



Company presentation, February 2017

# Disclaimer

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

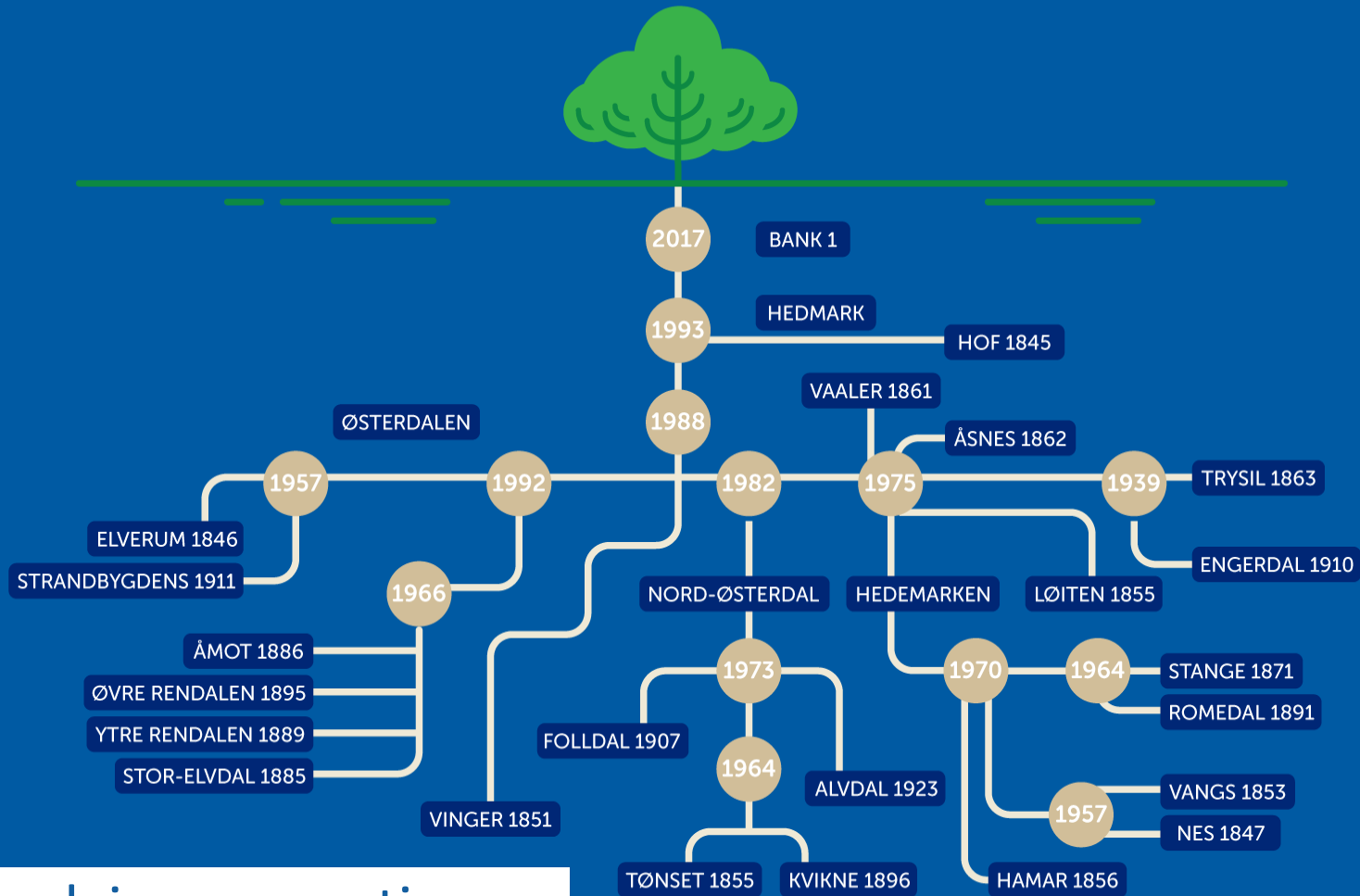
# Executive summary

- Norway's fourth largest savings bank, based in Eastern part of the country.
- The most solid regional savings bank.
- Low risk in the loan book.
- Profitable with high dividend capacity.
- Unique home market position, attractive growth opportunities.
- Planned IPO in 2017.



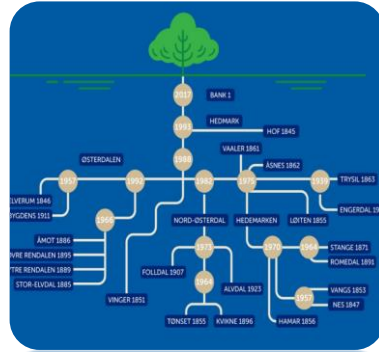
# Overview





The bank in perspective

# From local granaries to regional savings bank



First savings bank in Norway	Local granaries converted, becoming Hof Sparebank	Local savings banks with central role in local development	Merger of savings banks in Hedmark	Joins SpareBank 1 alliance	Acquisition of Bank 1 Oslo Akershus AS	IPO
1822	1845	Until 1960	1950-1993	2007	2016	2017 ?

# Why acquire Bank 1 Oslo Akershus?

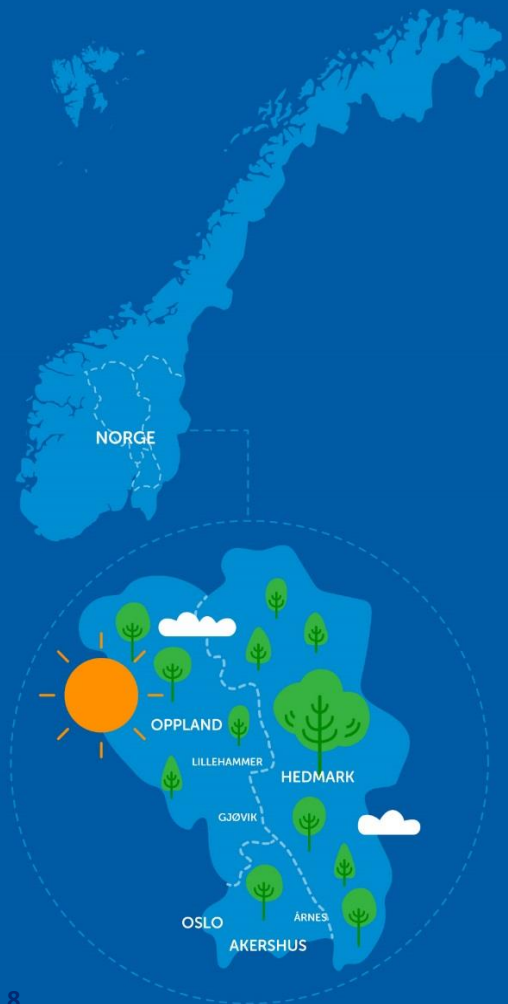
- Strategic positioning towards the largest region in Norway
- Integrated region for labour and housing
- A better and more competent bank
- More diversified loan portfolio
- Reduced costs through synergies
- Improve the efforts of the SB1 alliance in the capital region



Source: Jernbaneverket

# New Sparebanken Hedmark

- Norway's fourth largest savings bank, established in 1845.
- Operations in Hedmark, Oppland, Oslo and Akershus with 1.7 mill. inhabitants.
- Head office in Hamar.
- Equity certificate bank, owned by Sparebankstiftelsen Sparebanken Hedmark (75 %), LO (15 %) and other SpareBank 1-banks (10 %).
- Part of SB1-Alliance, owns 12.4 % of SpareBank 1 Gruppen AS.
- Banking, leasing, accounting and real estate services.
- Total adjusted assets (inc. covered bond companies) of NOK 138 bn, with around NOK 120 bn in loans.
- 290,000 customers, with a retail share of 74 %.
- 36 bank branches, around 1,180 employees.





# Creating together in the Inland region...



- Norway's largest region for agriculture and forestry.
- Around 8 % of Norway's population and 6 % of GDP.
- Diverse business sector dominated by SMEs.
- Most cyclically stable region, no exposure to oil, shipping or fishing.

# ... and in the capital region



- Decision centre of Norway, including the central government.
- Europe's highest level of education, half of Norway's R&D.
- Fastest-growing capital in Europe relative to size.
- Around 25 % of Norway's population and 32 % of GDP.

# New bank, unchanged values

## The strategic direction:

- Maintain position as preferred financial partner in our original market area, while being the bank with the strongest growth in our new market areas.
- Uncomplicated, transparent banking and financial services in our core markets.
- Local presence combined with SB1 Alliance's leading position in digital channels.

## New bank, unchanged values:

- Still the best capitalised regional savings bank, CET-1 target of 16 % and actual CET-1 of 16.9 %.
- Focus on retail and SME lending, continuation of church spire principle.



# Integrating the banks

- Integration in phases: Legal merger on 1 April, technical merger in October.
- No overlapping branch network, but staff functions will be merged to secure competency and efficiency.
- Estimated integration costs of NOK 100 mn (2017/18 in total) vs a minimum of NOK 75 mn in annual cost synergies.
- A new name to be announced in April.
- New organizational structure and group management established, with effect from 1 April.

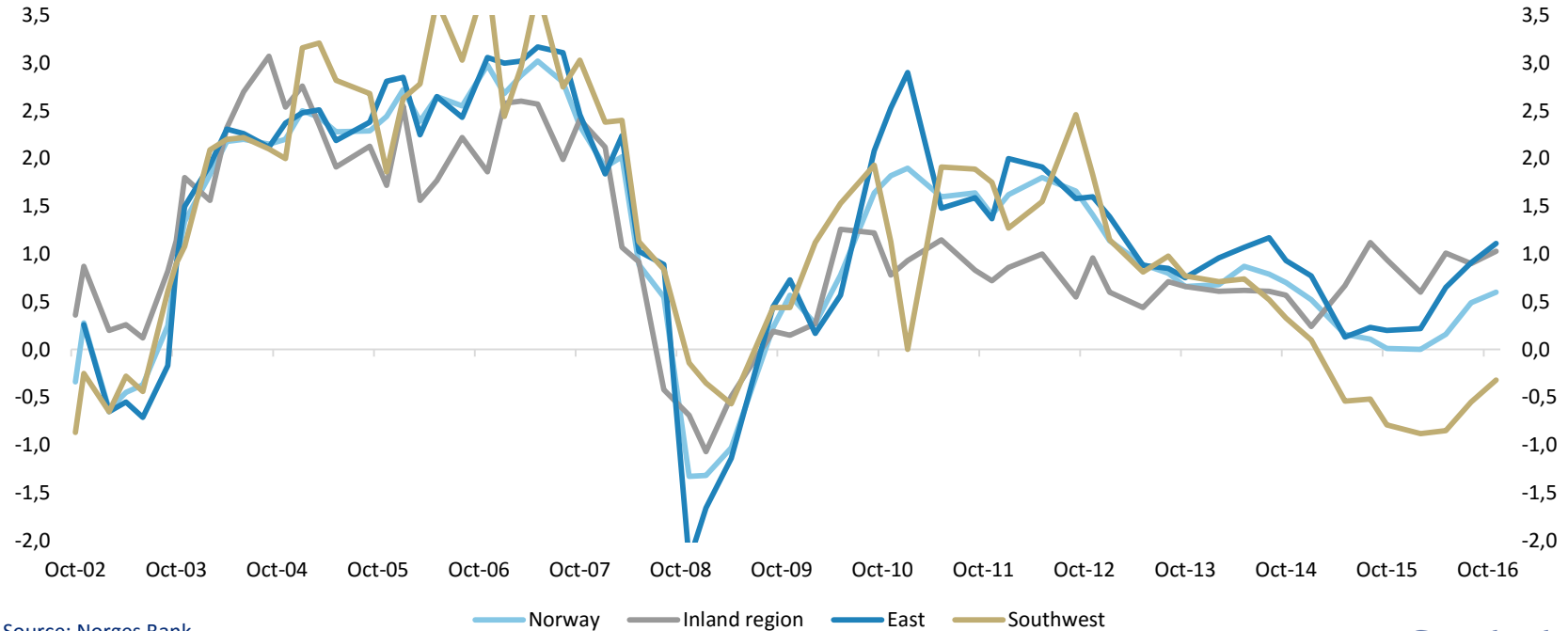


Operating environment

# Inland region more stable than other regions

Oslo-Akershus (East) more similar to the country as a whole (due also to size)

*Regional network, growth in production past 3 months, seas. adjusted index.*

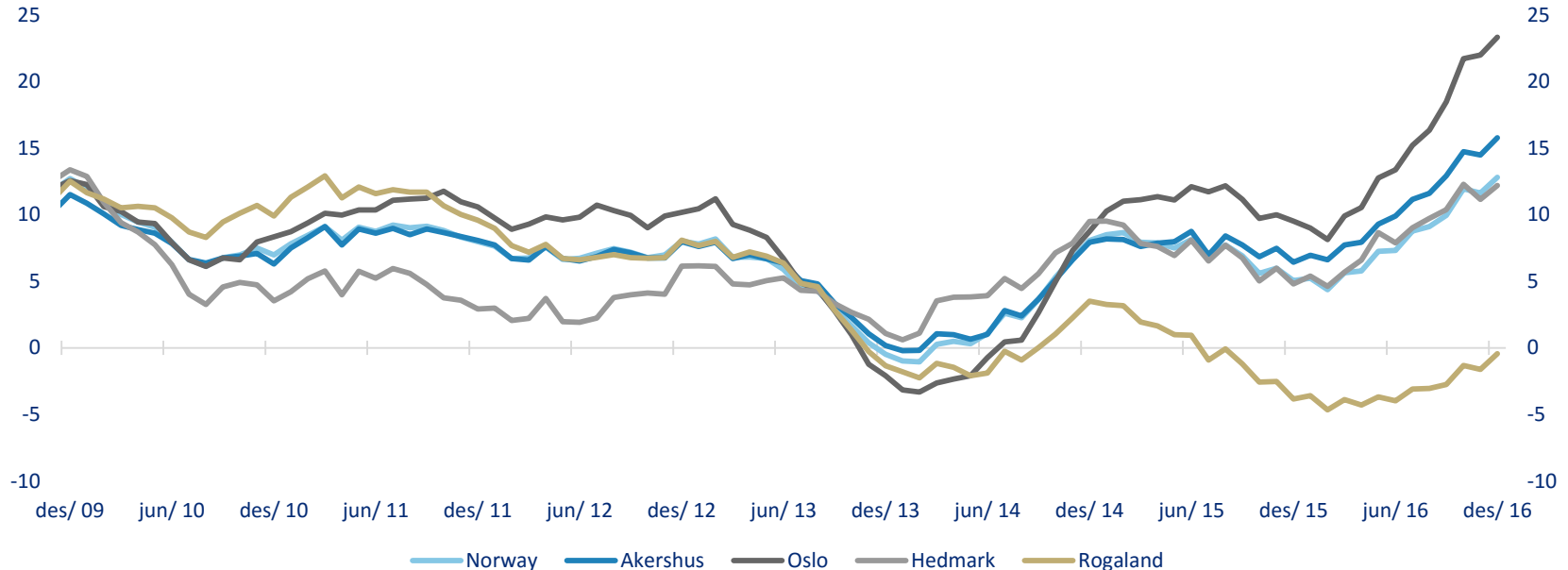


Source: Norges Bank

# House prices have risen sharply

But LTVs are low (Average LTV in Bank 1 of 54 % and 59 % in Sp. Hedmark)\*

## House prices. Annual %-change.



Source: Eiendom Norge

\* Figures include SB1 Boligkreditt. Ex SB1BK, LTVs in Bank 1 and Sp. Hedmark are 61 % and 66 %, respectively.



Our equity story



# A true savings bank



Norway's most solid regional savings bank



Low risk in the loan book



Profitable with high dividend capacity



Unique home market position, attractive growth opportunities



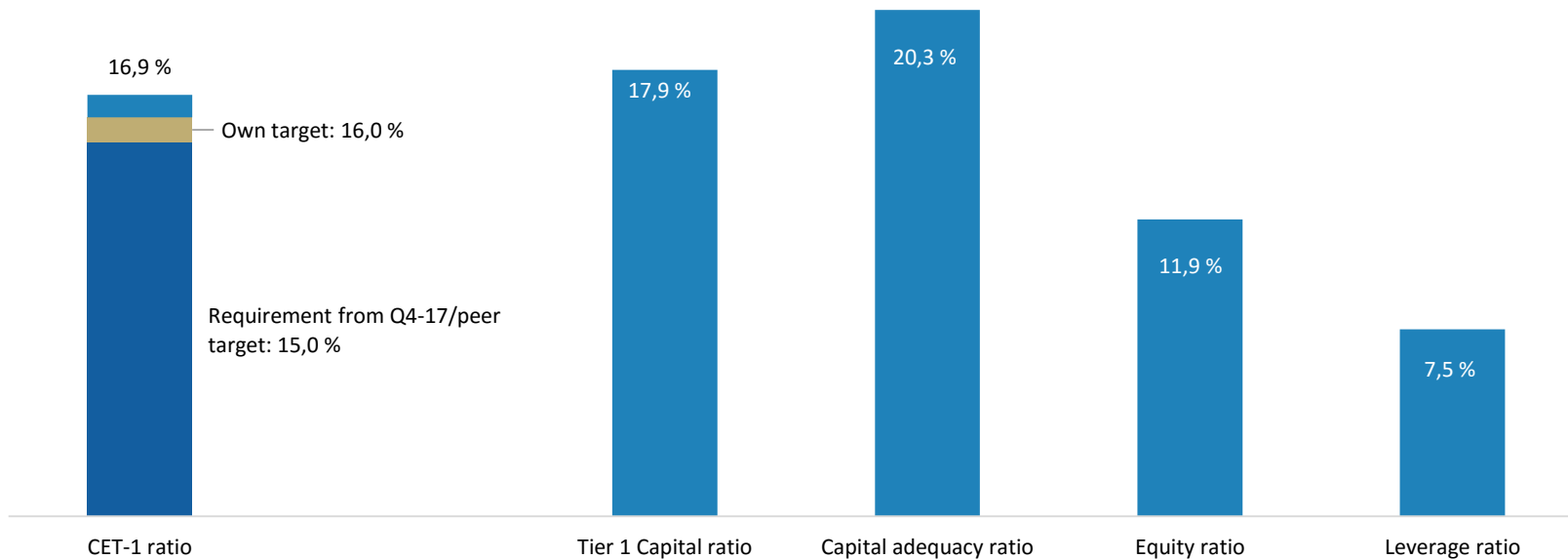
# 1 Norway's most solid regional savings bank

- The only sizeable bank that did not need support during the banking crisis in Norway in the early 1990s.
- Aim to remain the most solid regional savings bank, with a current target of CET-1 of 16 %.
- Actual CET-1 and leverage ratios of 16.9 % and 7.5 %, respectively.
- Foundation as a long-term owner with significant capital reserve.

