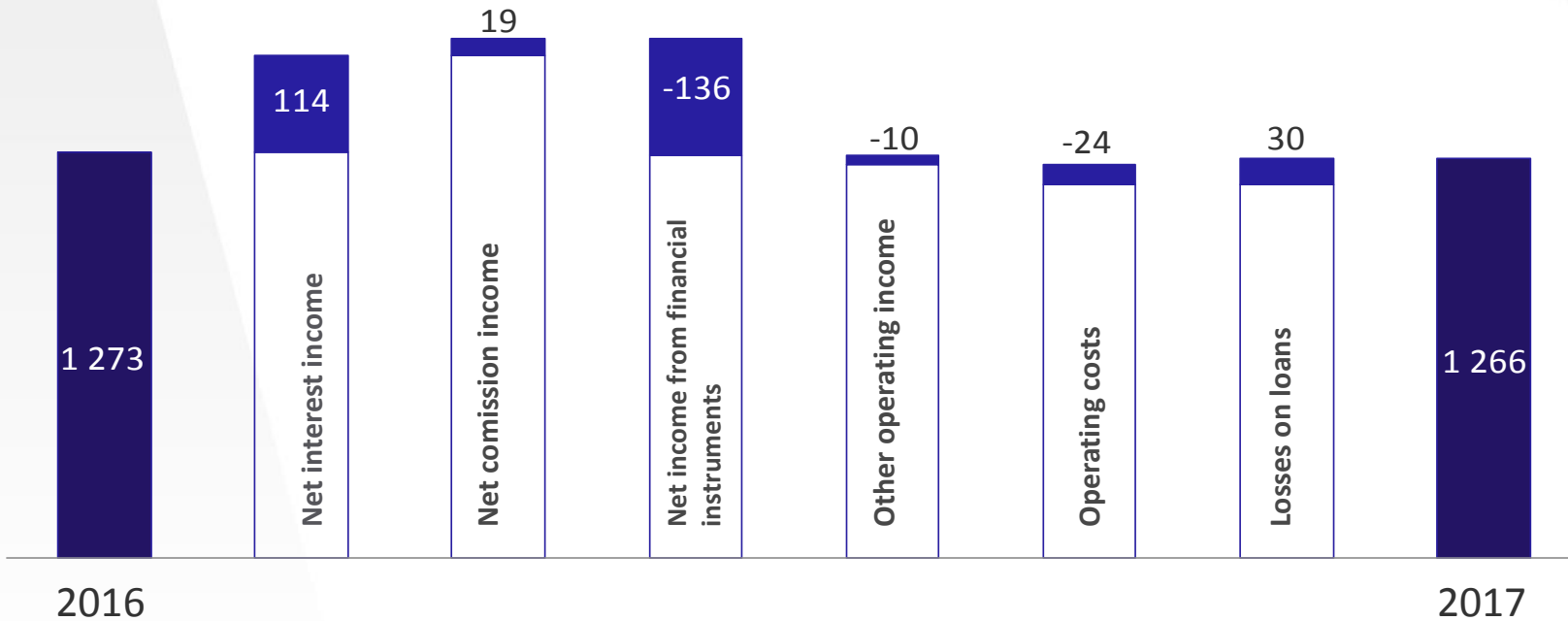
Key developments in 2017

- Good results from ordinary operations
- Positive development in net interest income
- Increased commission income
- Efficient operations and low costs
- Very low loan losses
- Loan growth of 7.2 percent during the last 12 months
- Deposit growth of 7.8 percent during the last 12 months
- Successful opening of a new branch in Rogaland
- Return on equity after tax of 9.7 percent
- Common equity tier 1 capital ratio of 14.9 percent and leverage ratio of 9.2 percent
- The Board of Directors will propose a dividend for 2017 of NOK 6 per equity certificate to the Board of Trustees

NOK million	31.12.2017	31.12.2016	Change
Net interest income	1 679	1 565	114
Net commission income	312	293	19
Net income from financial instruments	88	224	-136
Other operating income	18	28	-10
Total income	2 097	2 110	-13
Total expenses	811	787	24
Profit before losses on loans	1 286	1 323	-37
Losses on loans, guarantees	20	50	-30
Profit before taxes	1 266	1 273	-7
Tax expenses	282	284	-2
Profit for the period	984	989	-5

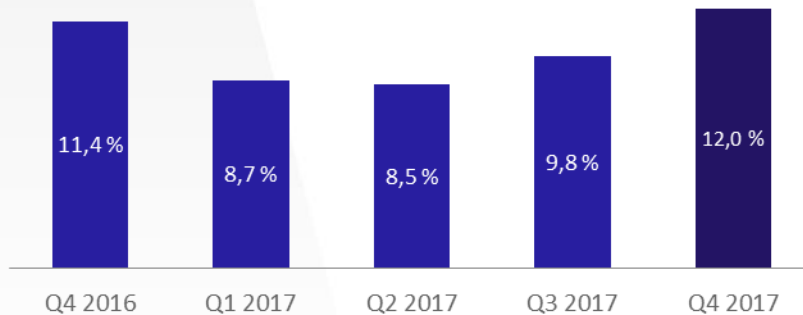
Change in profit before taxes, 2016 – 2017

NOK million

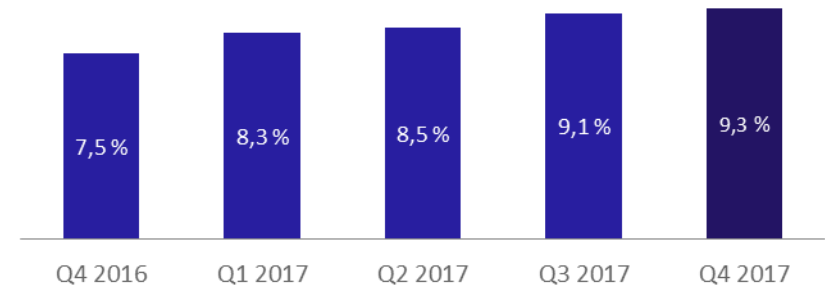


Key figures – quarterly development

Return on equity after tax₁₎



Return on equity after tax
excl. financial instruments₂₎



1) ROE after tax = $\frac{\text{Profit after tax} - \text{interest on hybrid capital}}{\text{Equity} - \text{hybrid capital}}$

2) ROE after tax excl. Financial instruments and accounting events = $\frac{\text{Profit after tax, excl. financial instruments and accounting events}}{\text{Equity} - \text{hybrid capital}}$

Status as of 31 December 2017

Result

Improved profit from ordinary operations, through positive growth, stable net interest income, combined with low costs and losses on loans

Finance

Positive net income from financial instruments due to positive changes in the market value of bonds and strategic equity stakes in subsidiaries

Capital

Common equity tier 1 capital ratio amounts to 14.9 percent and the leverage ratio amounts to 9.2 percent

