

Financial restructuring of the service sector of the Norwegian oil and gas industry

Arne Austreid

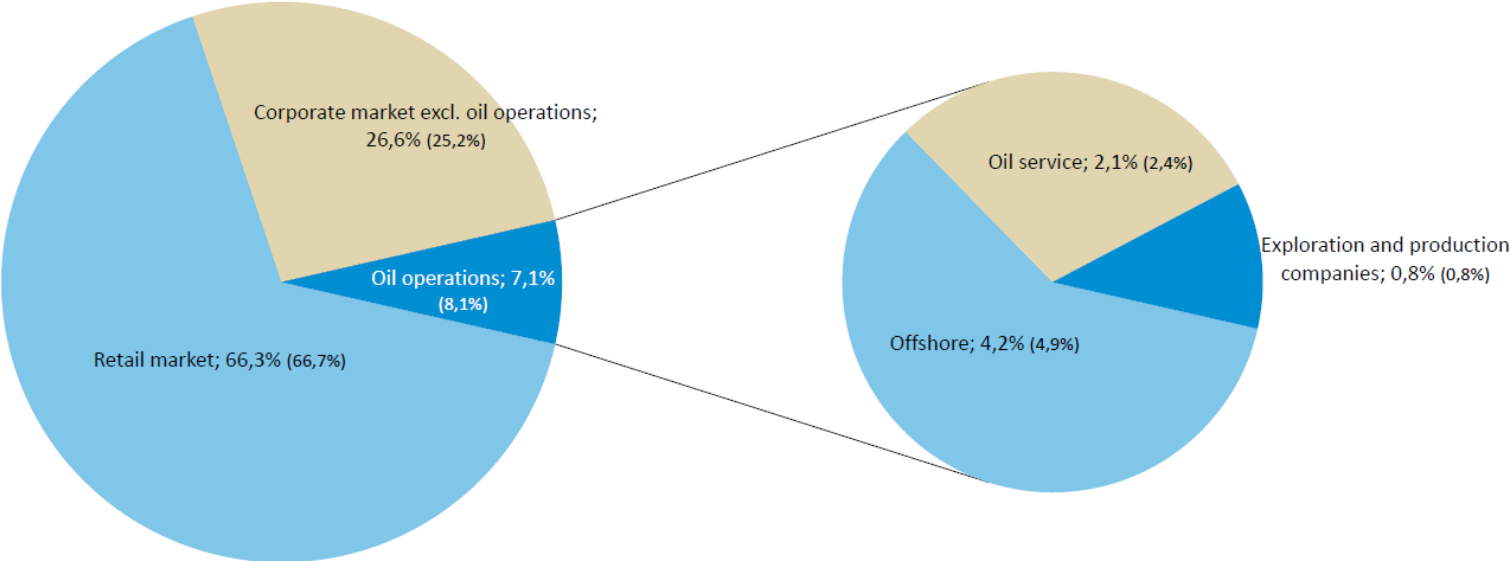
CEO of SpareBank 1 SR-Bank



SpareBank 1 SR-Bank has a well diversified portfolio

7.1% (8.1%) of total EAD is related to oil operations

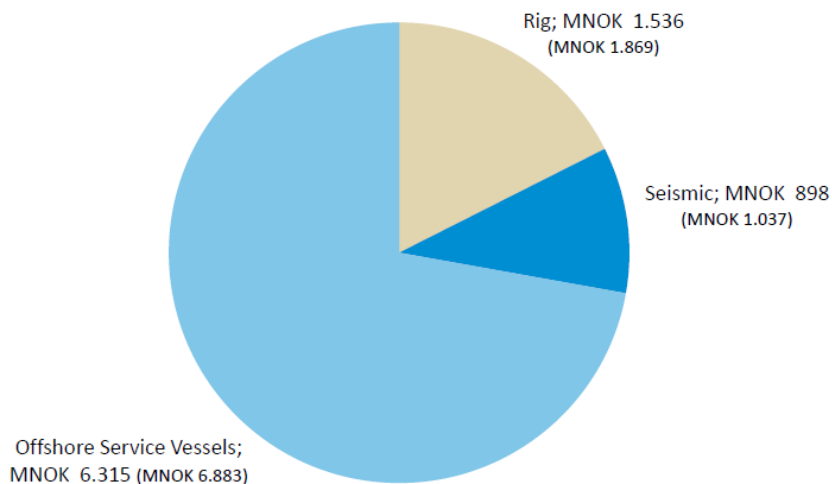
SpareBank 1 SR-Bank* has total BNOK 209.3 (200.1) EAD per 31.12.2017 BNOK 14.8 (16.2) EAD is related to oil operations



EAD: Exposure at default
Figures as at 31.12.2017. Figures in parentheses as at 31.12.2016

*Include portfolio in covered bond company (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS). SpareBank 1 SR-Finans was merged into SpareBank 1 SR-Bank from 1 January 2017 and lending volumes from SR-Finans are included in the figures from first quarter 2017. This results in break in the historic figures.