# Strong capital position

Compares favourably to peers

*Measures of solidity for Sparebanken Hedmark. Q4-2016. %*



# The foundation

## Sparebanken Hedmark Sparebankstiftelse

- **Unique:**
  - Largest equity certificate (EC)-foundation in Norway.
  - Reserves of up to NOK 1.5 billion – and growing.
- **Long-term:**
  - Infinite time-horizon.
  - Will always own at least 50 % of the ECs.
  - Active and competent ownership.
- **“For Hedmark”:**
  - Owned by the local community.
  - Governed by people living in Hedmark with close knowledge of the bank.
  - Large donations within a reasonable framework.



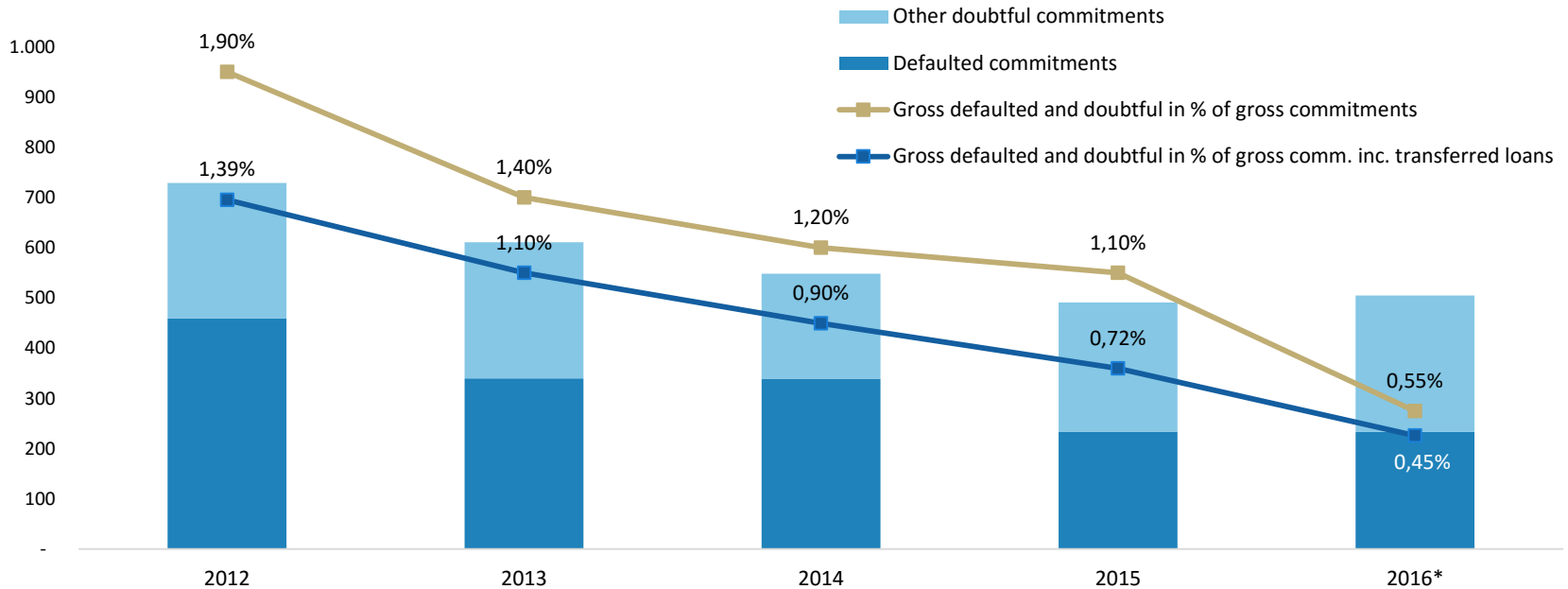
## 2 Low risk in the loan book

- Long history of low and stable losses, reflecting conservative lending and a cyclically stable home-region.
- High share of loans to the retail market, at appr. 74 %
  - 78 % including agriculture, 2nd largest corporate exposure
  - Less than 0.1 % exposure to the oil sector
- Regional diversification, across 4 counties.
- Uncomplicated and transparent business model, careful lending practice, guided by the church spire-principle.



# Low levels of problem loans

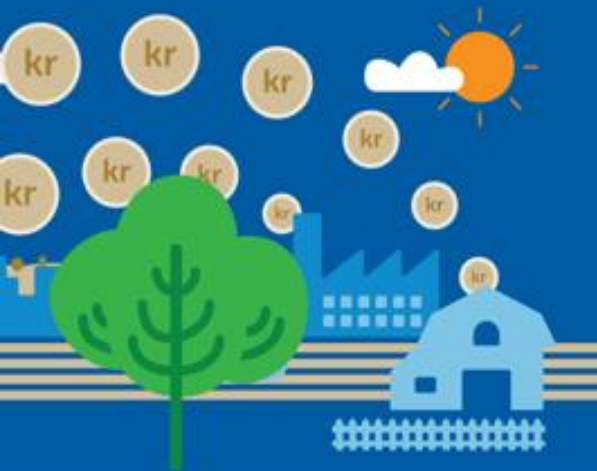
*Defaulted and other doubtful commitments. MNOK.\**



\* Figures for 2016 include 100 % ownership of Bank 1.

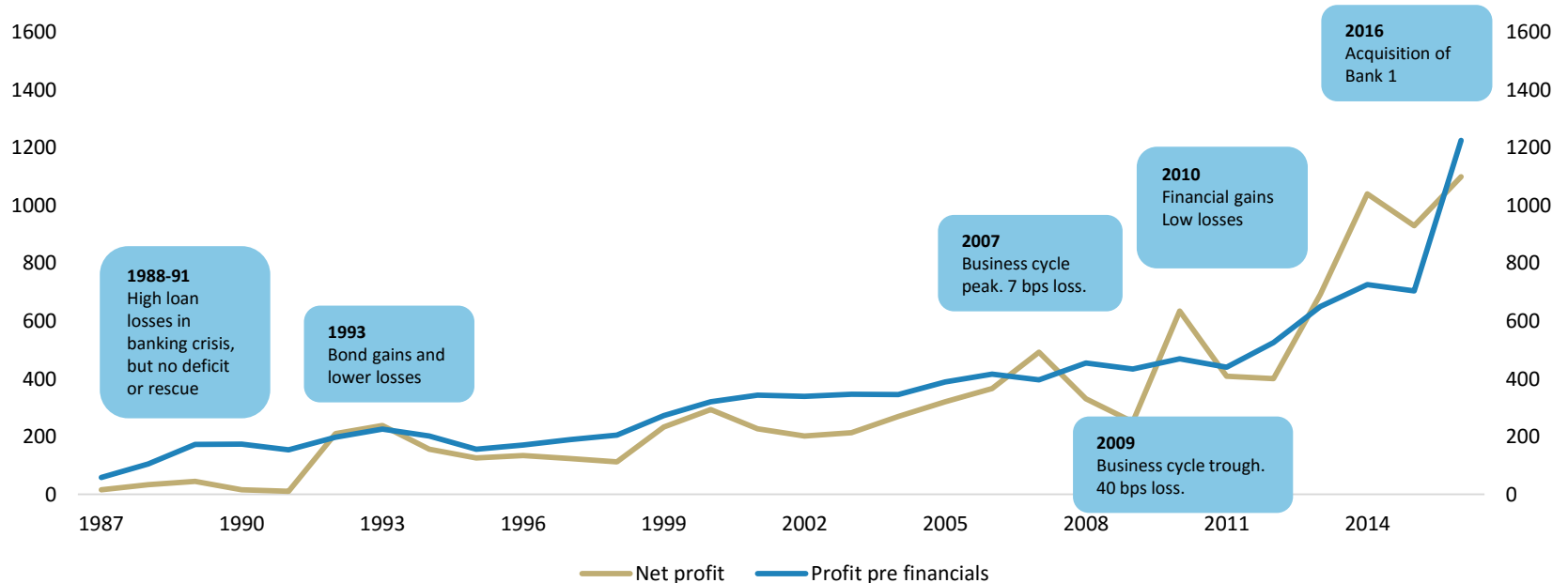
### 3 Profitable with high dividend capacity

- Profitable operations, with a targeted return on equity of 10 %.
- Stable profitability over time, with low losses and a transparent business model.
- Significant cost synergies from the merger with Bank 1 Oslo Akershus, at an estimated minimum of MNOK 75 p.a..
- Profitability, stability and capitalization supports competitive and stable dividends, with a targeted dividend share of 50 %.



# Long history of surpluses

Net profit and profit pre-financials and loan losses, Sparebanken Hedmark. NOK million



Source: Bank reports and SpareBank 1 Markets.



# 4

## Unique home market position, attractive growth opportunities

- Strong market position in Hedmark, with an estimated market share of appr. 50 %.
- Unique position as spearheading the SpareBank 1 Alliance's ambitions in the capital region.
- Growth in retail market based on careful lending practices, aimed primarily towards relation customers and union members.
- Strong traditions for innovation, including in digital banking.



# We believe in digital banking

We launched Europe's first internet bank in 1996

## Europas første bank på Internett

I dag åpner Sparebanken Hedmark SH NetBank, Norges og Europas første bank med online betalingsforbindelse på Internett. Heretter kan du utføre de mest vanlige bankgjøremål fra din egen datamaskin. Med SH NetBank har alle samme mulighet til banken, uansett hvor du bor. Forutsetningen er at du har tilgang til Internett.

**LES & BRUK**  
SH NetBank er åpen 24 timer i døgnet. Om du ikke har tilgang til Internett, kan du bruke SH NetBank på din PC. SH NetBank er tilgjengelig på alle datamaskiner som har tilgang til Internett. Du kan utføre alle bankgjøremål som vanlig, men du kan ikke utføre alle bankgjøremål som vanlig. Du kan ikke utføre alle bankgjøremål som vanlig. Du kan ikke utføre alle bankgjøremål som vanlig.

**DU KAN SIKKERHET TESTET**  
SH NetBank er utviklet med sikkerhet som prioritet. Du kan utføre alle bankgjøremål som vanlig, men du kan ikke utføre alle bankgjøremål som vanlig. Du kan ikke utføre alle bankgjøremål som vanlig.

**ENKLE TJENESTER**  
Systemet er så langt åpnet for bankens egen produktinformasjon.

**Sparebanken HEDMARK**  
<http://netbank.fellesdata.no/sh>



Tirsdag 1. oktober 1996 • Hamar Arbeiderblad

## Først på internett

**HAMAR: Sparebanken Hedmark, SH, åpnet i går Europas første bank på internett. Har du ikke bry deg om at bankfilialen på hjørnet er nedlagt. Med SH Netbank får du med deg på skjermen foran deg.**

**HA: FINN ARNE ERIKSRUD**

SH skrev historie da de i går tok i bruk en ny og grensesprengende teknologi for banktjenester. Det er en myte at hedmark-markeringen orienterer seg raskt mot stolt adm. dir. Harry Konterud da med de som har utviklet internett- og enkle banktjenester. Du kan betale regninger til alle norske post- og bankkonti. Transaksjonene skjer umiddelbart og er således svært kostnadseffektive for banken som gjennom dette systemet håper å frigjøre og bedre kundetilbudet.

Til tjenesten trenger kunden et digitalt passkort som koster 200 kroner i året. I tillegg kommer te-av internett (lokalnærskole) ved bruk for alle transaksjoner fram til sommeren. Fra da av vil prisen heves til tre kroner dersom betalingsmottaker skal ha brev med beskjed om at innbetalingen har funnet sted. Overføringer mellom egne konto er gratis, det samme gjelder saldoforeparsler. Også oversikter over transaksjoner er gratis i bankens åpningstider, ellers koster det

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**SIKKERHET TESTET**  
Det er lagt stor vekt på sikkerheten i systemet. Følsom informasjon har sitt eget sikkerhetskort. Loggskjerm er lagt inn for å gi bedre kontroll over nettet, men de har ennå ikke fått til å sette opp sikkerhetskontrollen. Loggskjerm er lagt inn for å gi bedre kontroll over nettet, men de har ennå ikke fått til å sette opp sikkerhetskontrollen. Loggskjerm er lagt inn for å gi bedre kontroll over nettet, men de har ennå ikke fått til å sette opp sikkerhetskontrollen.

**SELVBETJENINGSBANK:**  
Med en barbar PC knyttet opp mot internett kan du heretter utføre alle enkle banktjenester over Sparebankens nye nettside. Demonstrerer fra vestre produktstjef Knut Edmund Pura og sossjef Rune Dye.

FOTO: FINN ARNE ERIKSRUD



# So do our main competitors

## Our largest competitor is closing many branch offices in the region

BANKVIRKSOMHET NYHETER

### DNB legger ned 59 kontorer i Norge - Årnes er ett av dem

Av MAGNUS AARMO HOLTE

NES: Fem av kontorene er på Romerike.

DEL 4 **Nord 241** Etter Nord 241 erfarer har DNB besluttet å legge ned 59 av sine kontorer i Norge i løpet av første halvår 2016.

Santidig skal bankens mest medlemmer. Det betyr at 600 ansatte mister jobben.

#### Allmøter pågår i ettermiddag

Det betyr at halvparten av DNBs kontorer blir nedlagt.

Les også: [DNB legger 59 filialer, 600 mistet jobben](#)

15 av disse er i Nord-Norge.



KUTTER: DNB legger ned i landet. FOTO: SCANPIX

### DNB legger ned bankkontoret i Elverum

Av STÅLE JOHAN BERG

03. februar 2016, kl. 18:21

DNB skal i løpet av første halvår 2016 halvere totalt antall bankkontorer i Norge. Dette fordi de fleste av kundene nå har blitt selvbetjente med hjelp av tjenester på internett og mobil.



NYHETER MOELV BANK, FINANS OG FORSIKRING

### DNB legger ned i Moelv

Av GAUTE FRENG

03. februar 2016, kl. 20:38

DNB bank i Moelv varsles lagt ned. Det vekker reaksjoner.

DEL 4 I en pressemelding melder DNB at banken at skal redusere antall bankkontorer som betjener personalkundet fra 116 til 57.

DNB skal også kutte 600 årsverk. Endringer i folks bankvaner er forklaringen på de store kuttene.

En av de som altså skal stenge er DNB i Moelv.

Erindningsuttaler Per Tore Teksum er en av flere som er tvefornyet med nyheten.



DNB i Moelv varsles lagt ned

ØKONOMI OG NÆRINGS LIV ELVERUM NYHETER BANK, FINANS OG FORSIKRING BANKVIRKSOMHET

NRK NYHETER SPORT TV RADIO DESTROERT

Hedmark og Oppland Tips oss Radiosendinger Østlytt Innlandsscenen Ungdoms-OL 2016

### Nedbemanning DNB

- Østlytt Kritikl til nedleggingsvedtak** – Vi er kritisk til nedleggelsen av DNB-kontorer og er uenig med ledelsen i begrunnelsen, sier hovedtillitsvalgt Vigdis Mathisen. Selskaper i Hedmark og Oppland blir lagt ned, og det skal selges innen 1. juni. – En spakmelding å si, sier Mathisen.
- Lagt kl. 18:26 Selskaper legges ned** DNB legger ned seks kontorer i Hedmark og Oppland. Dette gjelder kontorene på Elverum, Raufoss, Moelv, Ringebu, Otta og Dombås. Santidig vil kontorene på Lillehammer, Hamar og Gjøvik bli stykket. Kårløve regionbanefag Kenneth Anderson.



### - Det ble veldig stille da beskjeden kom

NRK ARBEIDET

Av JAN MORTEN FRENGSTAD 03. februar 2016, kl. 19:44

– Budskapet ble mottatt av de ansatte, men det har ikke gått opp for dem, sier nestleder i Finansforbundet i DNB, Jørn O. Kvilhaug.

DEL 4 DNB har besluttet å legge ned 59 av sine filialer i Norge, 600 ansatte mister jobben. Banken begrunner det med at 83 kontorer er tomme bankene, og at disse i stedet har flyttet seg over til digitale faser.

Et av kontorene som er rammet er DNBs filial i Elverum. Her mister sju ansatte jobben.

– Man kan jo bare selve seg



GODTAR IKKE OPPSISLER, Jørn O. Kvilhaug er nestleder i Finansforbundet i DNB. Han ser ut de ikke godtår oppsigelsen når 600 nedbemannes i DNB.

HA 1000 FN FÅTILGANG BENDOM STILLES DOKTIL VEDTAK ERNVEKJEDENSAND



### DNB legger ned og kutter kraftig også lokalt

DNB avvikler kontorene i Moelv og Elverum. I Hamar må alle ansatte søke på "sine egne" jobber på nytt.

Frank Brandstad

– Vi avvikler kontorene i Moelv og skal ned med ganske mange ansatte i resten av midt-området.

Det sier Bjørn Erik Waanar (SD) fra Moelv.

Han er banefører for DNB i Moelv, Lillehammer og Gudbrandsdalen.

Hans største bekymring er brukerne i området.

Nå må en betydelig del av disse finne seg andre jobber.

### DNB kutter filialer og kvitter seg med 600 årsverk

Endringer i folks bankvaner gjør at DNB nå nedbemannes.