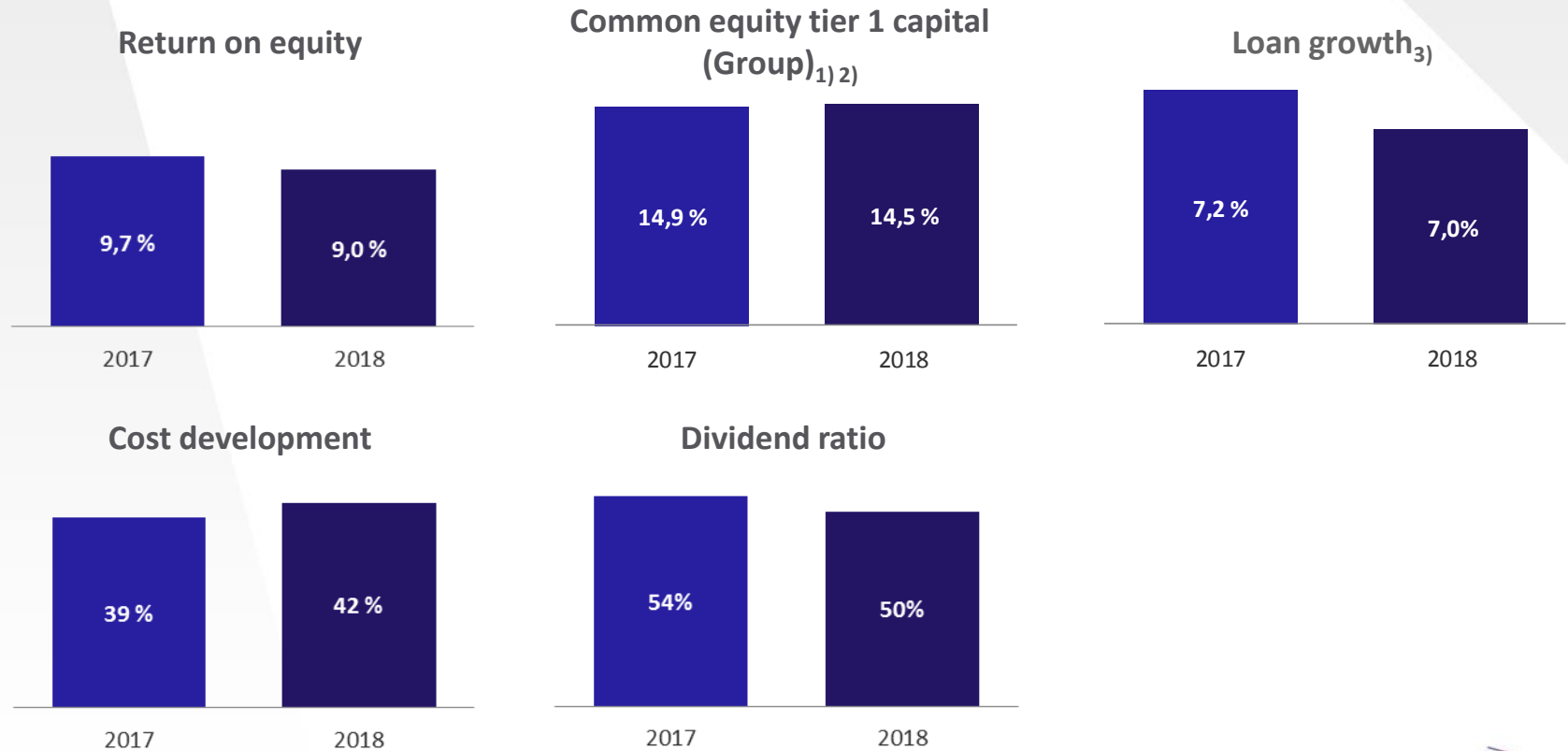
Balance

Loan growth of NOK 6.6 billion the last 12 months, corresponding to a 7.2 percent annual growth. Deposit growth of NOK 4.0 billion, corresponding to a 7.8 percent annual growth.

Summary

Sound operations contribute to a pre-tax result of NOK 1 266 million in 2017

Financial key variables and ambitions



1) Incl. share of profit

2) Will be determined with regard to market expectations, the Financial Supervisory Authority recommendations and ICAAP

3) Credit growth + 1 percentage point

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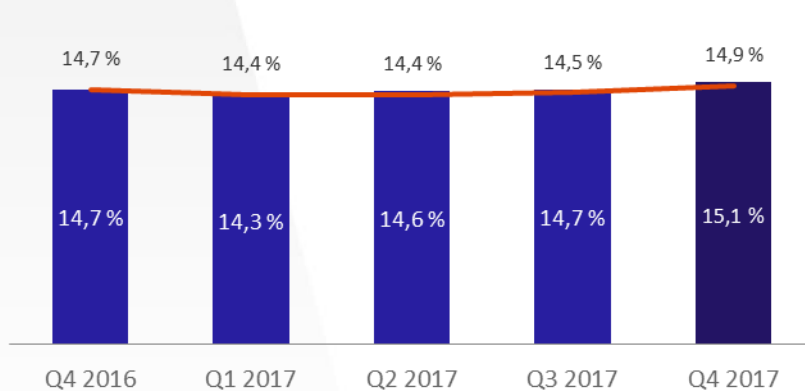
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Solid financial base – High capital ratios

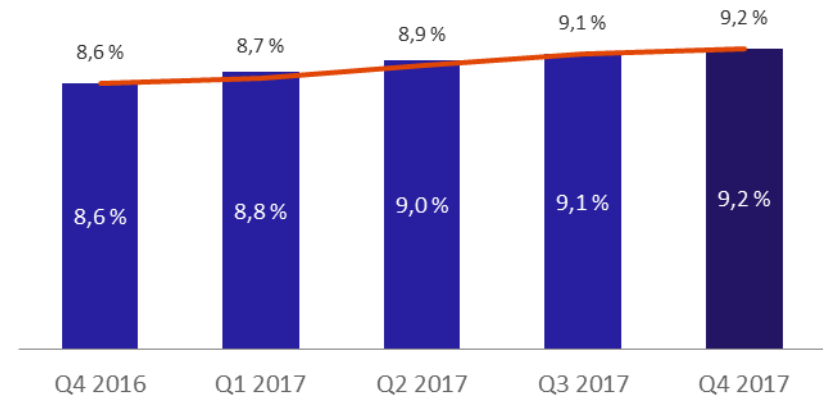
Common equity tier 1 capital ratio

Common equity tier 1 capital ratio with Brage partially consolidated



Leverage ratio

Common equity tier 1 capital ratio with Brage partially consolidated



Capital ratio – Leverage ratio

31.12.2017	Method	CET1	Leverage Ratio
Sør	Standard	14,9	9,2
Peer 1	IRB	15,0	7,3
Peer 2	IRB	14,9	7,2
Peer 3	IRB	14,9	7,2
Peer 4	IRB	14,9	7,2
Peer 5	IRB	16,8	7,1

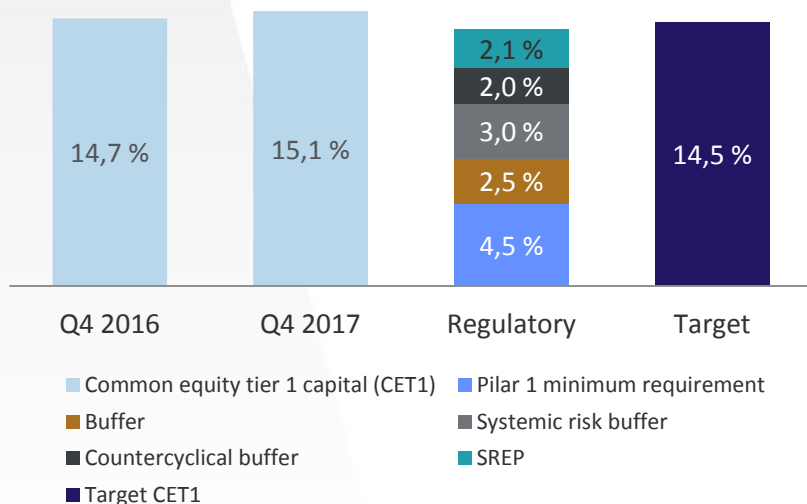
Peer group is Norwegian regional savings banks

- Sparebanken Sør is very solid, has high CET1 capital and a very high Leverage ratio.
- Sparebanken Sør is the only large regional bank that use the standard method in the capital adequacy calculations.
- In November 2017, the board decided to put in process an application to the Norwegian FSA to be approved for IRB. The application is scheduled to be sent to the Norwegian FSA by the end of 2019.

Regulatory considerations

SREP – CET1 Capital Requirements and Generation

SREP includes Pillar 2 requirements



IFRS 9 / MREL / Basel IV

Sparebanken Sør is well positioned for future regulatory requirements

- IFRS 9
 - The implementation of IFRS 9 will have a positive effect on the Group's equity and subordinated capital, and the Group has no need for the transitional rule for calculating capital adequacy
- MREL
 - MREL will be implemented in Norway, but the timeline is not yet public
 - Potential issuance needs to be decided when requirements and structure is clear for Norway
- Basel IV
 - Sør is well positioned for Basel IV
 - Sør uses standard models and has 9.2 percent in leverage ratio
 - Norway still has Basel I floors