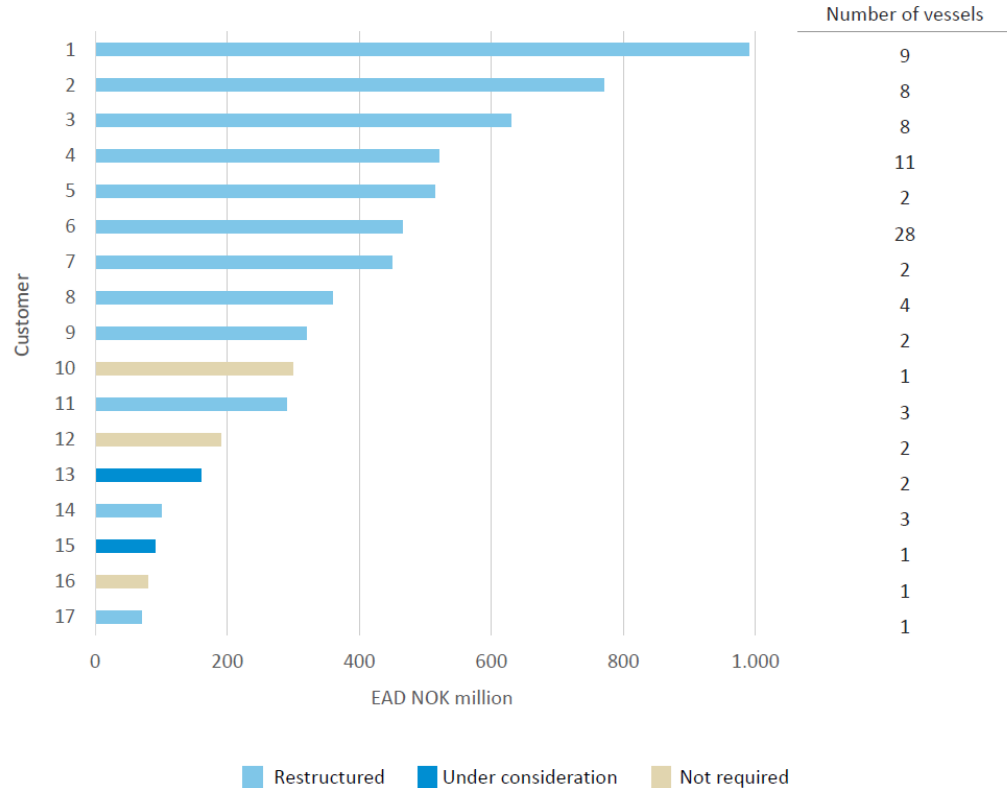
The offshore sector in the down-turn



- Offshore
 - EAD NOK 8.7 Billion, 4.2% of the bank's total EAD
 - Average weighted probability of default for the offshore portfolio is 3.1 %
 - Exposure primarily to industrial-oriented shipping companies with strong ownership and integrated organisation

Offshore service vessels – status restructuring

- Balanced solutions required
- Identifying the main stakeholders
 - Contributions from all stakeholders
 - Owners, banks, bondholders, yards, charterers
- Ownership is critical – ability and willingness
- Bridge to recovery - Creating a runway