Spørredirektør HEDMARK

# But we also believe in local banking

- We believe that most people still want to discuss personal economy with their bank – even the millennials.
- We believe that business leaders needs discussion partners that understand their particular situation – especially in the SME segment, including our agricultural customers.
- We believe that Sparebanken Hedmark needs to remain local to remain relevant - as a true savings bank.



# Planned IPO in 2017

Following the merger in April, depending on market conditions

Step 1

*Decision to evaluate*

Step 2

*Evaluation, decision to convert, implementation*

Foundation

Step 3

*Equity issue to B10A-owners*

Foundation

B10A-owners

Step 4

*IPO*

Foundation

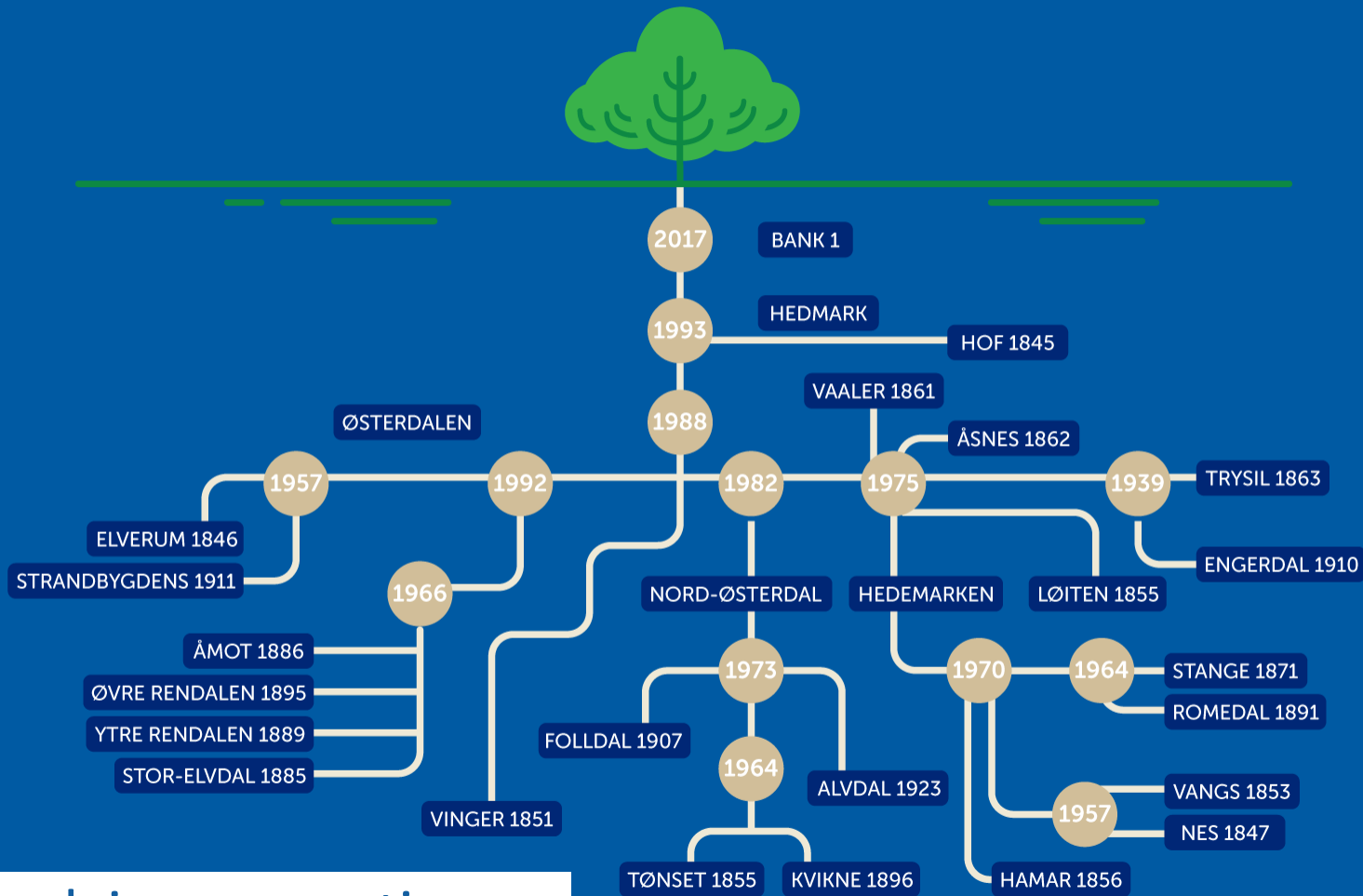
B10A-owners

Free float

**Intention to keep EC-capital ratio stable**



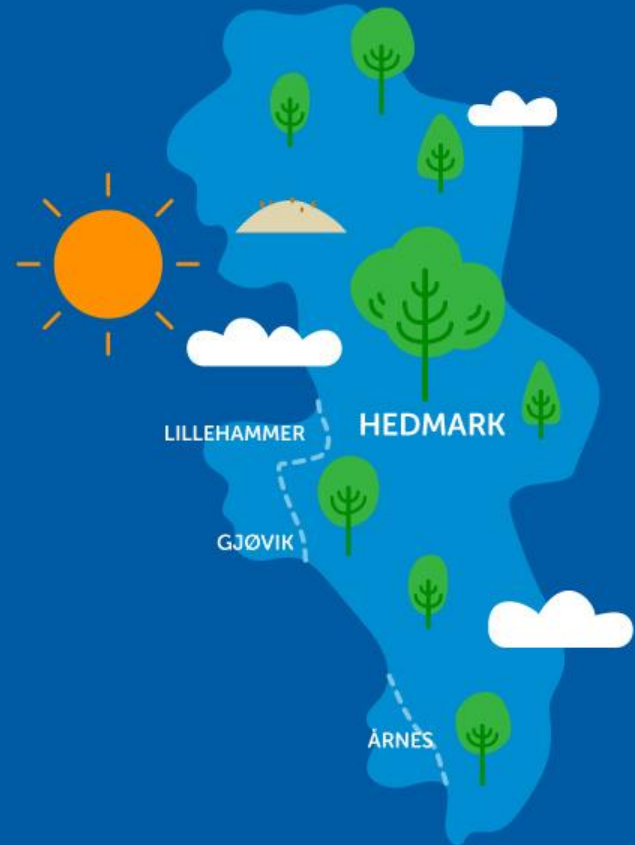
# Appendix



The bank in perspective

# Sparebanken Hedmark

- Total adjusted assets of NOK 76 bn.
- Operations in Hedmark, Oppland and Akershus.
- 190.000 customers.
- Retail and corporate market share of around 50 % each.
- Retail share of lending of 65 %.
- Banking, leasing, accounting and real estate services.

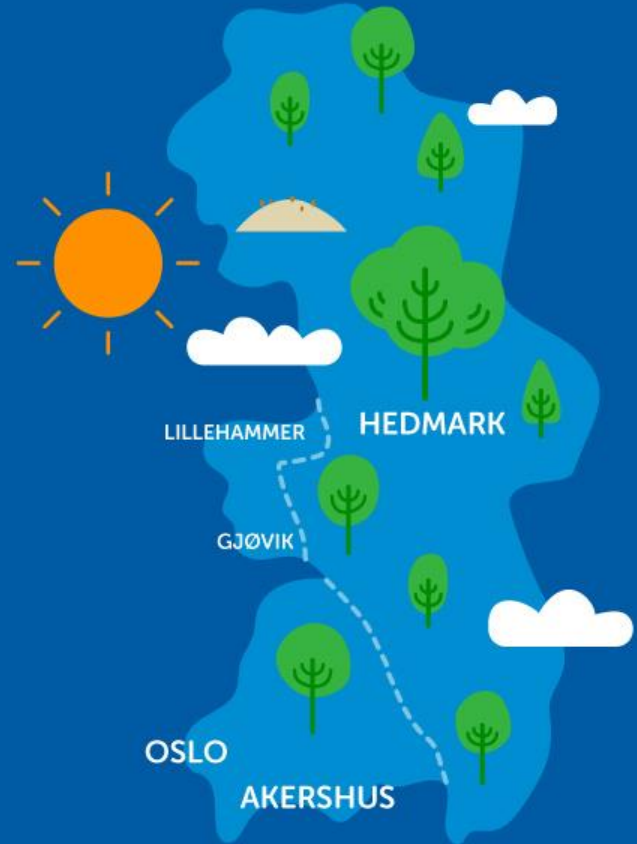




# Bank 1 Oslo Akershus

Acquired by Sp. Hedmark on 29 June 2016

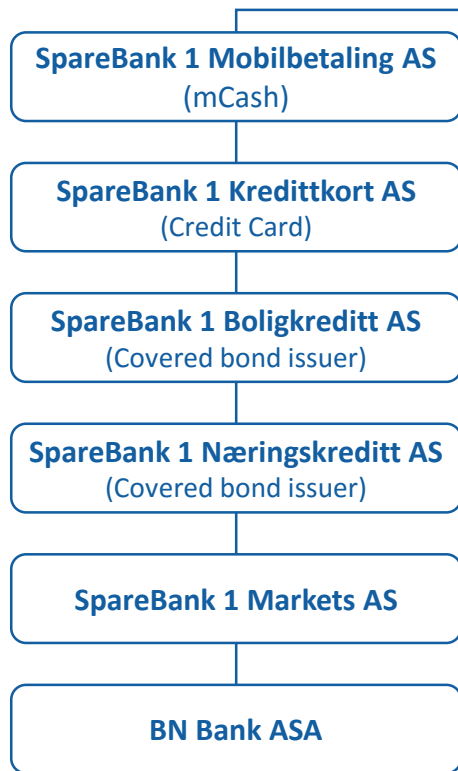
- Total adjusted assets of NOK 61 bn.
- Operations in Oslo and Akershus.
- 100.000 customers.
- Retail and corporate market share of 8 % and 4-5 %, respectively.
- Retail share of lending of 82 %.
- Banking and real estate services.



# Part of the SpareBank1 Alliance



- SpareBank 1 BV
- SpareBank 1 Gudbrandsdal
- SpareBank 1 Hallingdal Valdres
- SpareBank 1 Lom og Skjåk
- SpareBank 1 Modum
- SpareBank 1 Nord-Norge
- SpareBank 1 Nordvest
- SpareBank 1 Nøtterøy-Tønsberg
- Bank 1 Oslo Akershus AS
- SpareBank 1 Ringerike Hadeland
- SpareBank 1 SMN
- SpareBank 1 SR-Bank ASA
- SpareBank 1 Søre Sunnmøre
- SpareBank 1 Telemark
- SpareBank 1 Østfold Akershus
- Sparebanken Hedmark



## The Alliance (Alliansesamarbeidet)

### SPAREBANK 1 GRUPPEN AS

SpareBank 1 Forsikring AS  
(Life insurance)

SpareBank 1 Skadeforsikring AS  
(Non-life insurance)

ODIN Forvaltning AS  
(Fund management)

SpareBank 1 Medlemskort AS  
(LOfavør)

Conecto AS  
(Debt collection)

SpareBank 1 Gruppen Finans AS  
(Factoring/debt purchase)

### SPAREBANK 1 BANKSAMARBEIDET DA

Eiendomsmegler 1 Norge AS

SpareBank 1 Kundesenter AS

SpareBank 1 Verdipapirservice AS

SpareBank 1 ID AS

SpareBank 1 Asept AS

# The SpareBank 1 Alliance

SB1 Gruppen + SB1 Banksamarbeidet

## SpareBank 1 Banksamarbeidet DA

- Delivering business solutions and services to the SB1 banks
- The banks are customers (and owners)

## SpareBank 1 Gruppen AS

- Delivering products to the SB1 banks
- The banks are distributors (and owners)



## PURPOSE

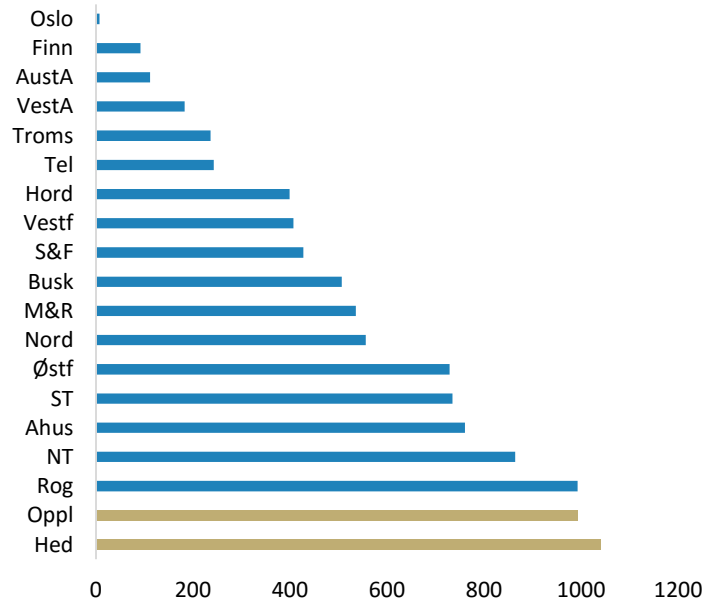
- *“to deliver attractive products and services with a strong focus on customer satisfaction”*
- *“Contribute to the profitability of the SB1 banks in order for them to increase competitiveness and maintain independence”*



Operating environment

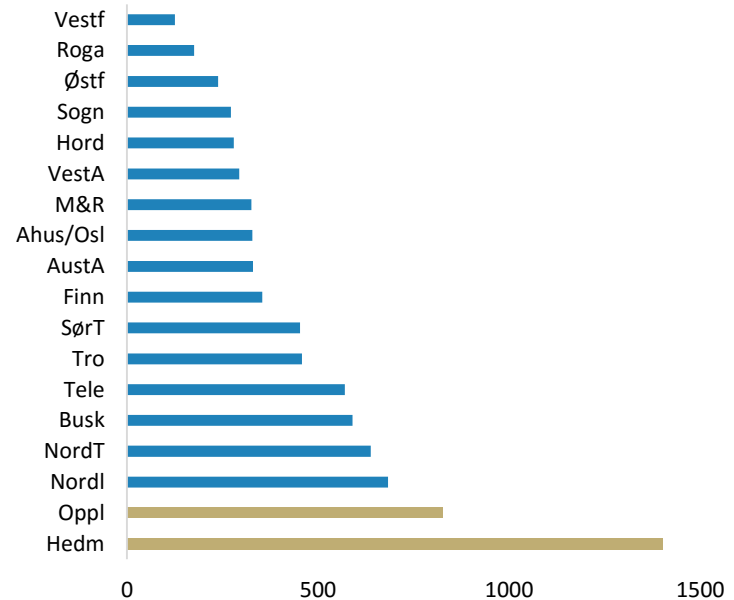
# The Inland: Breadbasket and forest resources

*Acres of farmland per county. 1000s per 2015.*



Source: Norwegian Agriculture Agency

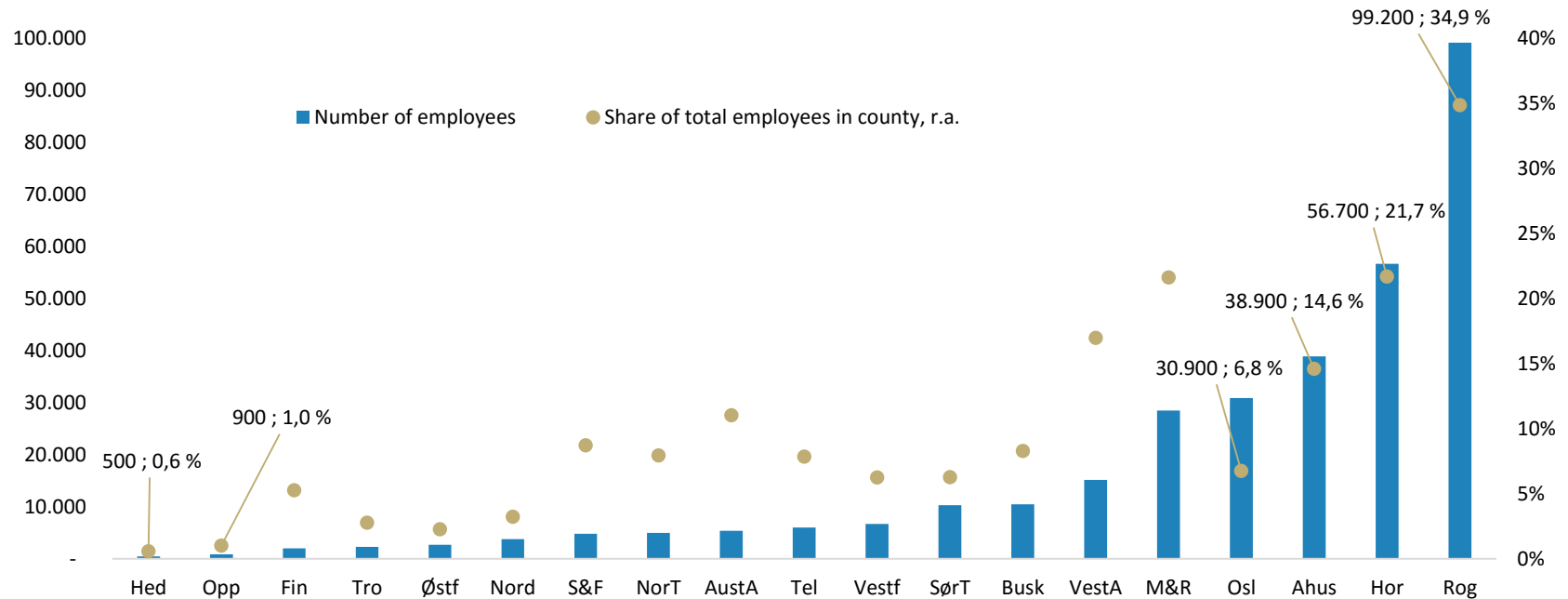
*Acres of productive forests per county. 1000s per 2014.*



Source: National Forest Inventory, 2014

# Regional variations in oil-related employment

*Direct and indirect employment in the oil sector. Absolute numbers and % of total employment.*