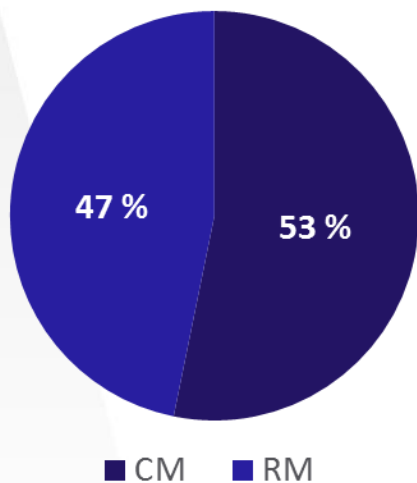
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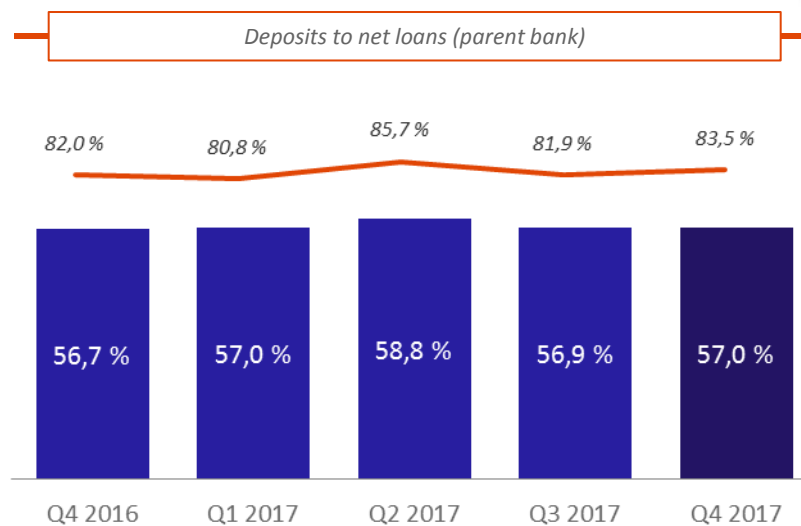


Solid financial base - Deposits

Distribution Retail / Corporate Market (31.12.17)



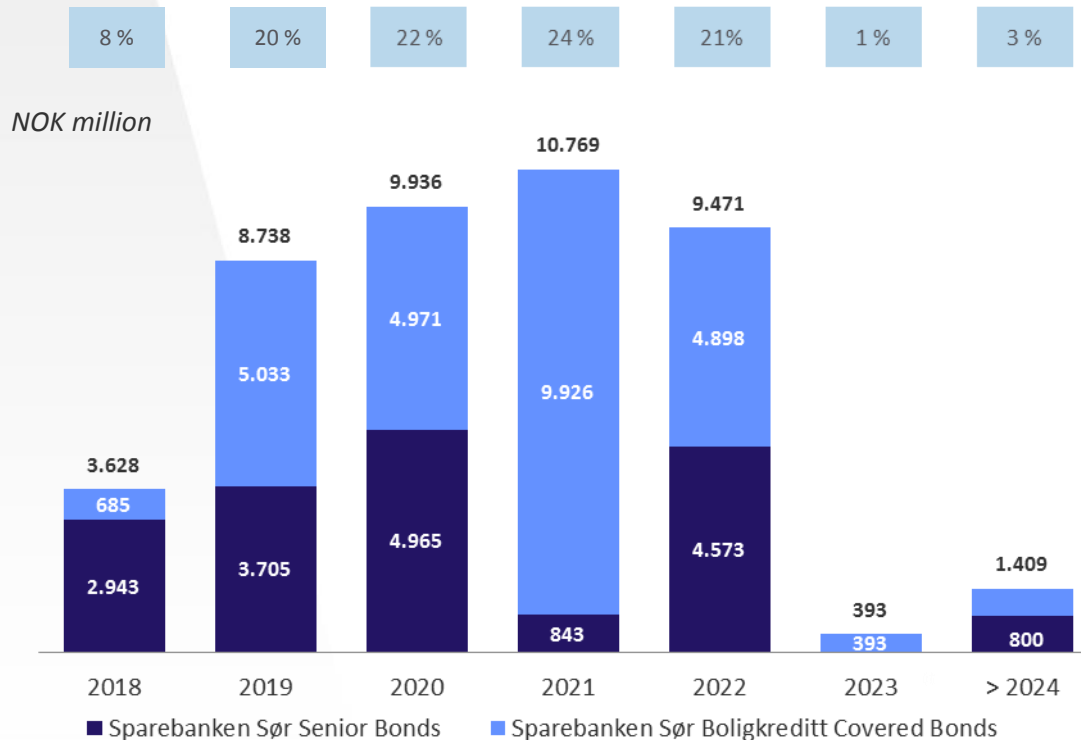
Deposit to net loans



Deposits as a percentage of net loans have increased over the last 12 months, with a deposit growth of 7.8 percent

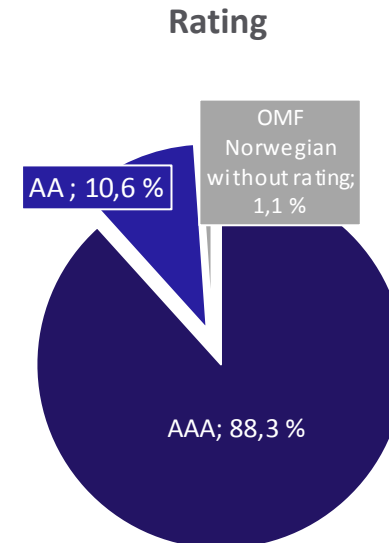
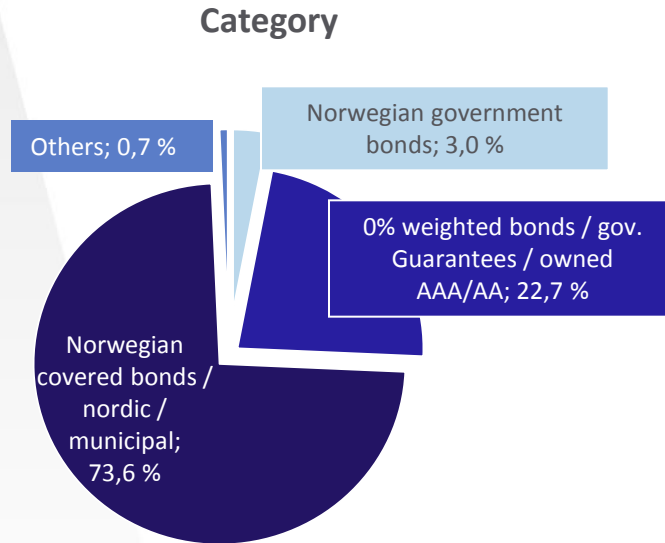
Solid financial base – Well diversified funding profile

Maturity of outstanding wholesale funding



- Total funding for the Group amounted to NOK 44.3 bn, with NOK 26,5 bn issued as covered bonds, as of 31 December 2017
- The bank has a well diversified maturity profile
- Funding with maturities after 2018 amounts to 92% of the portfolio
- Liquidity indicator 1 at 109%
- Average maturity at 3 years

Solid financial base – High liquidity buffers to handle liquidity stress



- Total liquidity portfolio of NOK 13.4 bn
- 100 % investment grade and 100 % liquid instruments (LCR eligible)
- Liquidity reserve (LCR) of 139 % for the Group

Credit opinion from Moody's updated by 9 January 2018

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
9 January 2018

Update

Rate this Research >>

RATINGS

Sparebanken Sor	
Entity	Kristiansand, Norway
Long Term Debt	(P)A1
Type	Bank/Sec Unsecured MTN
	- Fgn Curr
Long Term Deposit	A1
Type	IR Bank Deposits - Fgn
	Curr
Outlook	Negative

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook above reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1655
Asia Pacific	852-3551-3077
Japan	81-3-5400-4100

Sparebanken Sor

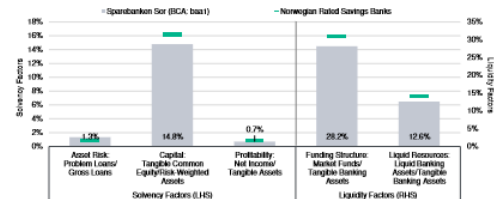
Update to Credit Analysis

Summary

Sparebanken Sor's baal BCA reflects its strong asset quality metrics, with ratios of non-performing loans (NPLs) to gross loans of 0.93% and Loan Loss Reserves (LLRs) to NPLs of 66% as of September 2017. The bank's baal BCA also captures the increase in Sparebanken Sor's capital buffers which reached 14.7% as of September 2017 from 13.6% in September 2016. Finally the bank's baal BCA incorporates its moderate profitability with a 0.8% return on assets and its high reliance on market funding, a common attribute of Norwegian banks, with market funds adjusted to exclude 50% of covered bonds accounting for 27.9% of tangible assets as of September 2017.