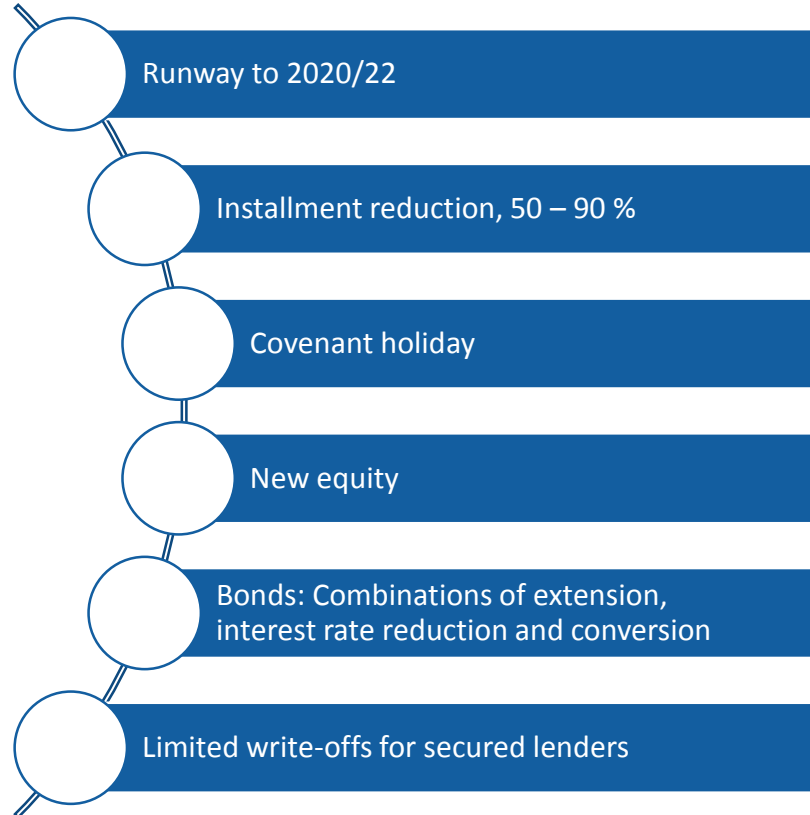


Restructuring - process



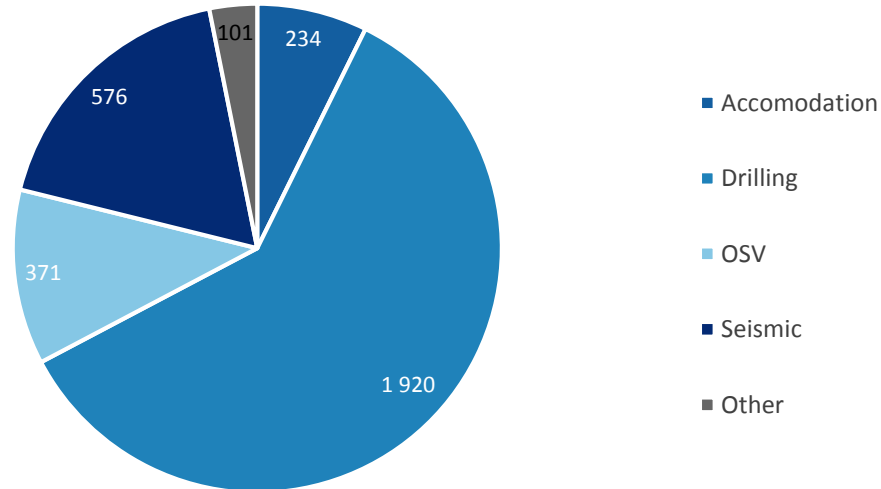
- Several capital sources with different positions and interests
- The role of relationship banking
- Nordic vs international banks
- Bank vs bond etc.
- Challenging cooperation

Restructuring – typical result



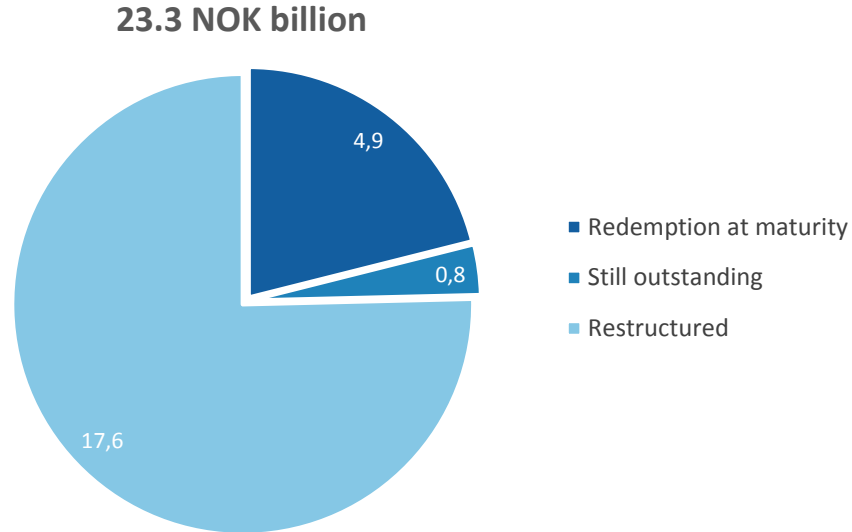
Equity issued on Oslo Børs: 2015 - YTD 2018

Equity issue in the offshore sector on Oslo Stock exchange
3.2 USD mill



Source: Clarksons SIN

Bond market Q2 2014: Supply and subsea



Source: SB1 Markets

Lessons learnt



Importance of:

- Ownership - Financial and industrial strength + commitment
- Operations
- Quality of vessels (age, specs etc.)
- Financing partners



Non-alignment of interest among financiers is a challenge



Security is usually over-valued



Contact Details

Address

Bjergsted Terrasse 1
Postboks 250
4066 Stavanger

Tel: +47 915 02002
www.sr-bank.no

Management



Arne Austreid

CEO

Tel.: +47 900 77 334

E-post: arne.austreid@sr-bank.no



Inge Reinertsen

CFO

Tel.: +47 909 95 033

E-post: inge.reinertsen@sr-bank.no

Investor Relations



Stian Helgøy

Investor Relations

Tel.: +47 906 52 173

E-post: stian.helgoy@sr-bank.no