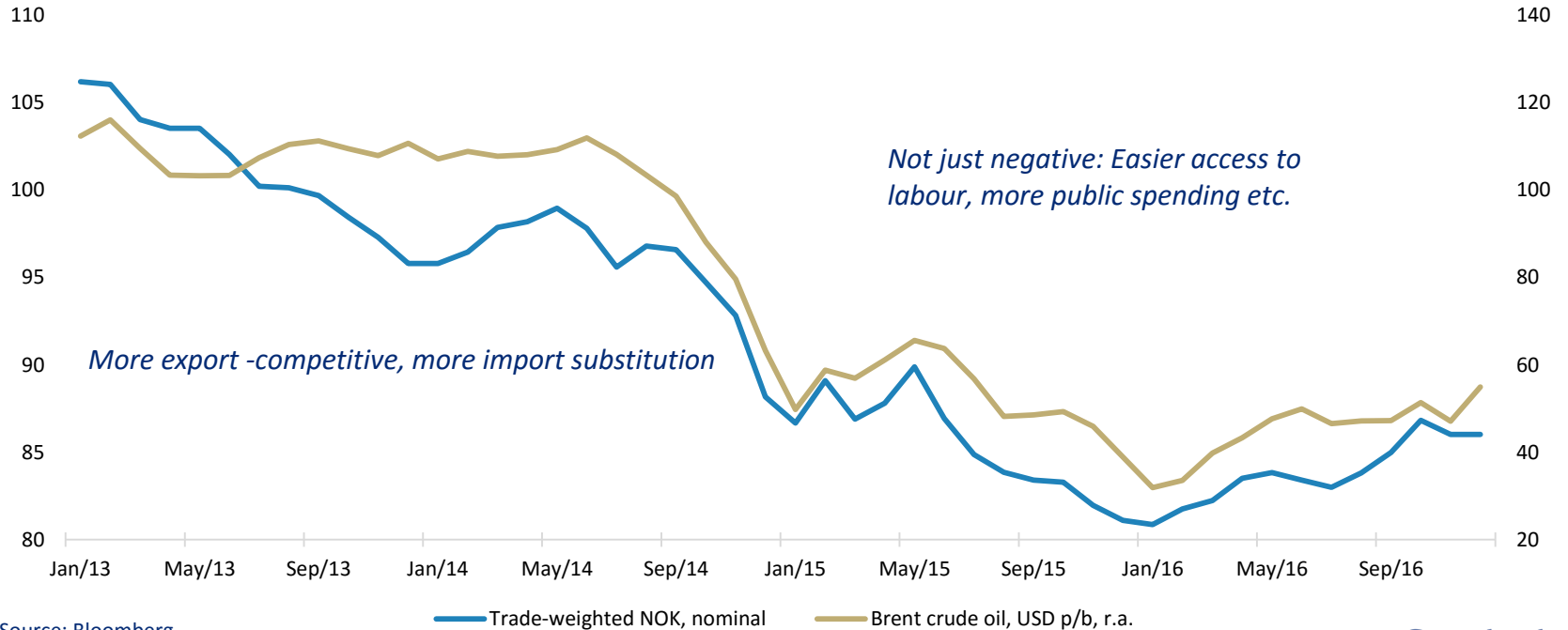


Source: Statistics Norway and IRIS (<http://www.iris.no/forskning/samfunn/n-ringsliv-og-arbeidsmarked/industribyggerne-2015->).

# Cyclical downturn due to low oil prices

Alleviated by NOK-weakness

*Trade-weighted NOK (higher means stronger NOK) and Brent crude oil (r.a.).*

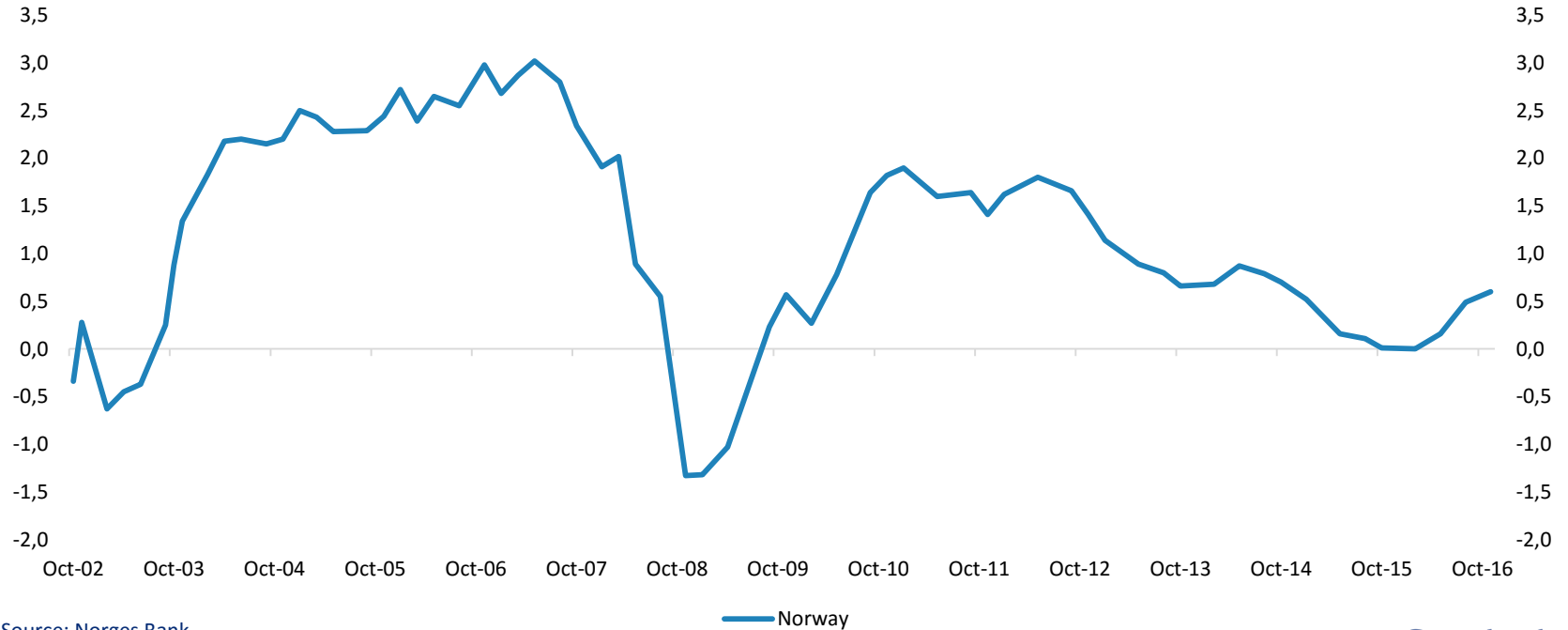


Source: Bloomberg



# Growth on the mainland is picking up again

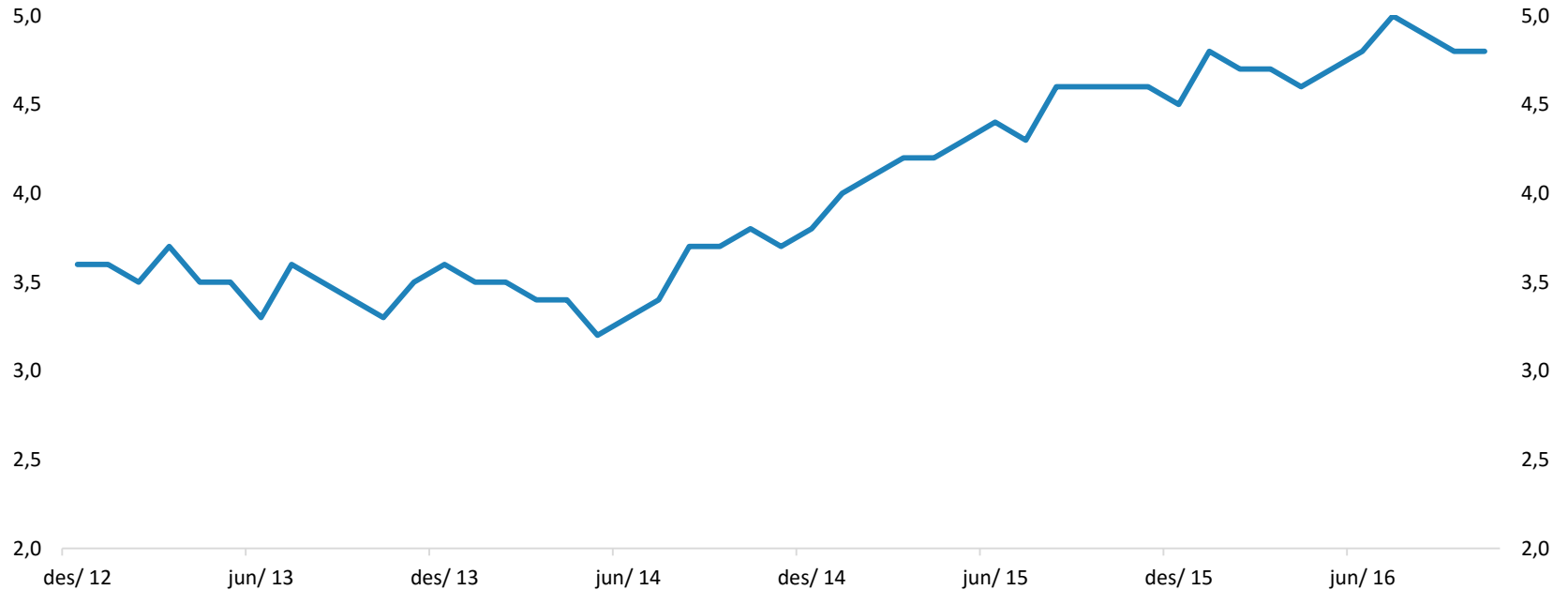
*Regional network, growth in production past 3 months, seas. adjusted index.*



Source: Norges Bank

# Unemployment has probably peaked

*Unemployment rate. Labour Force Survey. Seas. adjusted rate.*

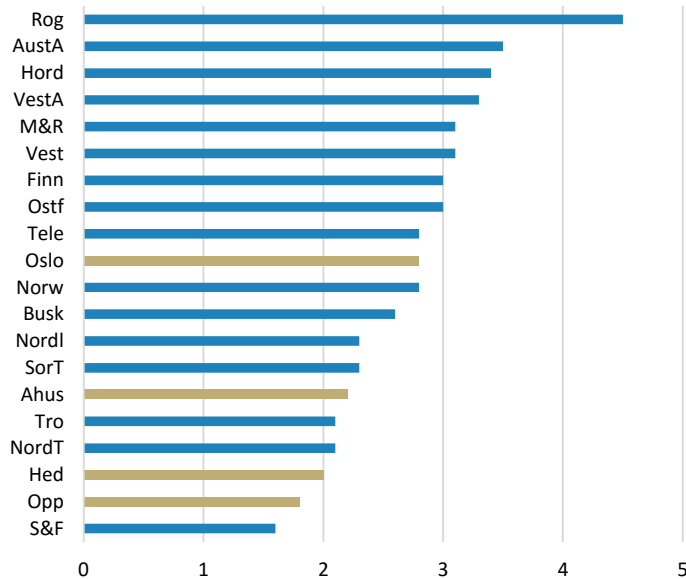


Source: Statistics Norway

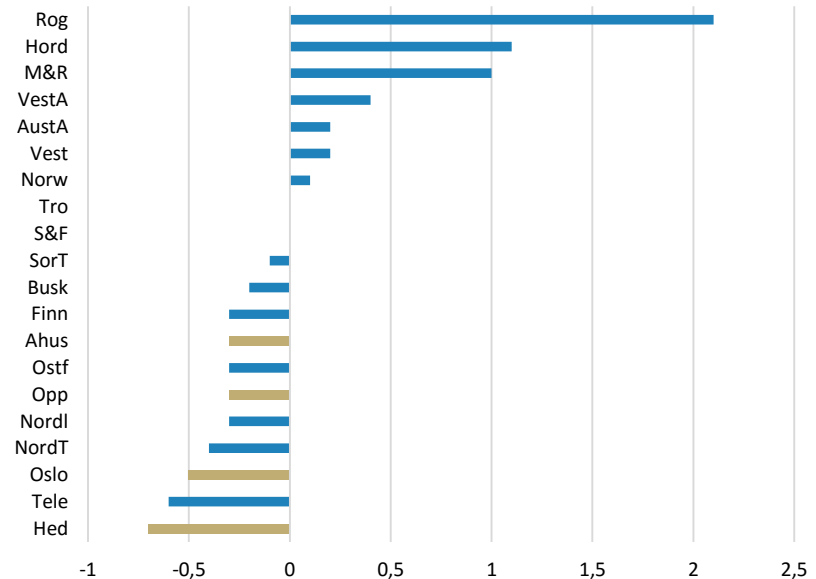
# Large regional differences

Reflecting exposure to oil-related industries

*Registered unemployment rate. %. Dec-2016.*



*2-yr change in registered unemployment rate. %-points.*

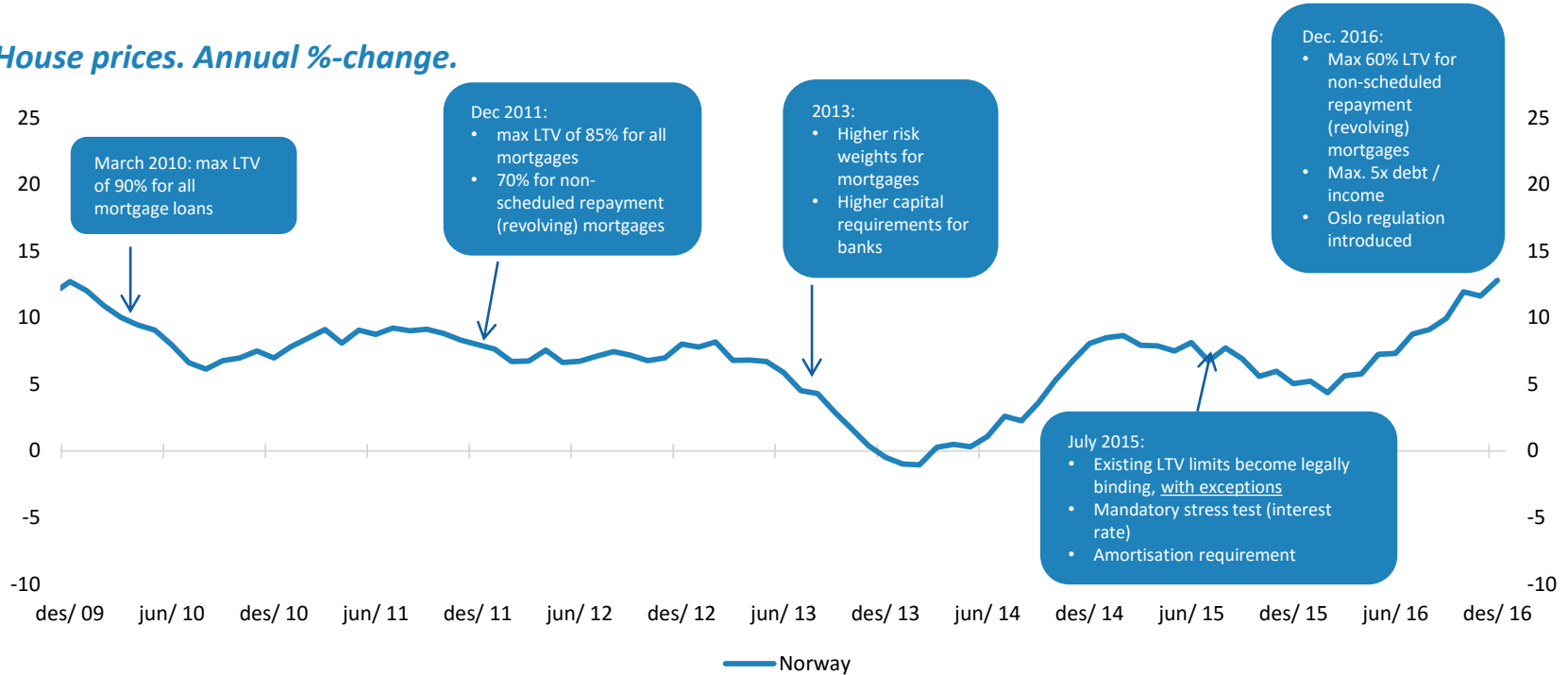


Source: Norwegian Labour and Welfare Administration

Source: Norwegian Labour and Welfare Administration

# House prices have risen sharply

## House prices. Annual %-change.

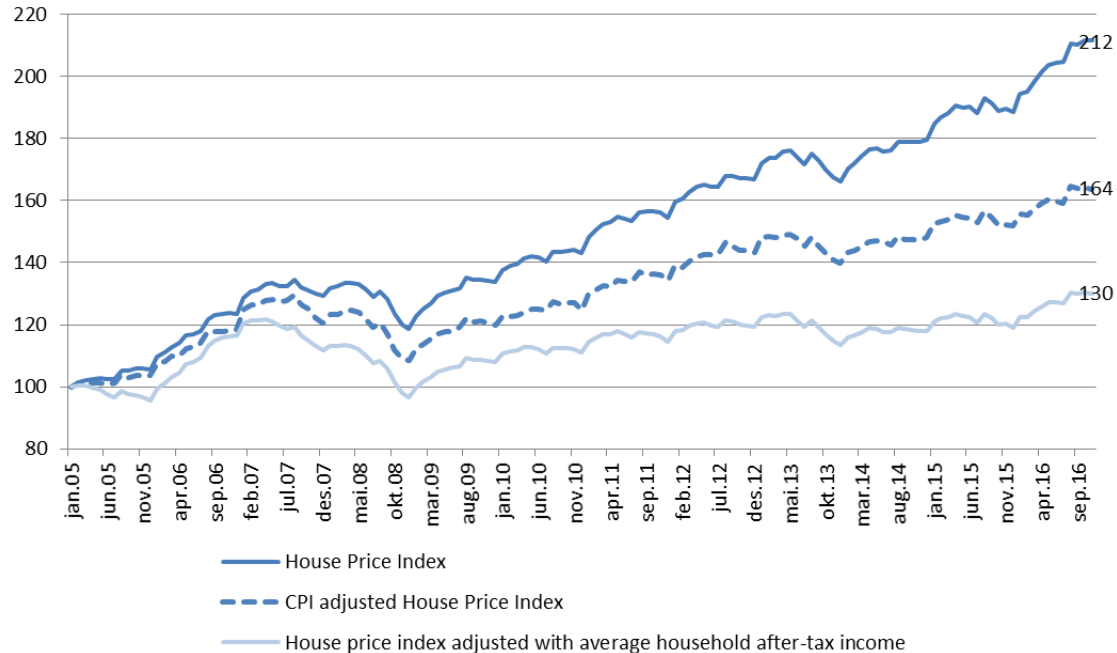


Source: Eiendom Norge

# Prices are elevated

Making the mortgage market vulnerable to correction

*House prices adjusted for price developments.*



Source: Eiendomsverdi and SpareBank 1 Boligkreditt

# The Norwegian housing market

Mortgage Market	<ul style="list-style-type: none"><li>• Total size approximately NOK 2,600 billion (USD 325bn, €290bn)</li><li>• Private banks (incl. savings banks) are the dominant suppliers of mortgages with over 95% market share</li><li>• Scheduled repayment mortgages: 83.4%, flexible: 16.6%</li><li>• Typical maturity: 25 years</li><li>• First priority security market with high doc. Standard</li><li>• 90-95% of mortgages are variable rate</li><li>• Interest rates can be reset at the lender's discretion, by giving the debtor 6 weeks notice</li></ul>
Home Ownership	<ul style="list-style-type: none"><li>• Over 80% of households owner occupied (little buy to let)</li><li>• Between 50 and 60% are detached one-family houses</li></ul>
Social security	<ul style="list-style-type: none"><li>• Unemployment benefits represents ca 60% of salary for 2 years</li></ul>
Personal Liability	<ul style="list-style-type: none"><li>• Borrowers are personally liable for their debt</li><li>• Swift foreclosure regime upon non-payment</li><li>• Transparent information about borrowers</li></ul>
Regulation	<ul style="list-style-type: none"><li>• Loan to value: 85% (75% legal limit for cover pool)</li><li>• Flexible repayment mortgages: max 60% LTV</li><li>• 5% mortgage interest rate increase as stress test</li><li>• High risk weighting for banks for mortgage lending (20-25%)</li><li>• Maximum 5x debt / gross income for borrowers</li><li>• 10% exceptions possible, special regulation for Oslo</li></ul>
Tax Incentives	<ul style="list-style-type: none"><li>• 25% of interest paid is tax deductible (equal to the basic rate of tax)</li><li>• Low effective real estate tax (lower net worth tax on real estate than financial assets)</li></ul>