The bank's A1 deposit and issuer ratings take into account our Loss Given Failure (LGF) analysis of the bank's liability structure. Sparebanken Sor benefits from a large volume of deposits and substantial layers of subordination, resulting in very low LGF and providing two notches of rating uplift from its BCA. In addition, the bank's A1 rating also incorporates one notch of rating uplift due to government support, although this is likely to be revised downwards following the implementation of BRRD in Norway (please see [press release](#) for more details).

Exhibit 1
Rating Scorecard - Key Financial Ratios



Note: Average of other Moody's rated Norwegian savings banks is based on latest available financial data
Source: Moody's Banking Financial Metrics

Summary

- Sparebanken Sor's **baa1** BCA reflects its strong asset quality metrics
- The bank's **baa1** BCA also captures the increase in Sparebanken Sor's capital buffers which reached 14.7% as of September 2017 from 13.6% in September 2016
- Sparebanken Sor benefits from a large volume of deposits and substantial layers of subordination, resulting in very low LGF and providing two notches of rating uplift from its BCA
- In addition, the bank's A1 rating also incorporates one notch of rating uplift due to government support, although this is likely to be revised downwards following the implementation of BRRD in Norway
- Click [here](#) for credit opinion in pdf



SPAREBANKEN SØR

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Euro Medium Term Note Programme



**SPAREBANKEN
SØR
SPAREBANKEN SØR**
(incorporated as a savings bank with limited liability in Norway)

€3,000,000,000

Euro Medium Term Note Programme

Under the €3,000,000,000 Euro Medium Term Note Programme (the **Programme**) described in this base prospectus (the **Base Prospectus**), Sparebanken Sør (the **Issuer**, **Sparebanken Sør** or the **Bank**) may from time to time issue notes (the **Notes** which term shall include, so far as the context permits, **VPS Notes** (as defined below)) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The Notes may be issued in bearer form or in certificated book entry form (the **VPS Notes**) settled through the Norwegian Central Securities Depository, the *Verdipapircentralen AS* (the **VPS**).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (such a Dealer and together the Dealers), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive (as defined below). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market (the **Main Securities Market**) of the Irish Stock Exchange plc (the **Irish Stock Exchange**) or another regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive** or **MFID**) and/or which are to be offered to the public in any Member State of the European Economic Area (the **EEA**).

Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the official list of the Irish Stock Exchange (the **Official List**) and to trading on the Main Securities Market. The Issuer has further requested that the Central Bank of Ireland send to the Norwegian Financial Supervisory Authority (*Finansinspektoratet*) (the **NFSA**) in its capacity as the competent authority in Norway (i) a copy of this Base Prospectus and (ii) a certificate of approval pursuant to Article 18 of the Prospectus Directive attesting that the Base Prospectus has been drawn up in accordance with national law implementing the Prospectus Directive, for purposes of listing Notes on the Oslo Stock Exchange's Regulated Market.

Each of the Main Securities Market and the Oslo Stock Exchange's Regulated Market is a regulated market for the purposes of MFID. References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been either admitted (i) to the Official List and to trading on the Main Securities Market or (ii) to trading on the Oslo Stock Exchange's Regulated Market, as may be agreed between the Issuer and the relevant Dealer in relation to the relevant Series (as defined below).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined in "Terms and Conditions of the Note" or the **FP3 Note**) or "Terms and Conditions of the FP3 Note", as the case may be) of Notes will be set out in a final term document (the **Final Terms**) which will be delivered to the Central Bank of Ireland and the Irish Stock Exchange (if listed on the Irish Stock Exchange). Copies of the Final Terms in relation to the Notes to be listed on the Irish Stock Exchange will also be published on the website of the Irish Stock Exchange.

The Programme is expected to be assigned an "A1" rating by Moody's Investors Service Limited (**Moody's**). Moody's is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) and is included in the list of credit rating agencies registered under the CRA Regulation, which is available on the European Securities and Markets Authority (**ESMA**) website (<http://www.esma.europa.eu/page/list-registered-and-certified-CRAs>) (last updated on 29 March 2017).

Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Arranger
Swedbank
Dealers**

**Commerzbank
Landesbank Baden-Württemberg
Société Générale Corporate & Investment Banking
UniCredit Bank**

**Danske Bank
Natixis
Swedbank**

The date of this Base Prospectus is 30 June 2017

- Sparebanken Sør established a €3,000,000,000 Euro Medium Term Note Program (EMTN) in the second quarter of 2017
- This is the first issuance of senior bonds in EUR for Sparebanken Sør
- Click [here](#) for EMTN programme in pdf



SPAREBANKEN SØR

Planned inaugural EUR Senior Unsecured transaction

Issuer	Sparebanken Sør
Type	Senior unsecured, unsubordinated
Expected Issue Rating	A1 (Moody's)
Maturity	[3 years expected]
Size	EUR Sub-benchmark
Coupon	[Floating]
Documentation	The Issuer's EMTN programme dated 30 June 2017 and supplemented 11 April 2018
Law	English law
Listing	Irish Stock Exchange
Lead Managers	LBBW, Natixis, Nordea, Swedbank

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Key indicators for the Norwegian economy

Healthy growth

In %	2015	2016	2017	2018E	2019E
GDP growth, mainland	1.4	1.0	1.8	2.6	2.0
Core inflation	2.7	3.0	1.4	1.5	1.8
Unemployment rate registered	3.0	3.0	2.7	2.3	2.2
Key policy rate (Average)	1.0	0.6	0.5	0.6	1.1
House price growth			5.9	-0.7	2.0
Current account surplus / GDP	8.7	4.9	5.1	6.6	6.3
Sovereign wealth fund / GDP	240	241	247	N.A	N.A

- Economic growth in Norway has picked up and unemployment is falling
- Growth is self-sustained and no longer in need of fiscal support, interest rates are on their way up
- Oil investment is set to increase again after the sharp drop that followed the oil price collapse
- Weak NOK and strong growth abroad support exports, mainland business investments also on the rise
- Improving labour market supports private consumption
- Only drag to growth is housing investment, which will drop from a high level
- Still large surplus on the current account and government budgets despite the drop in oil price

Growth has picked up

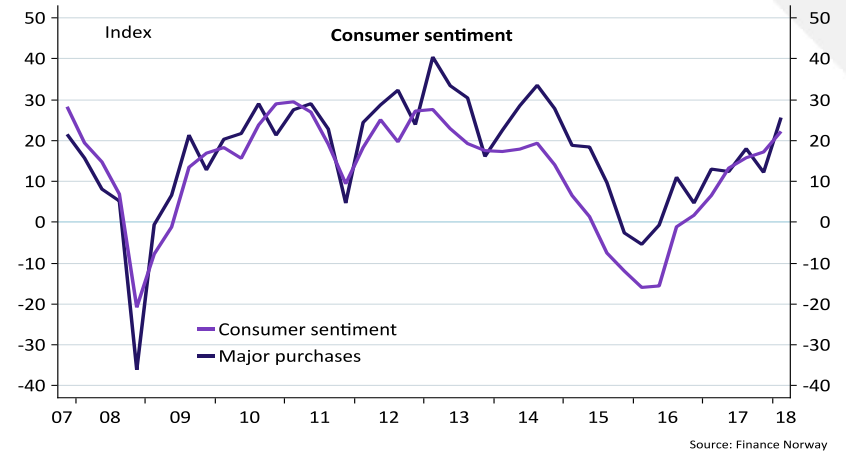
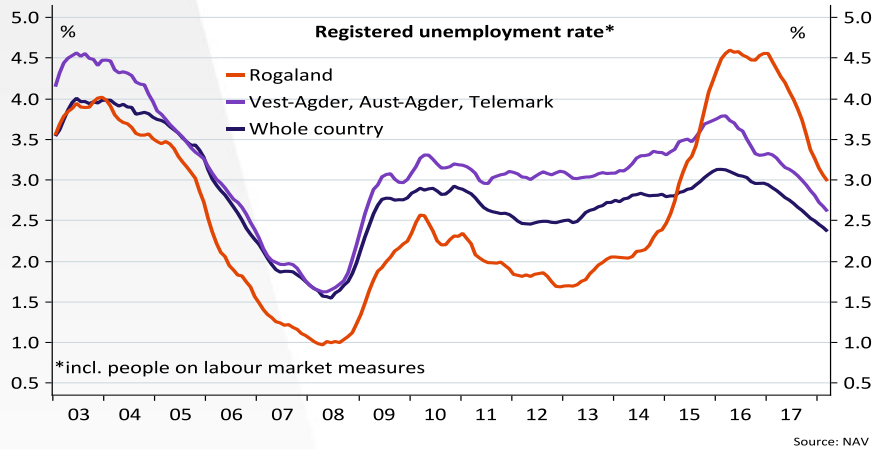
Growth in both production and employment



Source: Statistics Norway

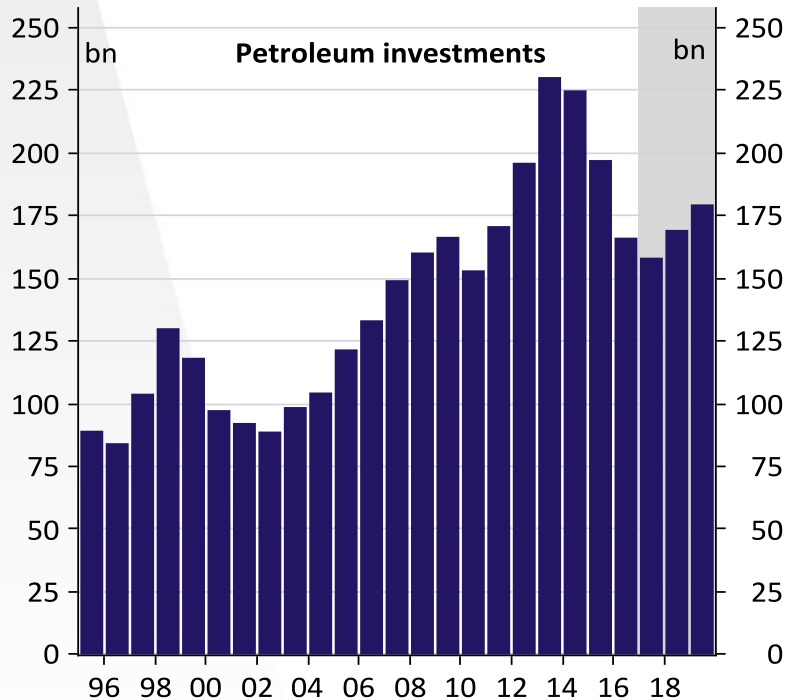
Unemployment is falling sharply and sentiment improving