Source: SpareBank 1 Boligkreditt



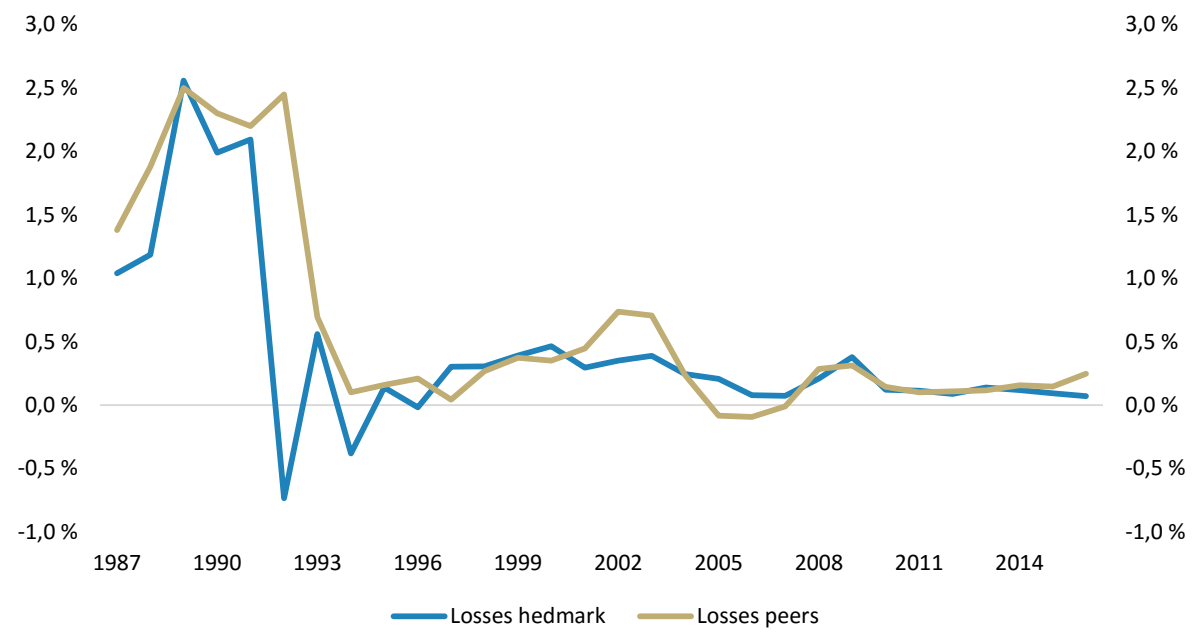
Loan book characteristics



# Long history of low loan losses

In line with peers, but more stable than peer average

*Loan loss provisions (incl SpareBank 1 Boligkreditt). % of lending.*



Source: Bank reports and SpareBank 1 Markets. Peers: NONG, SRBANK, MING, MORG, SVEG. Peer-average estimate for 2016 based on data until Q3-16.

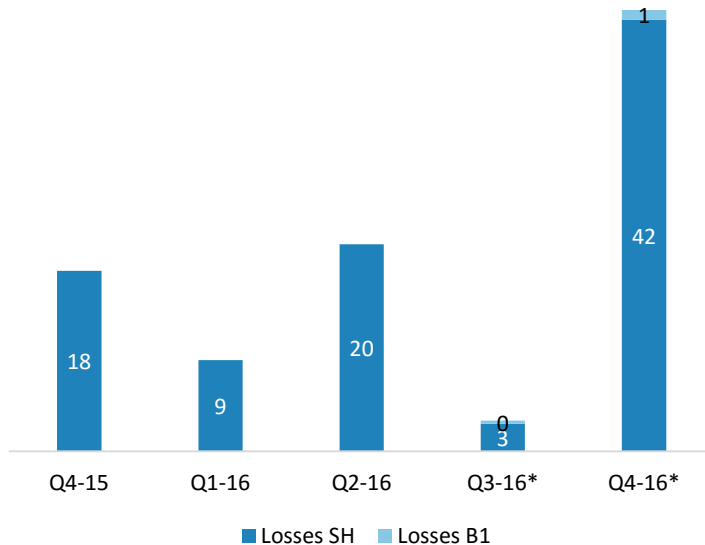




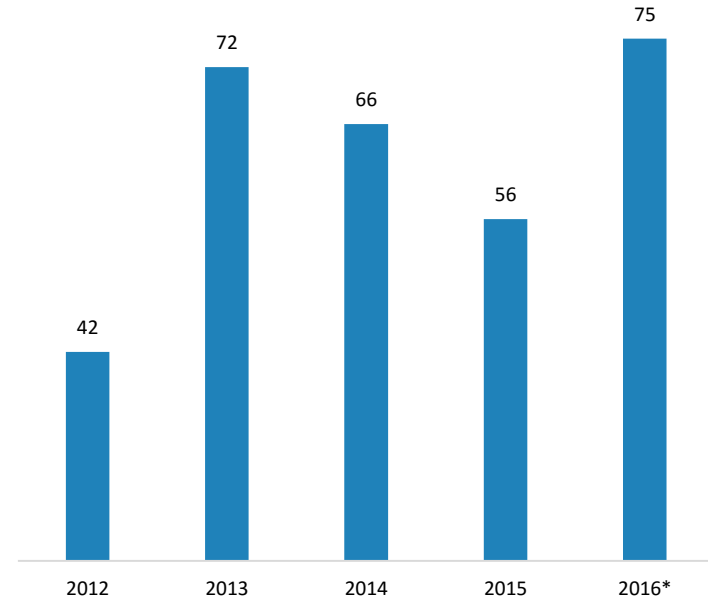
# Recent loan losses have been exceptionally low

Bank 1 has had close to zero losses in the past year

Losses on loans and guarantees. Quarterly. MNOK.\*



Losses on loans and guarantees. Annual. MNOK.\*

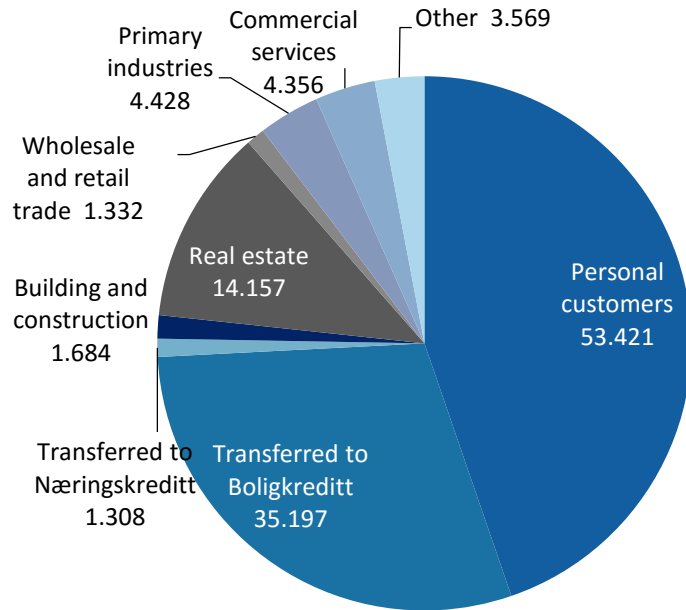


\* Figures for Q3-16 and Q4-2016 include 100% ownership of Bank 1.

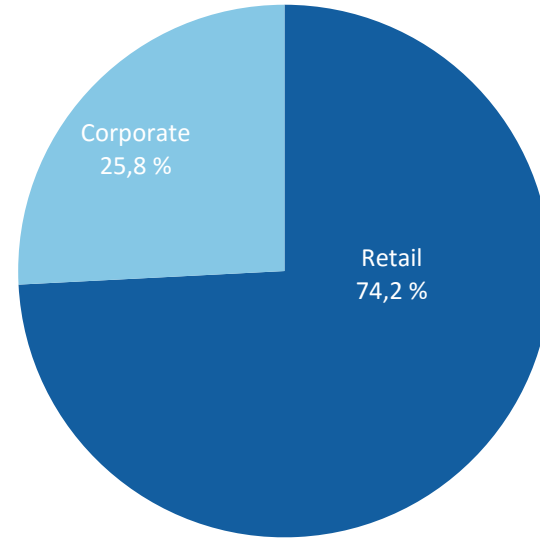
# Retail share of 74 % in the loan portfolio

Around 78 % if including agriculture

*Composition of loans incl. covered bond companies. MNOK.*

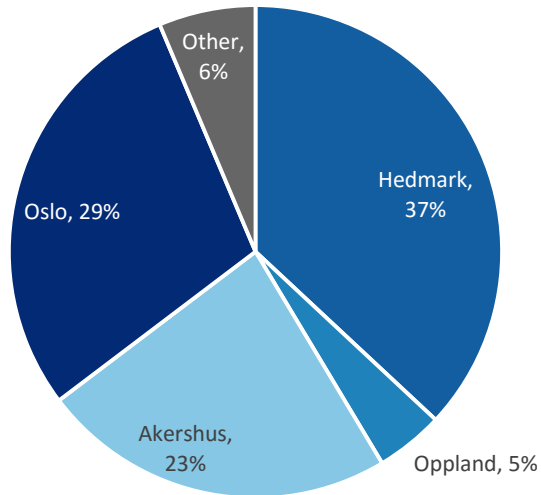


*Composition of loans incl. covered bond companies. % share.*

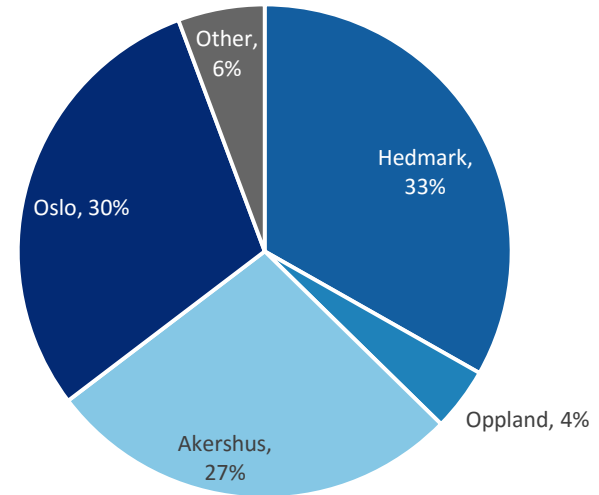


# Portfolio is evenly distributed geographically

*Gross lending by county. % of total lending\*.*



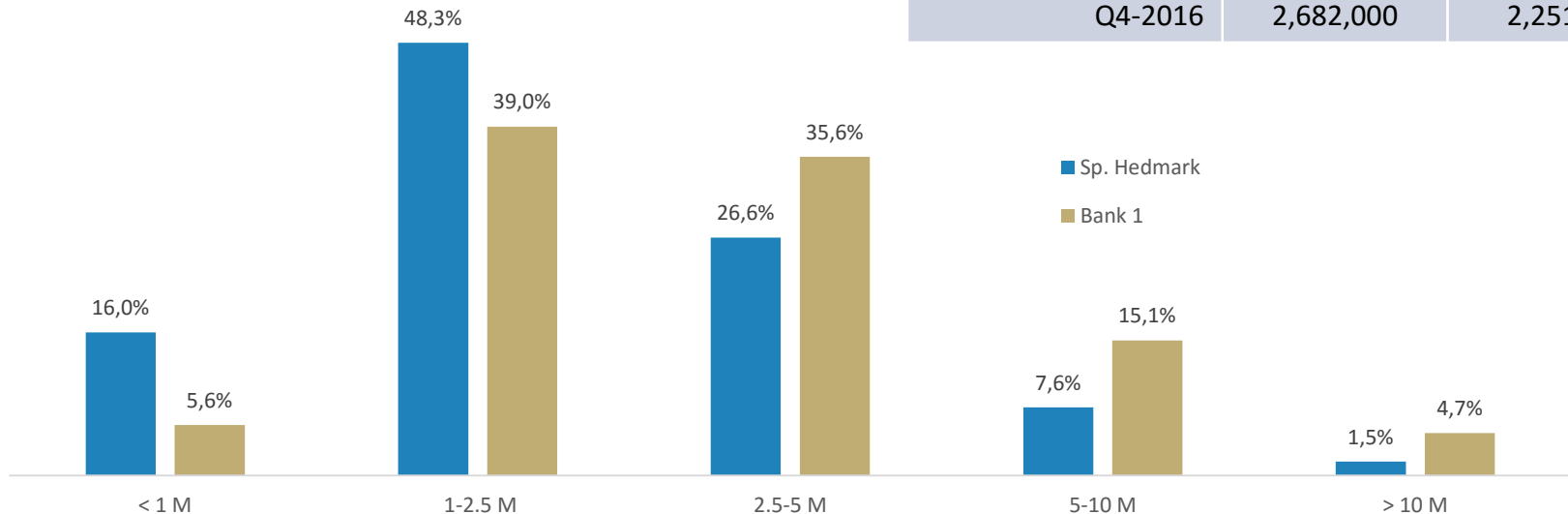
*Mortgage loans by county. % of total mortgage lending\*.*



\* Figures include loans transferred to covered bond companies, but not loans from SpareBank 1 Finans Østlandet.

# Size of home mortgages

Home mortgages in the portfolio by size interval. % share.\*



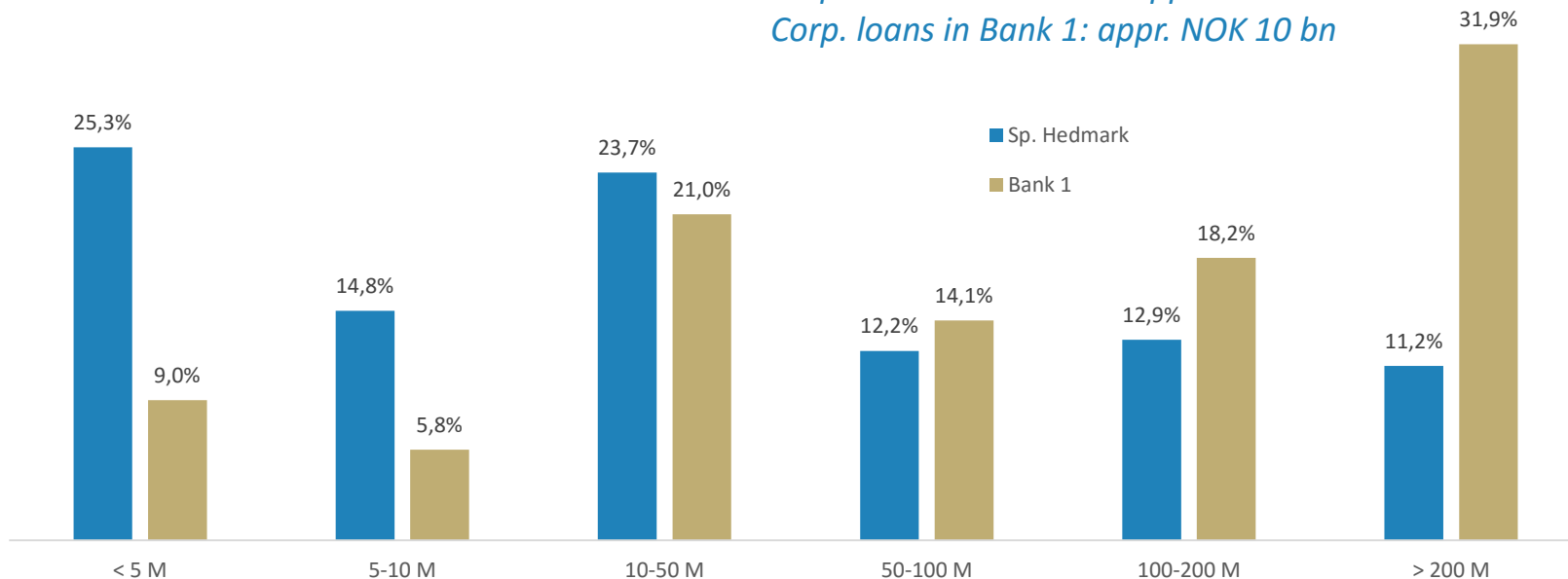
Size of new loans granted from Bank 1	Avrg	Median
Q4-2014	2,246,038	1,850,000
Q4-2015	2,317,208	2,000,000
Q4-2016	2,682,000	2,251,718

\* Figures include loans transferred to covered bond companies.