Especially in counties hit by the oil downturn

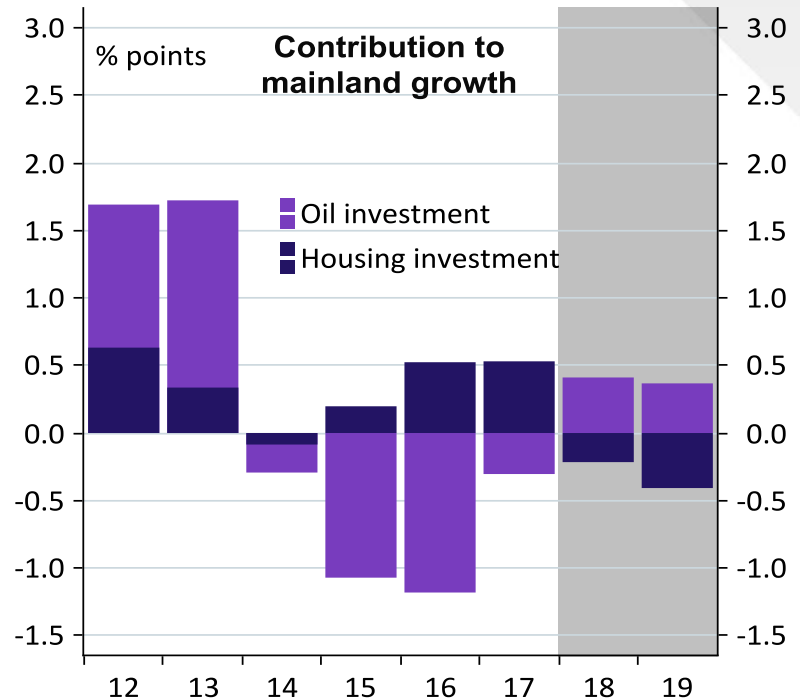


Oil investments growing again

Counteracting the negative effect from lower house building



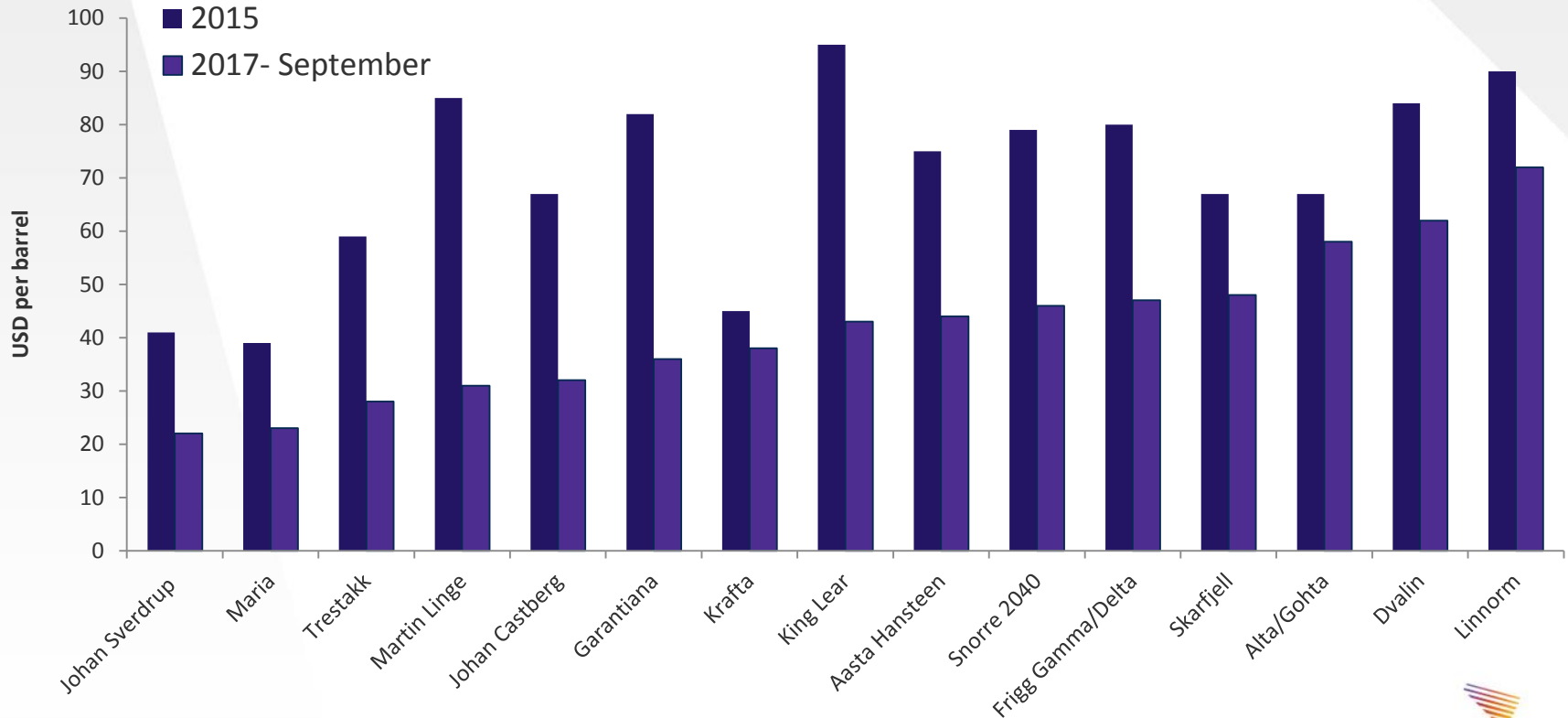
Source: Macrobond and Norges Bank



Source: Macrobond and Norges Bank

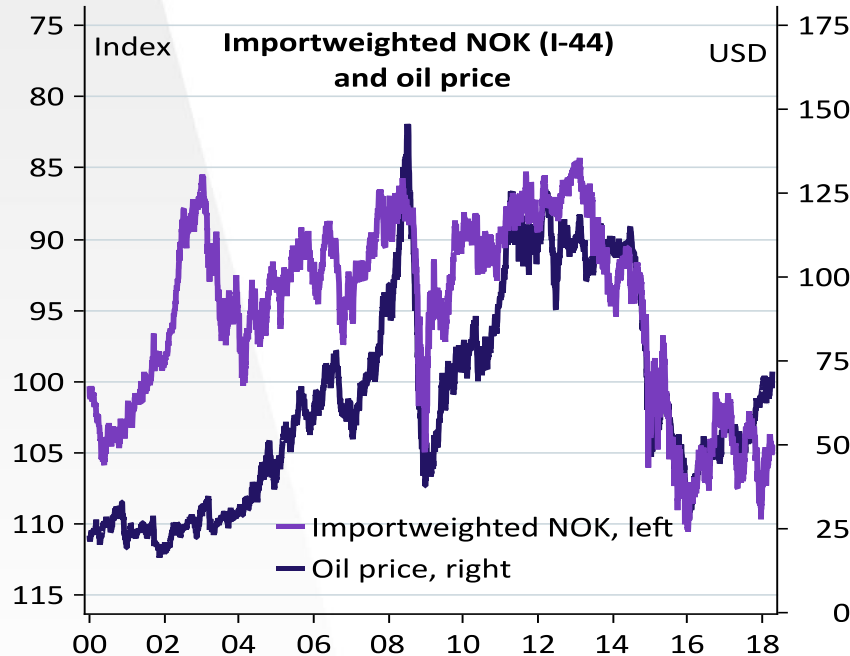
Cost cutting has made oil companies more profitable

Graph shows break-even price on new fields brought down

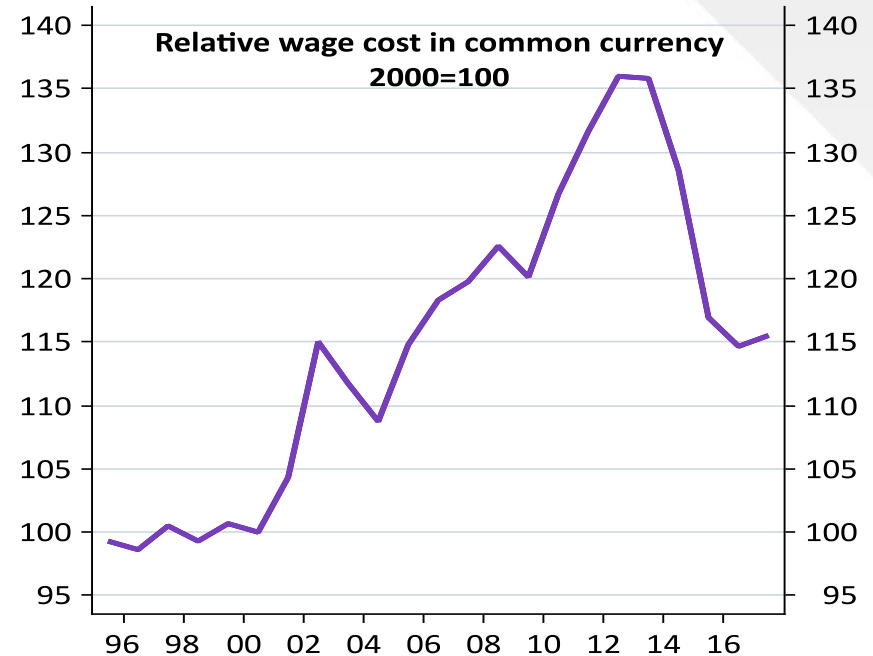


NOK, oil price and competitiveness

Norway has benefited from the weak NOK and increased competitiveness



Source: Macrobond

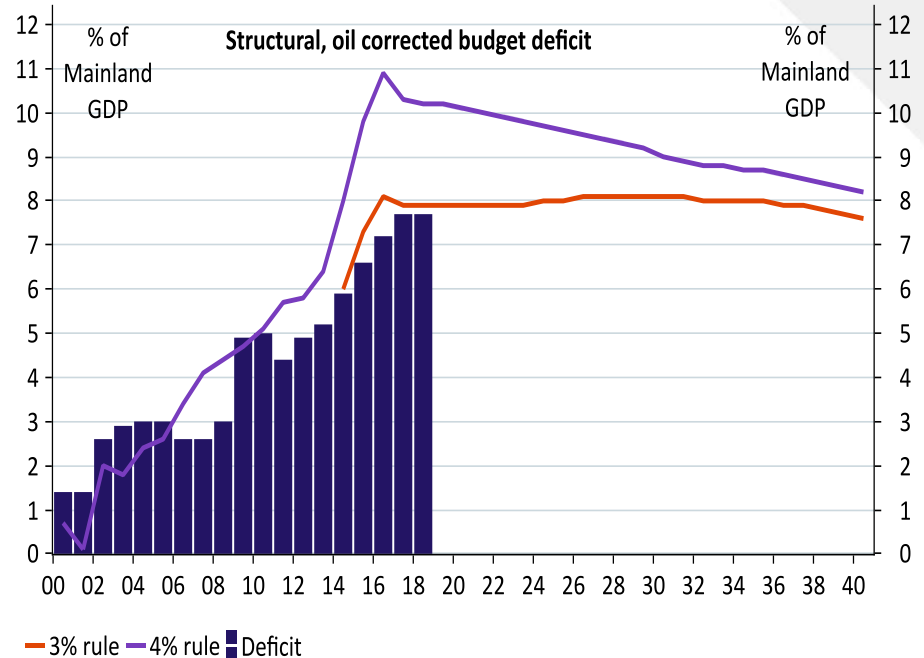


Source: Macrobond and Norges Bank

Strong public finances

Fiscal policy has supported the economy

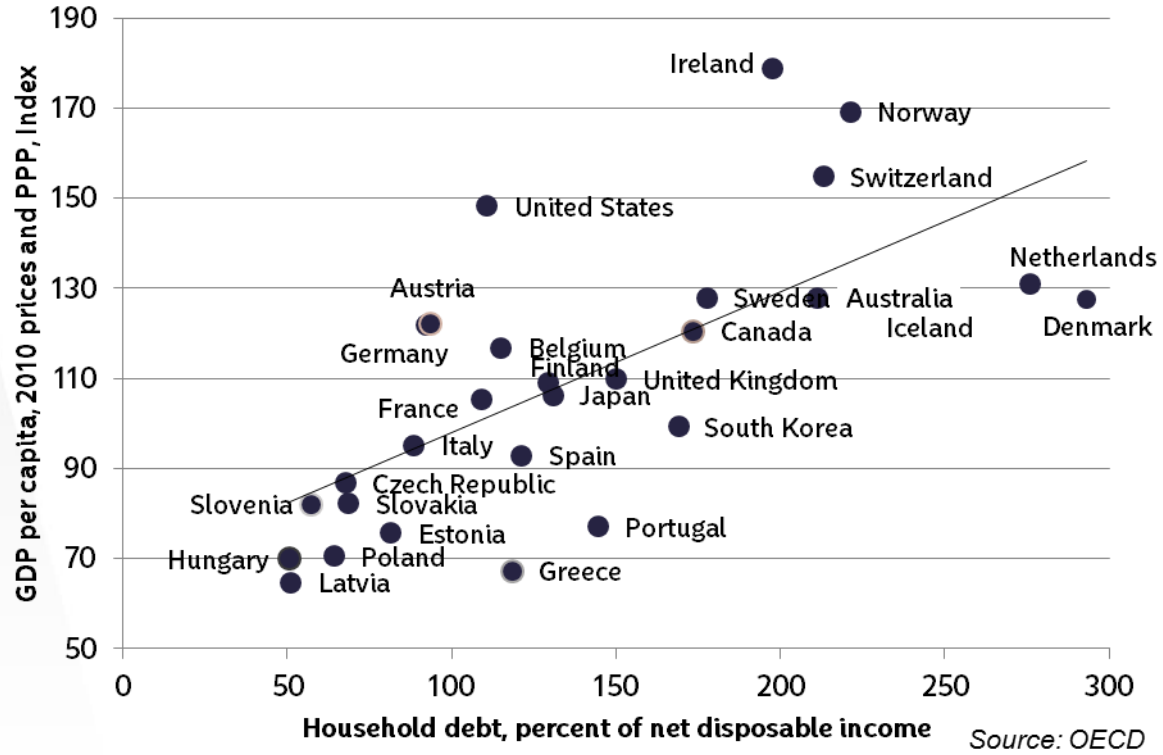
- The Government Pension Fund currently amounts to close to NOK 8,000bn (approx. EUR 850bn) which is near three times the size of Mainland GDP and equals six annual national budgets
- The Fund and large petroleum revenues give the Norwegian government substantial economic leeway
- The fiscal rule: 3% (previously 4%) of the fund's value can be used in the national budget (expected real return on the fund)
- The rule is to ensure that the fund itself would not be tapped. Thus the fiscal break even oil price is zero
- In response to lower oil price public spending was increased, i.e. the deficit increased as a share of GDP. For 2018, fiscal policy is estimated to be close to neutral



Source: Macrobond and Norges Bank

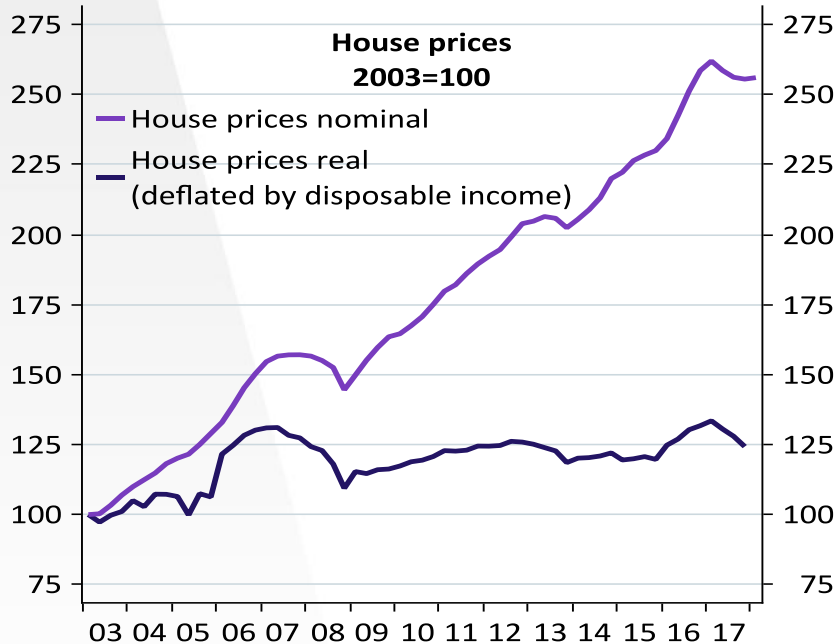
Debt and income

Rich countries have higher debt relative to income

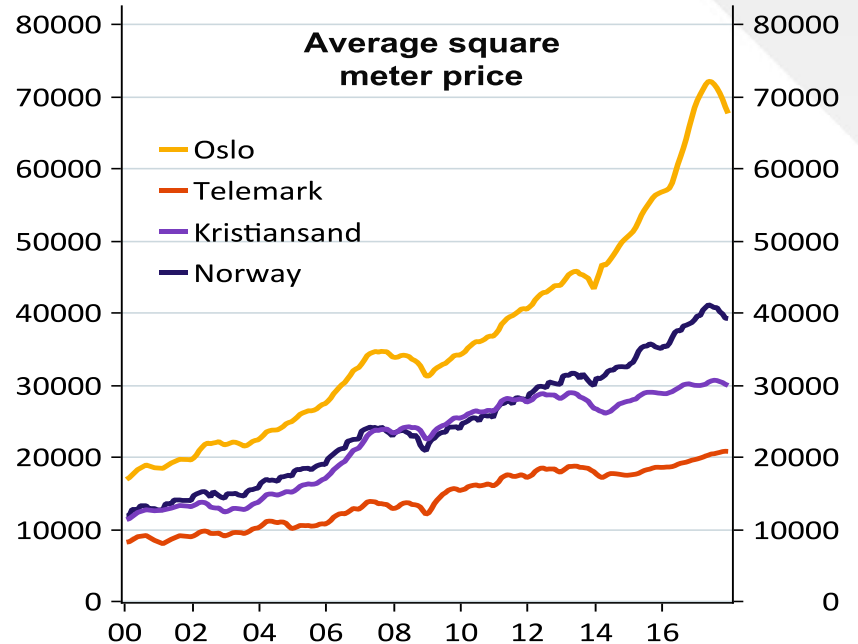


Norwegian housing market

House prices have increased alongside income growth



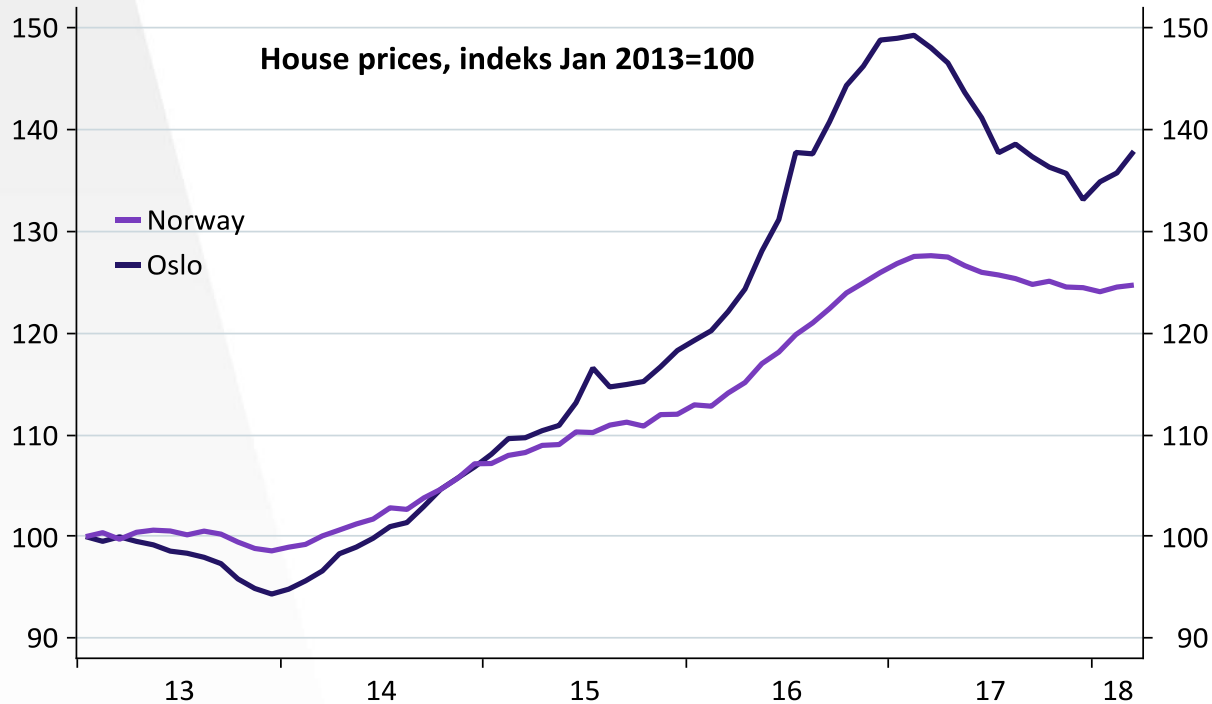
Source: Eiendom Norge and Statistics Norway