# Size of corporate loans

Corporate loans in the portfolio by size interval. % share.\*

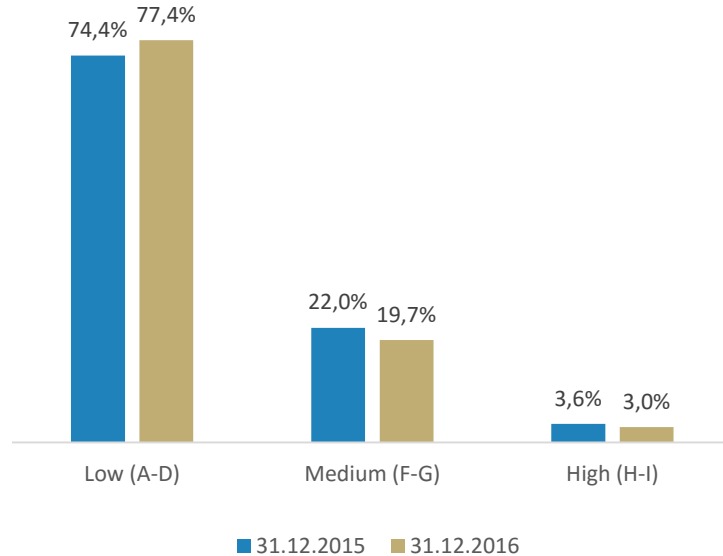
Corp. loans in Hedmark: appr. NOK 22 bn  
Corp. loans in Bank 1: appr. NOK 10 bn



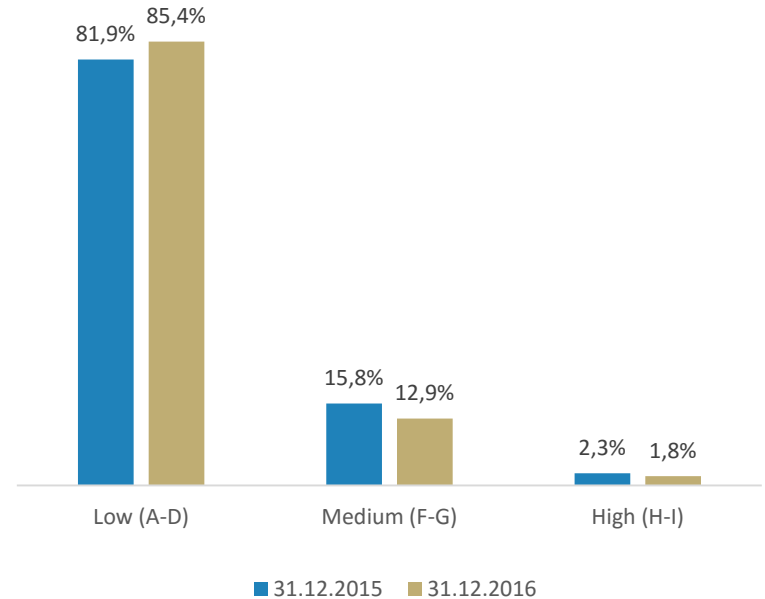
\* Figures include loans transferred to covered bond companies. Numbers for Hedmark include some agricultural loans with mortgage collateral.

# Risk in the total loan portfolio

Lending by category of risk. Sp. Hedmark. % of gross loans.\*



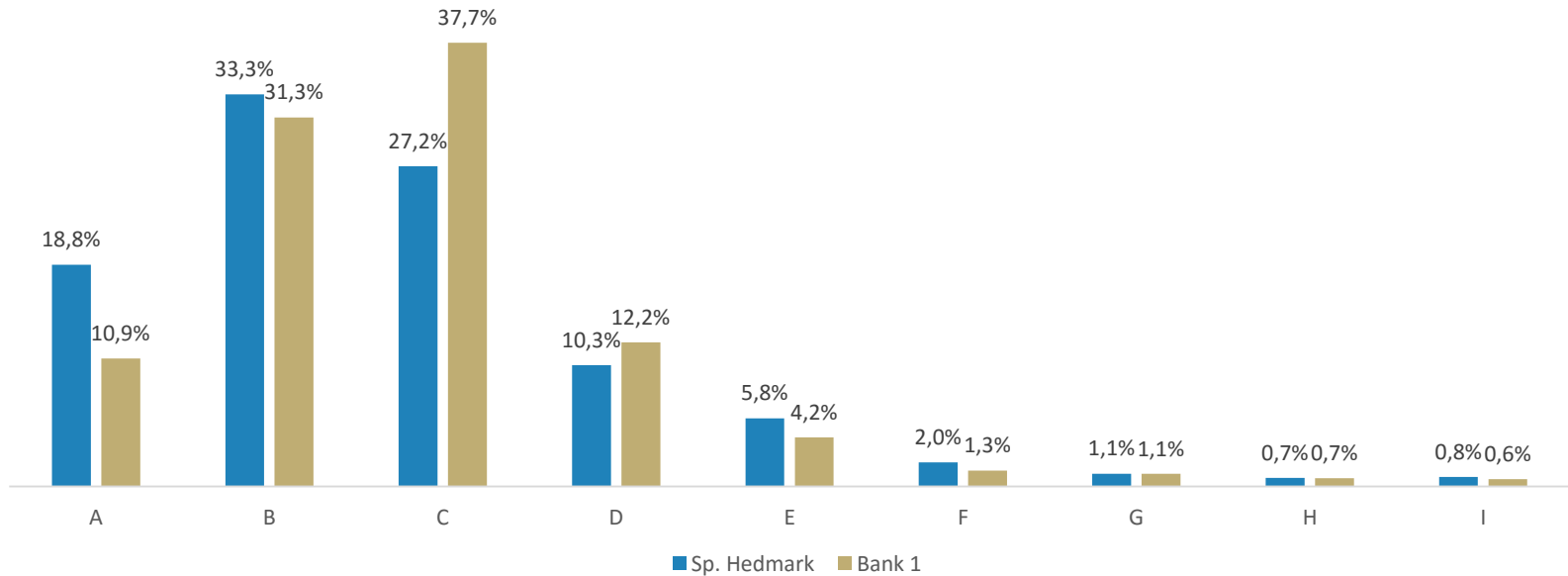
Lending by category of risk. Bank 1. % of gross loans.\*



\* Figures include loans transferred to covered bond companies, but not loans from SpareBank 1 Finans østlandet.

# Risk in the mortgage portfolio

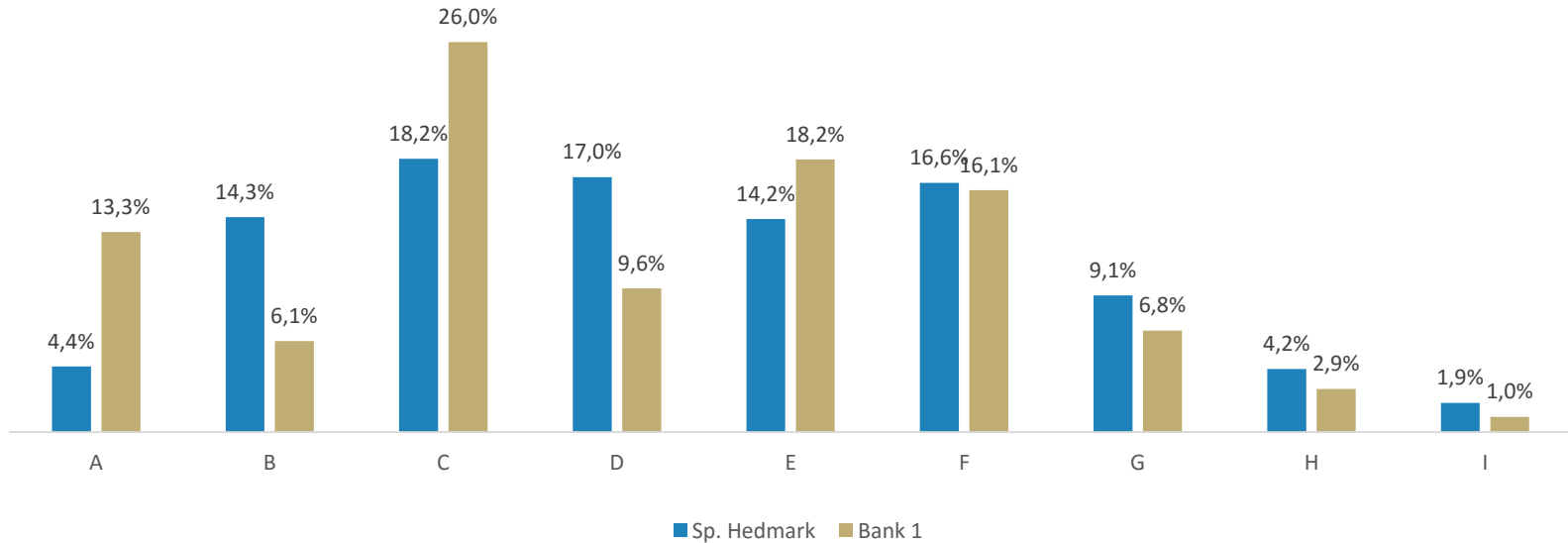
Home mortgages by category of risk. End-2016. % share.\*



\* Figures include loans transferred to covered bond companies, but not loans from SpareBank 1 Finans østlandet. Figures for Hedmark include only mortgages in the retail division.

# Risk in the corporate loan portfolio

Loans in the corporate market areas, by category of risk. End-2016. % share.\*



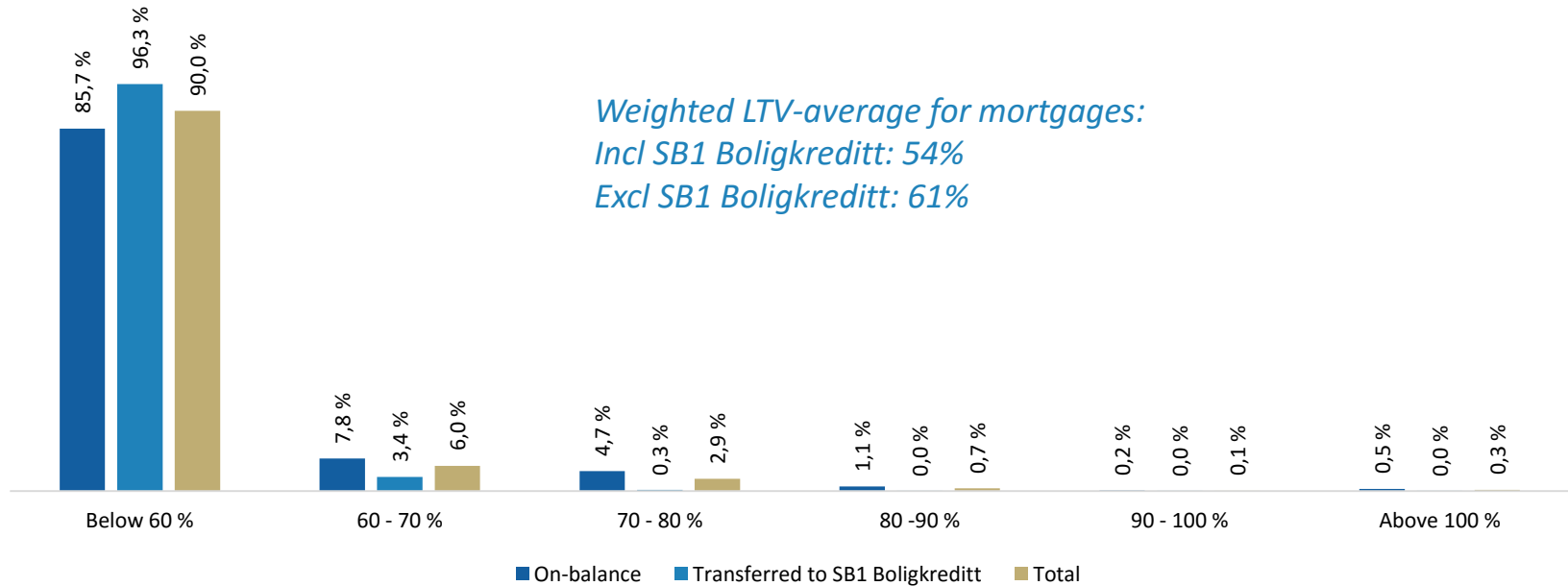
\* Figures include loans transferred to covered bond companies, but not loans from SpareBank 1 Finans østlandet. Numbers for Hedmark include some agricultural loans with mortgage collateral.



# Loan to value ratios on mortgages for Bank 1

High share of mortgages with low LTV-ratios, reflecting careful lending practices

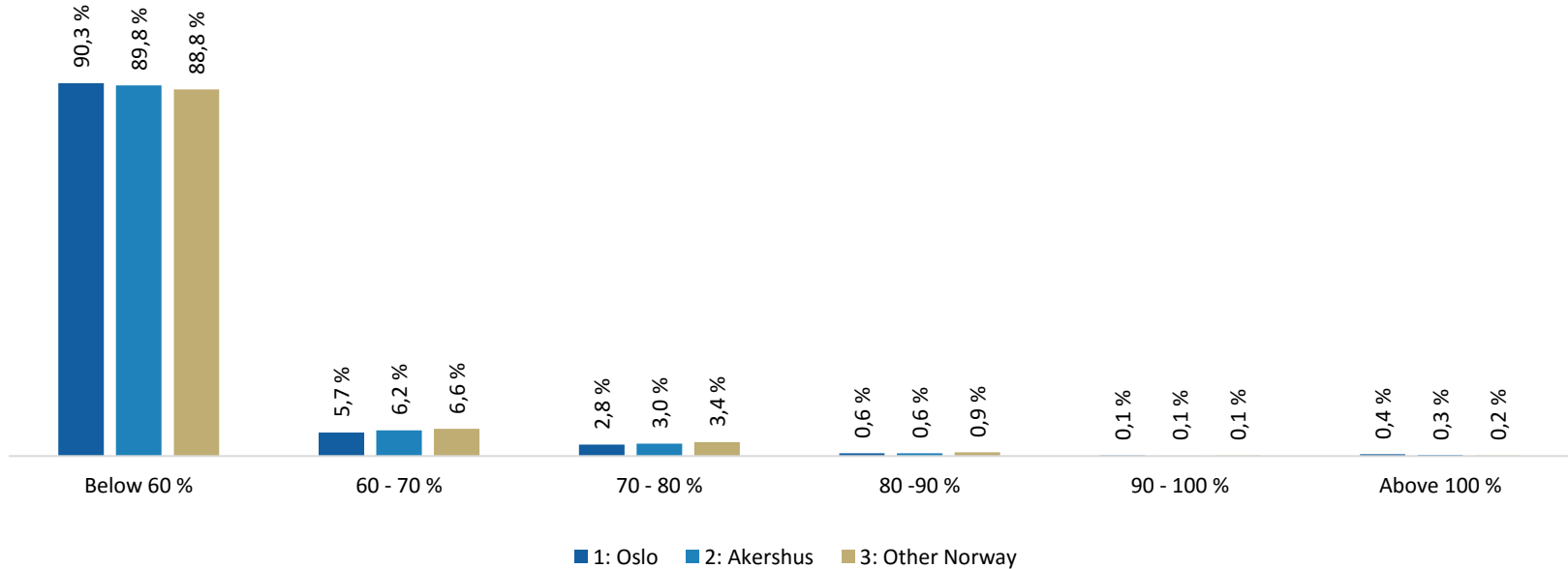
*LTV on home mortgage loans. Bank 1 Oslo Akershus. % share of total mortgage loans.*



# LTVs on Bank 1 mortgages by county

Similar across counties

*LTV on home mortgage loans by counties. Bank 1 Oslo Akershus. % share of total mortgage loans.*

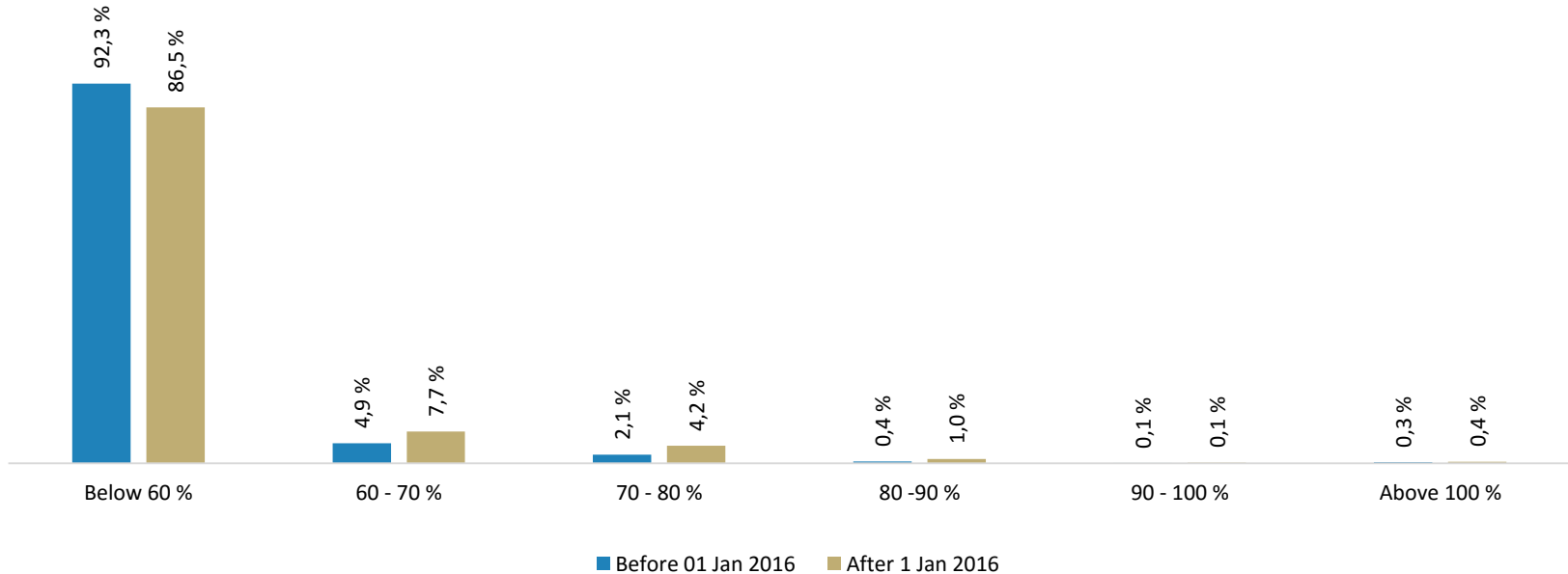


\* Includes loans transferred to the covered bond companies.

# LTVs on mortgages for Bank 1 by loan date

Somewhat higher LTVs on newer loans, but that should be expected

*LTV on home mortgage loans by date of loan granted. Bank 1 Oslo Akershus. % share of total mortgage loans.*



\* Includes loans transferred to the covered bond companies.

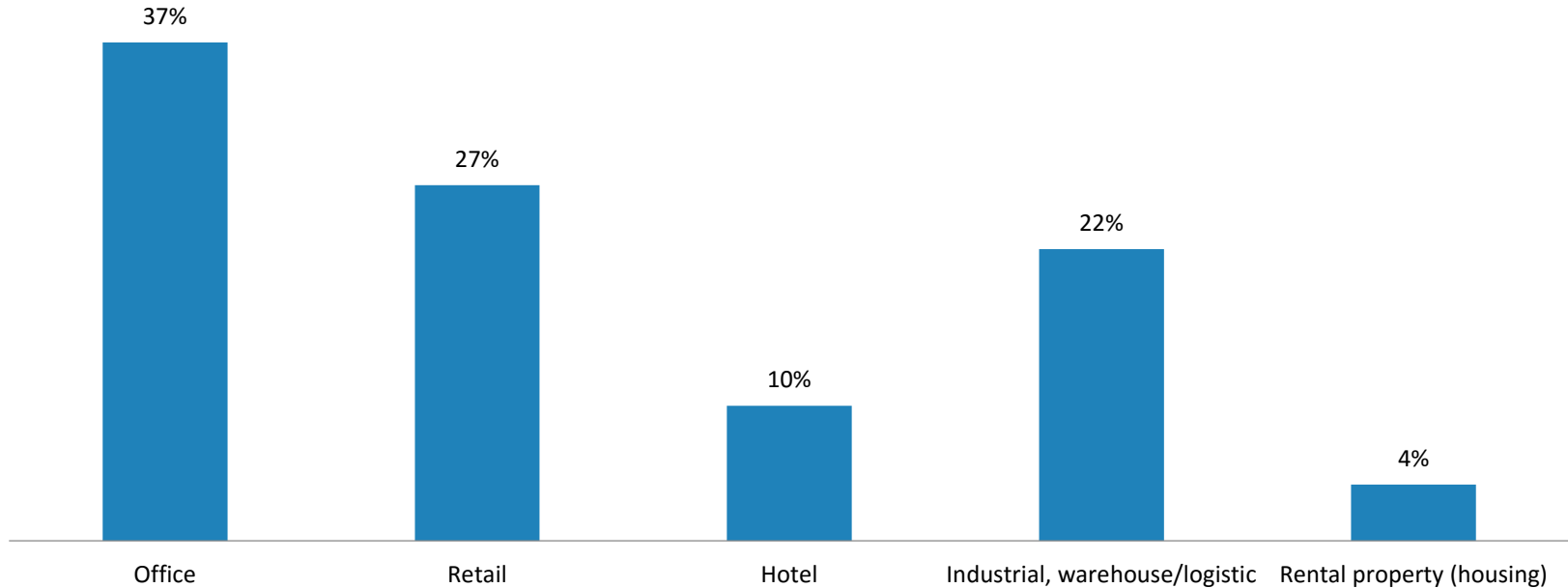
# Key figures for commercial real estate loans

Sparebanken Hedmark incl. Bank 1	
Total loan volume CRE	14,164 MNOK
Average loan size	22 MNOK
Weighted LTV	57 %
Regional distribution (per county):	
Oslo	37 %
Hedmark	29 %
Akershus	17 %
Other	17 %

\* Source: Center for credit analysis, Stavanger. Some loans classified as CRE in the bank's own statistics may not be classified as such in the Cfc's analysis, although the difference is likely to be small.

# CRE portfolio divided by category

*Real estate portfolio split by category. % share of total CRE loans.*

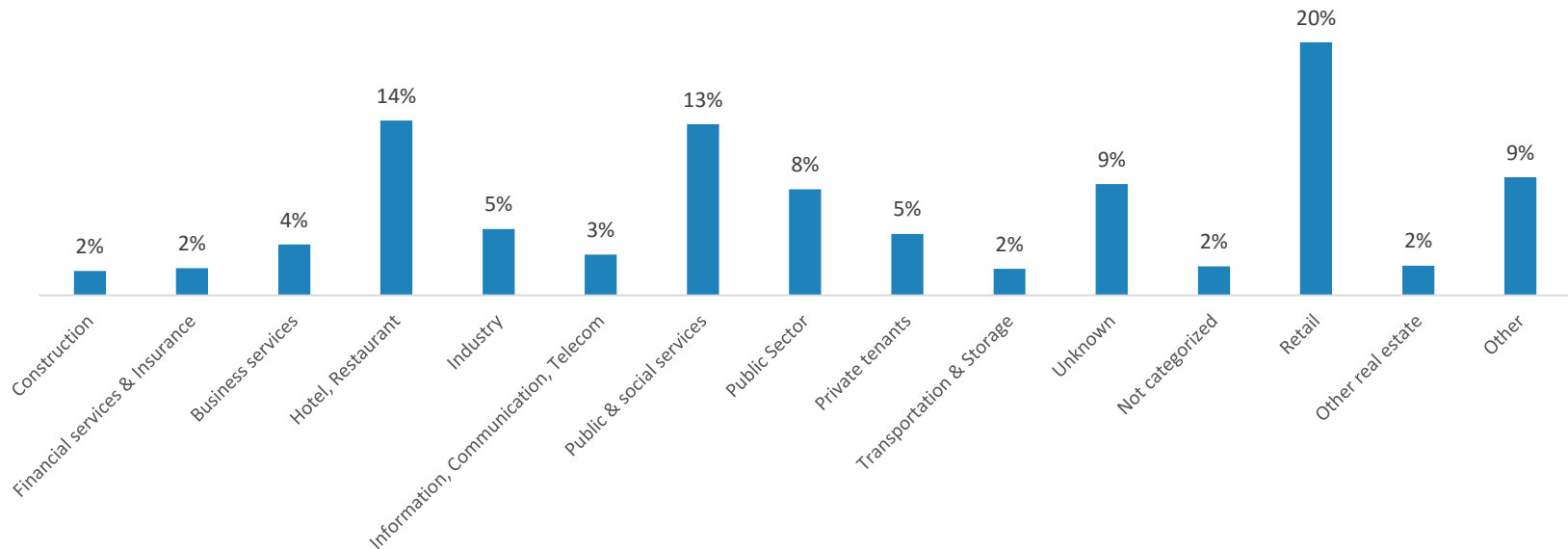


Source: Center for credit analysis, Stavanger.

# Share of rental income by sector

Diversified tenant base

*Rental income by sector. % share.*

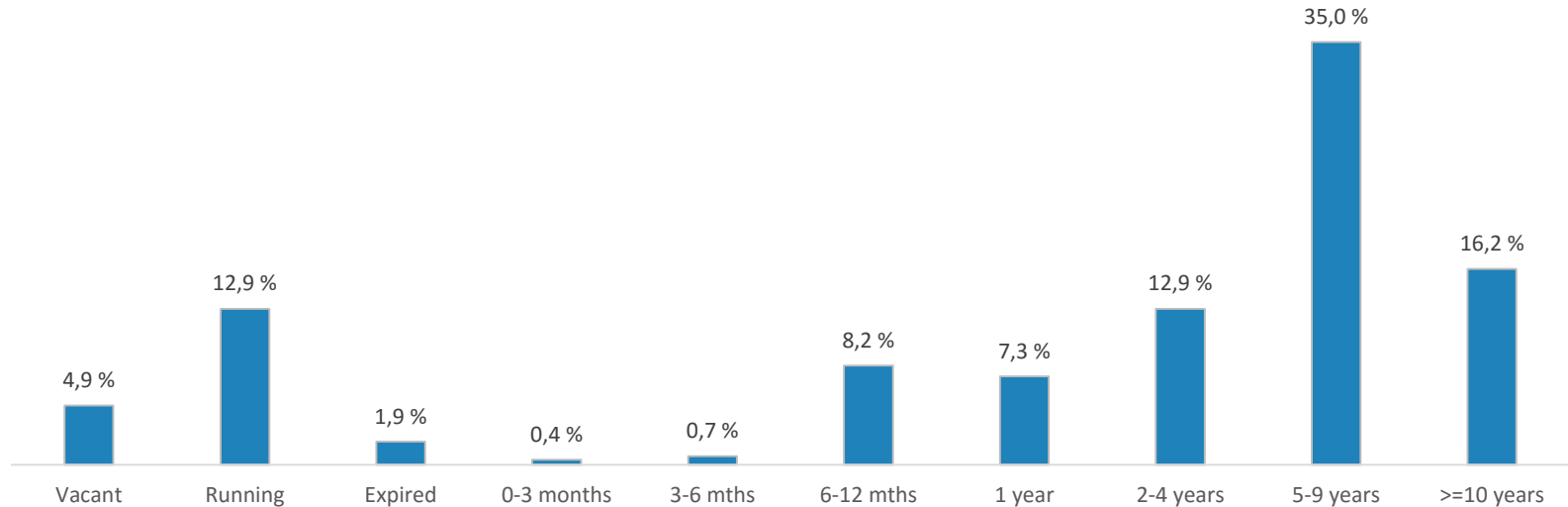


Source: Center for credit analysis, Stavanger.

# Remaining time to maturity on rental contracts

> 50 percent of the CRE (rental) portfolio has more than five years remaining maturity

*Remaining time to maturity on rental contracts. % share.*



Source: Center for credit analysis, Stavanger.



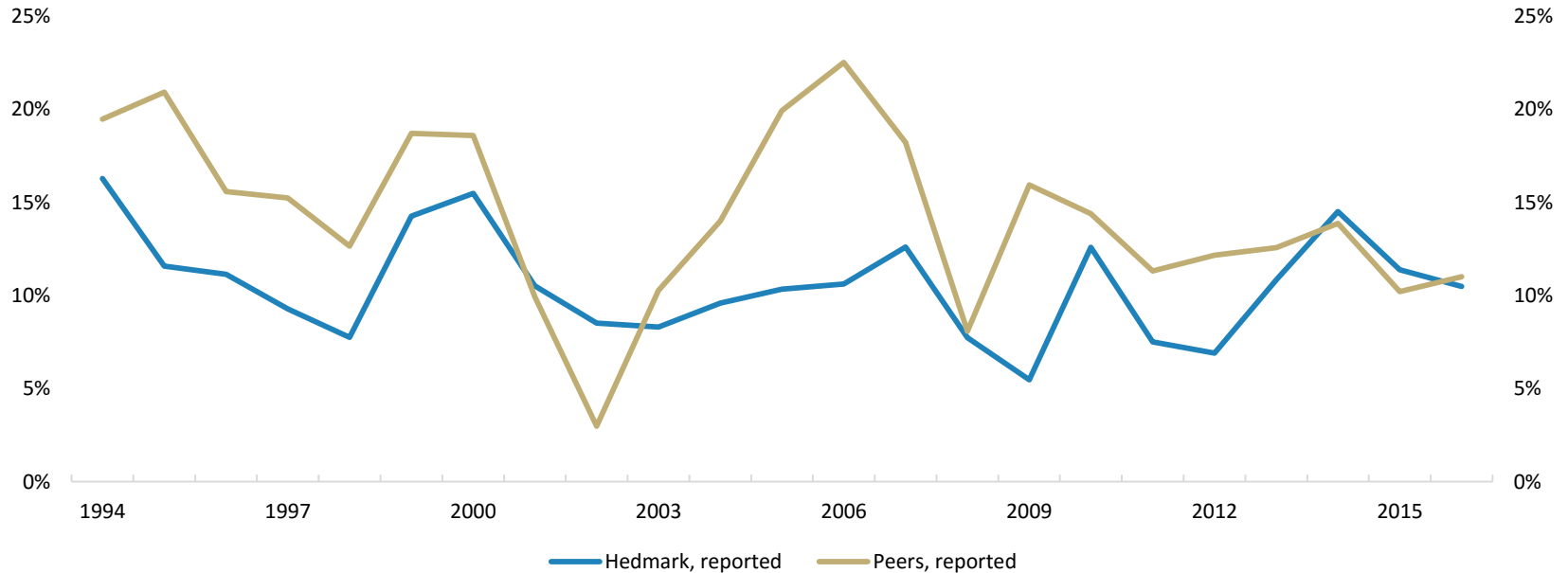
Financials



# Reported ROE somewhat lower than peers

Mainly reflecting lower gearing

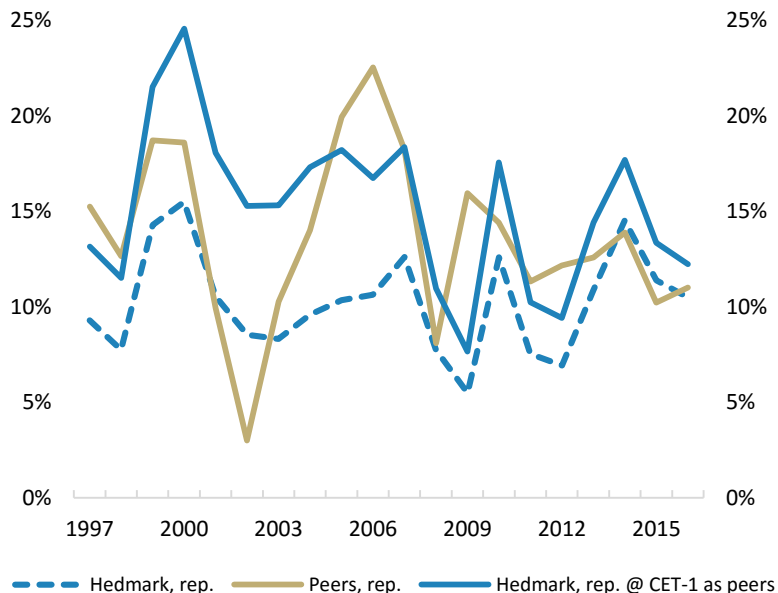
*Reported return on equity. Per cent.*



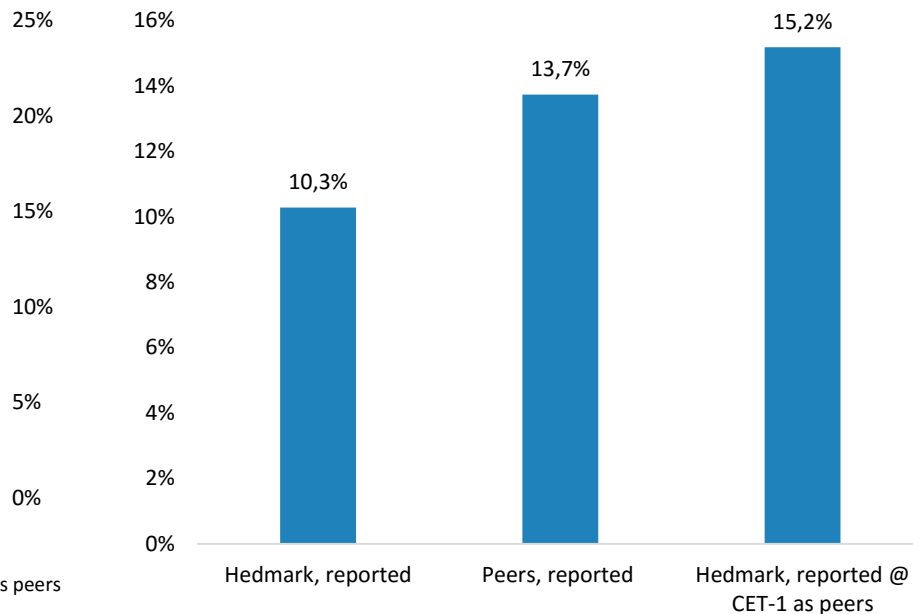
Source: Bank reports and SpareBank 1 Markets. Peers: NONG, SRBANK, MING, MORG, SVEG (peer-average estimate for 2016 based on data until Q3-16)

# Strong profitability adjusted for gearing

Return on equity. Per cent.



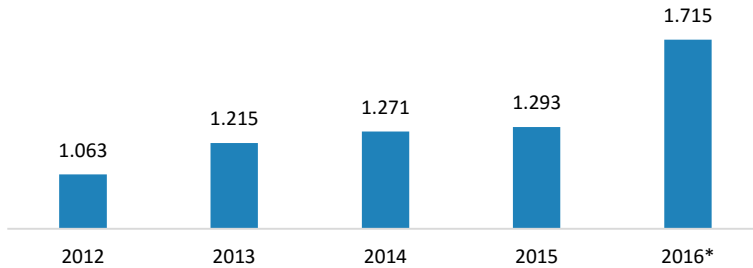
Average ROE 1996-2016. Per cent.