Source: Eiendom Norge

Norwegian housing market

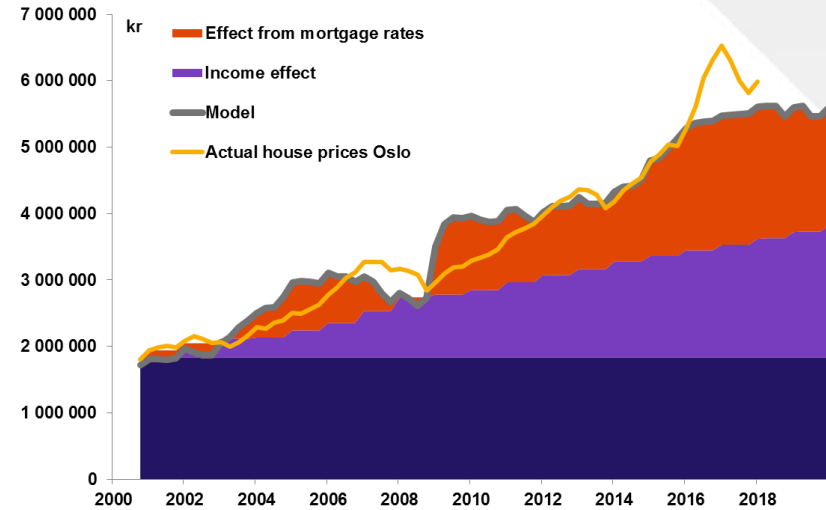
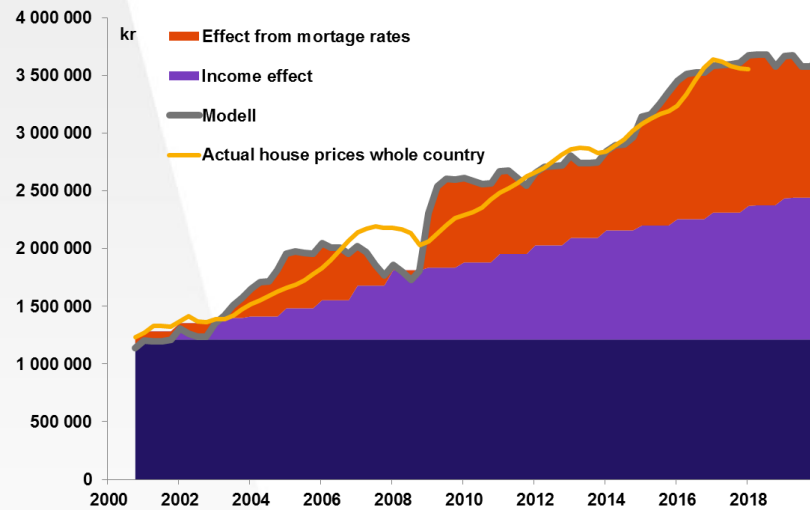
The downturn is over, house prices are levelling out



Source: Eiendom Norge

How expensive is housing?

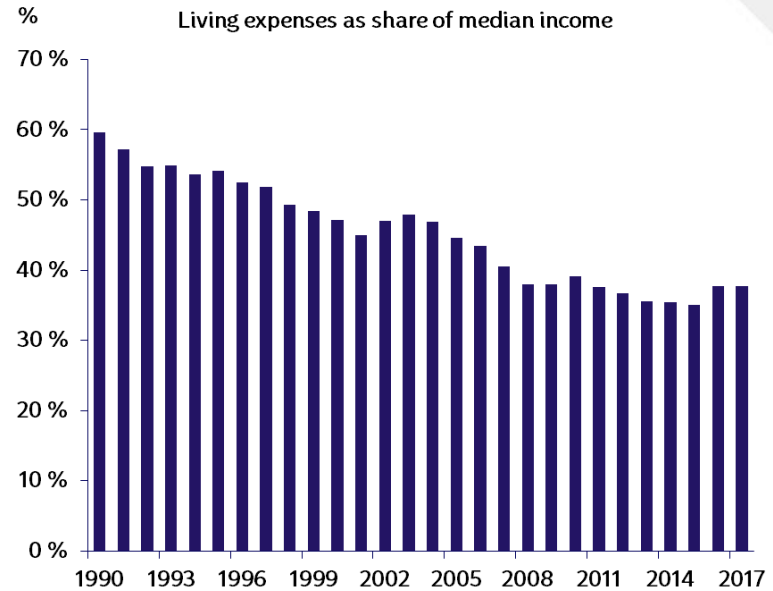
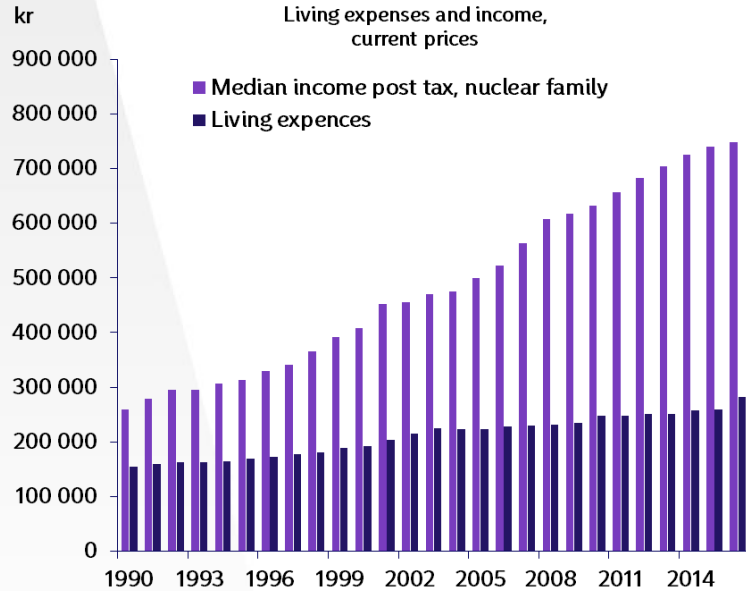
House prices have increased, but cost of servicing has not



The model assumes that a constant share of income (equal to its average from 2000) is allocated to serve interest rate and downpayments from buying the average home for a family. 25 years' downpayment period and loan to value of 85%.

Income and living expenses

Income has increased and households spend less on living expenses



Norwegian housing market

Key characteristics

High home ownership	<ul style="list-style-type: none">• Around 80% of Norwegian households own their home which is among the highest home ownership ratios in the world. Hence, buy-to-let market is limited in Norway
Key features of residential mortgage loans in Norway	<ul style="list-style-type: none">• Residential mortgage loans are predominantly granted by banks and mortgage credit institutions (97% as of January 2015)• Lenders have access to wide range of information about borrowers before granting the mortgage (e.g. tax records for the last three years, any debt collection outstanding, any bankruptcies)• Properties are registered in a central register to which banks have direct access• Typical maturity of a new loan is 25 to 30 years• The majority of residential mortgage loans have a floating interest rate meaning that banks are allowed to increase the interest rate with a six weeks' notice• Borrowers are personally liable for their debt also after foreclosure or forced sale
Good tax incentives and supportive social security system	<ul style="list-style-type: none">• Borrowing costs on mortgages are tax deductible (the tax rate applied is 24%)• Tax valuation of dwellings is favourably treated in the wealth tax system• If a dwelling is occupied by the owner for a minimum of one year, capital gain is tax free when the dwelling is sold• Unemployment benefit equals approximately 62% of the previous calendar year's gross income and is paid for up to 104 weeks

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IFRS 9 – Transitional effects

Changes in classification and measurement of financial instruments

The Group

NOK million	IAS 39		IFRS 9		Change
	Measurement	Book value	Measurement	Book value	
Financial assets					
Net loans to customers		97 518		97 520	2
- Fixed rate	Fair value option	6 316	Fair value option	6 316	0
- Others	Amortised cost	91 202	Amortised cost	91 204	2

Parent bank

NOK million	IAS 39		IFRS 9		Change
	Measurement	Book value	Measurement	Book value	
Financial assets					
Net loans to customers		66 595		66 602	7
- Residential mortgages (1)	Amortised cost	24 991	Fair value through OCI	25 002	11
- Fixed rate	Fair value option	6 316	Fair value option	6 316	0
- Others	Amortised cost	35 288	Amortised cost	35 284	-4

All changes are due to the new measurement model. Additionally, mortgages in the parent bank have been reclassified from amortised cost to fair value through other comprehensive income (OCI).

There are no changes related to classification and measurement of financial liabilities.

IFRS 9 – Transitional effects

Changes in equity

The Group






NOK million	Equity certificates	Premium fund	Equalization fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	TOTAL
Balance 31 Dec. 2017	783	451	341	1 075	7 165	61	1 230	2	11 108
Changes as a result of IFRS 9							2		2
Effect on taxes as a result of IFRS 9							-1		-1
Balance 1 Jan. 2018	783	451	341	1 075	7 165	61	1 232	2	11 109

Parent bank

NOK million	Equity certificates	Premium fund	Equalization fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	TOTAL
Balance 31 Dec. 2017	783	451	341	1 075	7 165	61	94	0	9 970
Changes as a result of IFRS 9							7		7
Effect on taxes as a result of IFRS 9							-2		-2
Balance 1 Jan. 2018	783	451	341	1 075	7 165	61	99	0	9 975

The implementation of IFRS 9 will have a positive effect on the Group's equity and subordinated capital, and the Group has no need for the transitional rule for calculating capital adequacy.

Development of tools important for the customer relation

	Data Warehouse
	CRM
	Marketing tools
	Robots
	Automation

Tools that are important for achieving the Group's strategic goals:

- Better customer overview
- Targeted advertising with relevant and customized messages
- Automation and streamlining of work-processes
- Better scoring and portfolio management
- Compliance with legal requirements (GDPR)

Contact details and website

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