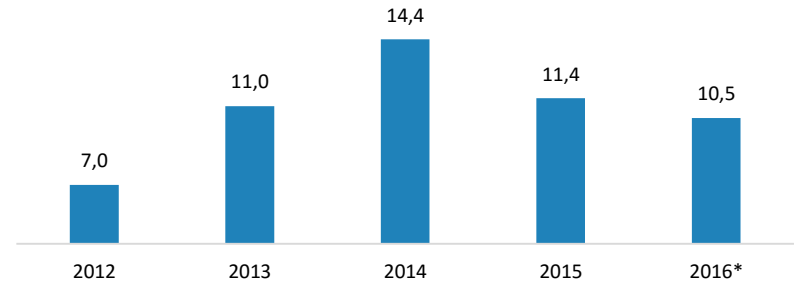
Source: SpareBank 1 Markets. Peers: NONG, SRBANK, MING, MORG, SVEG. Numbers for 2016 are SP1M estimates based on data until Q3-16.

# Key financials – annual

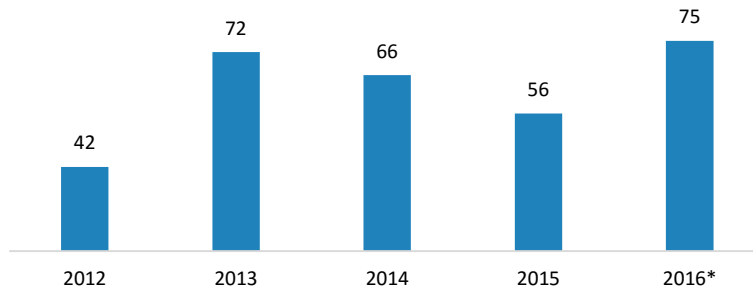
Net interest income and commission fees from covered bond companies (MNOK)



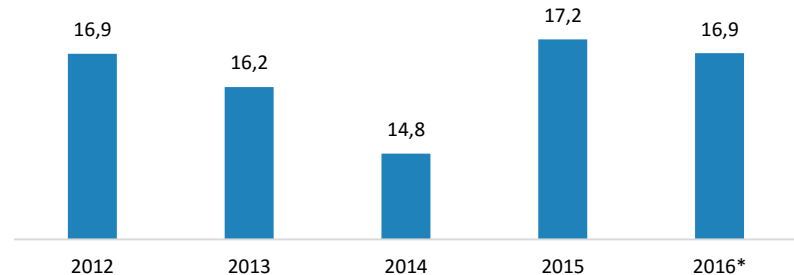
Return on equity after taxes (%)



Losses on loans and guarantees (MNOK)



CET-1 (%)



\* Includes 100 % ownership of Bank 1. For NII, ROE and loan losses this holds only for H2-16. The accounts for the whole of 2016 have not yet been audited.

# Main figures for 2016

Group figures for the new bank, former Sparebanken Hedmark and Bank 1

	Proforma 2016	Reported Sparebanken Hedmark Group	"Former" Sparebanken Hedmark	Bank 1 Oslo Akershus Group
<b>Profitability</b>				
Return on equity capital after tax	10,8 %	10,5 %	10,1 %	10,0 %
<b>From the balance sheet</b>				
Assets (NOK mn)	101.637	101.637	60.307	42.837
Total adjusted assets (NOK mn)	136.821	136.821	77.268	61.060
Lending growth last 12 months incl. transferred loans	11,3 %	95,4 %	9,2 %	10,1 %
Deposit growth during the last 12 months	12,2 %	88,5 %	8,2 %	14,1 %
Deposits to loan ratio	76,0 %	76,0 %	75,0 %	77,4 %
<b>Financial strength</b>				
Common Equity Tier 1 capital ratio	16,9 %	16,9 %		14,4 %
Tier 1 capital ratio	17,9 %	17,9 %		16,4 %
Capital adequacy ratio	20,3 %	20,3 %		19,5 %
Leverage ratio	7,5 %	7,5 %		7,1 %
<b>Other key figures</b>				
Total operating costs in relation to total income	49,5 %	45,4 %	38,7 %	63,0 %
Losses in % of gross loans	0,10%	0,10%	0,15%	0,03%
Problem loans in % of total commitments	0,55%	0,55%	0,79%	0,18%

\*«Proforma» is given 100 % ownership of Bank 1 from 1 Jan 2016. «Former Sparebanken Hedmark» is exclusive of equity issue and consolidation of Bank 1's balance sheet.

«Bank 1 Oslo Akershus Group» is the reported accounts of Bank 1.

\*\* In «Former Sparebanken Hedmark», Bank 1 is included in accordance with the equity method, with an ownership share of 40.5 %.

# Income statement 2015 and 2016

<i>(Nok million)</i>	<b>2016</b>	<b>2015</b>
Net interest income	1.490	1.105
Net commission income	759	461
Other income	180	190
Total operating expenses	1.203	1.051
<b>Result bank operation before losses</b>	<b>1.226</b>	<b>705</b>
Losses on loans and guarantees	75	56
<b>Result bank operation after losses</b>	<b>1.151</b>	<b>649</b>
Dividends	46	8
Net profit from ownership interest	234	301
Net income from financial assets/liabilities	-60	205
<b>Profit/loss before tax</b>	<b>1.371</b>	<b>1.164</b>
Tax charge	271	234
<b>Profit/loss after tax</b>	<b>1.100</b>	<b>930</b>
Return on equity capital after tax	10,5 %	11,4 %

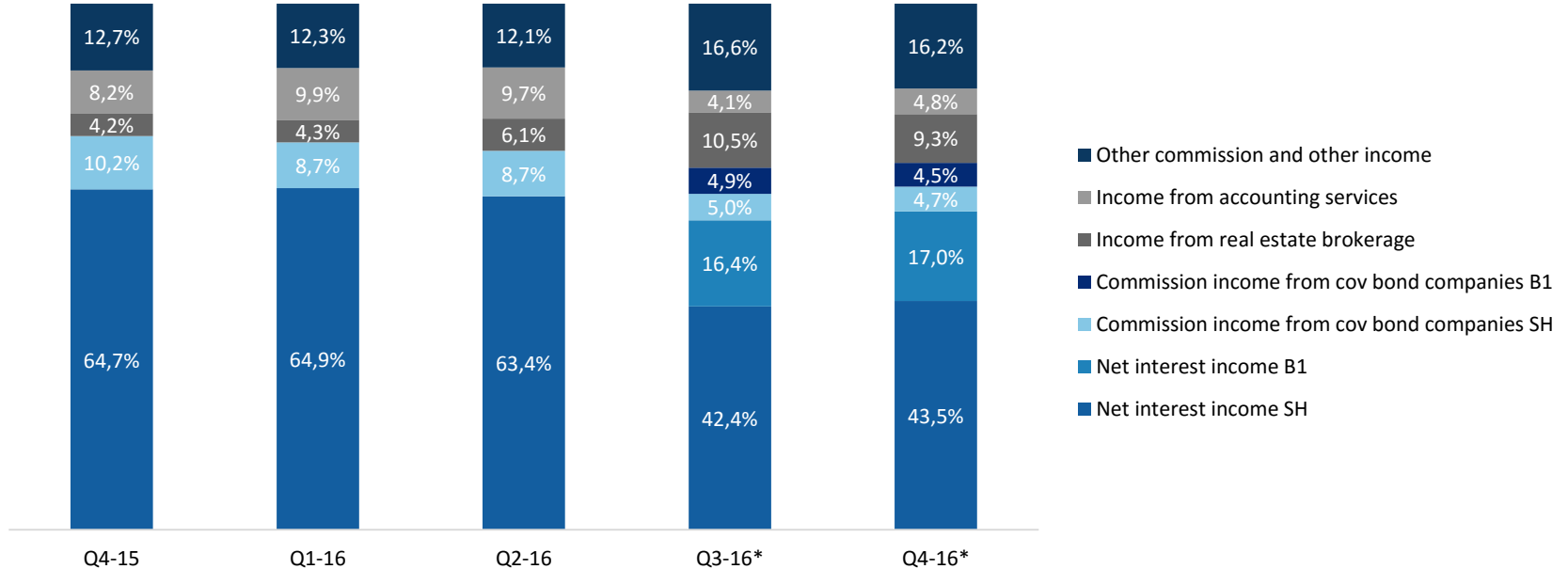
\* Figures for 2016 include 40.5 % ownership of Bank 1 in H1-16, then 100 %.

# Profits from subsidiaries and joint ventures

<i>(Nok million)</i>	<b>2016</b>	<b>2015</b>
<b>Parent Bank's profit after tax</b>	<b>964</b>	<b>796</b>
Dividends received from subsidiaries and joint ventures	-389	-259
<b>Profit /loss attributable to:</b>		
SpareBank 1 Gruppen AS	192	142
Bank 1 Oslo Akershus AS (first half of 2016)	250	103
SpareBank 1 Boligkreditt AS and Næringskreditt AS	-23	46
EiendomsMegler 1 Hedmark Eiendom AS	14	5
SpareBank 1 Finans Østlandet AS	86	74
SpareBank 1 Regnskapshuset Østlandet AS	2	11
SpareBank 1 Kredittkort AS	17	10
SpareBank 1 Mobilbetaling AS	-25	0
Other companies	12	2
<b>Consolidated profit after tax</b>	<b>1.100</b>	<b>930</b>

# Group income profile

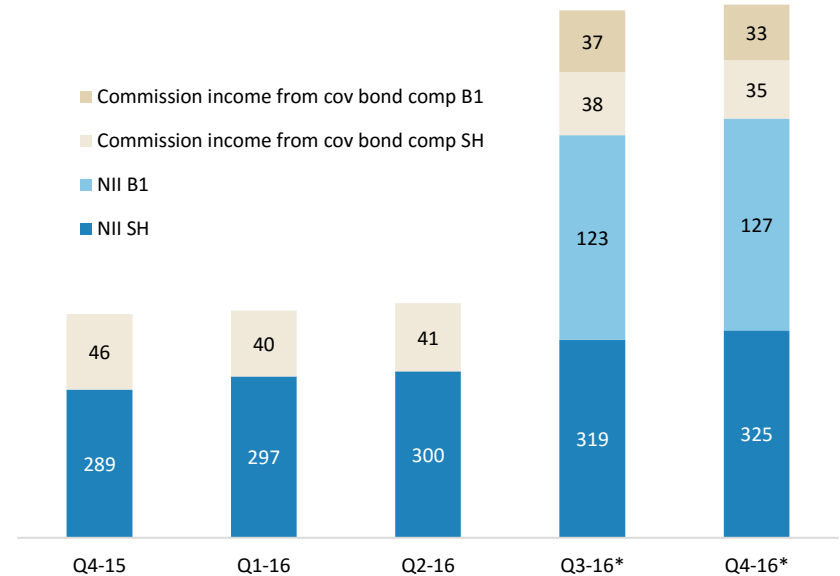
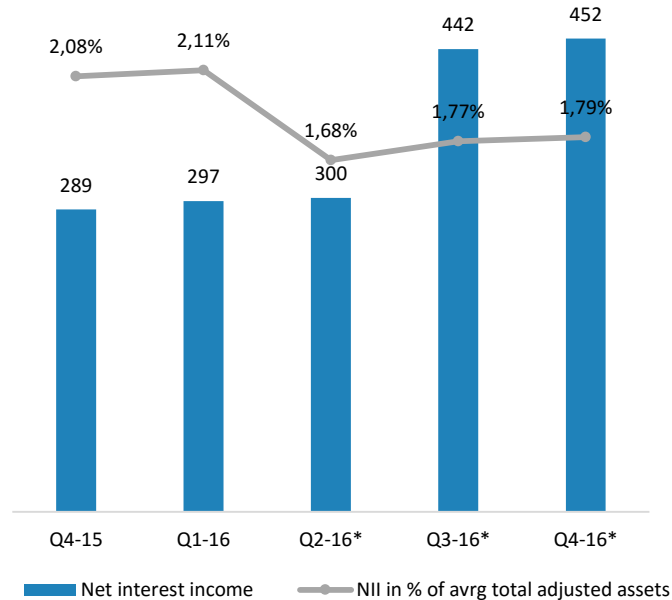
Income by type. Sparebanken Hedmark (Group). % share of total income.\*



\* Includes 100 % ownership of Bank 1.

# Net interest income

*Interest income excl. commissions from covered bond companies. Interest income incl. commissions from covered bond companies*

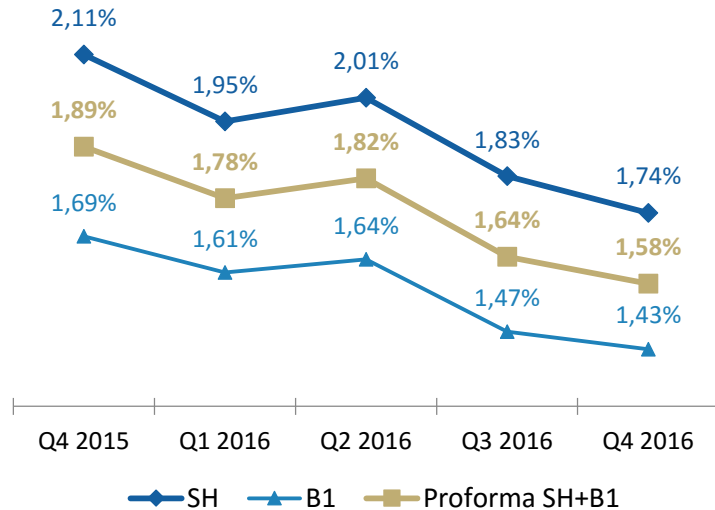


\* Q3-16 and Q4-16 include net interest income, commission income and the balance sheet of Bank 1. Q2-16 only includes the balance sheet of Bank 1.

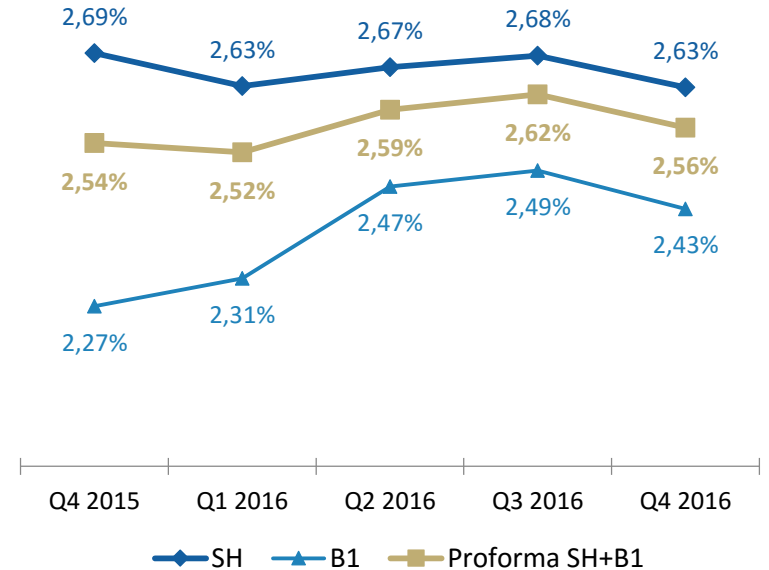


# Lending margins

Retail lending margins, incl transferred loans. %.\*



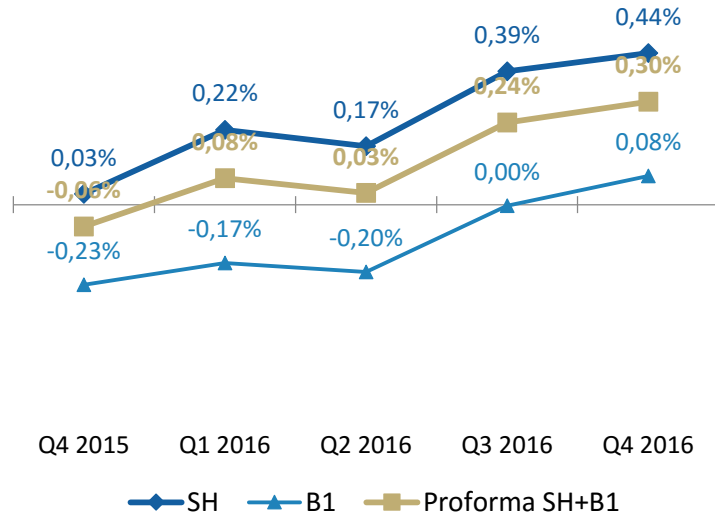
Corporate lending margins, incl transferred loans. %.\*



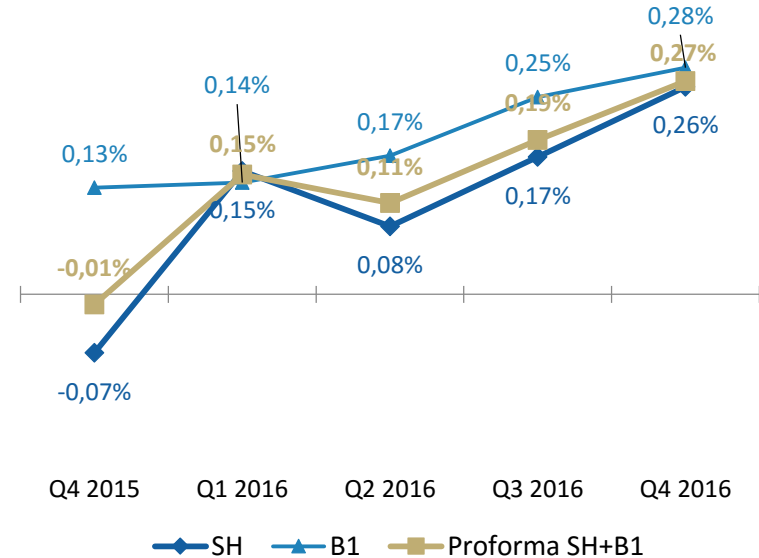
\* Proforma includes 100% ownership of Bank 1.

# Deposit margins

Retail deposit margins. %.\*



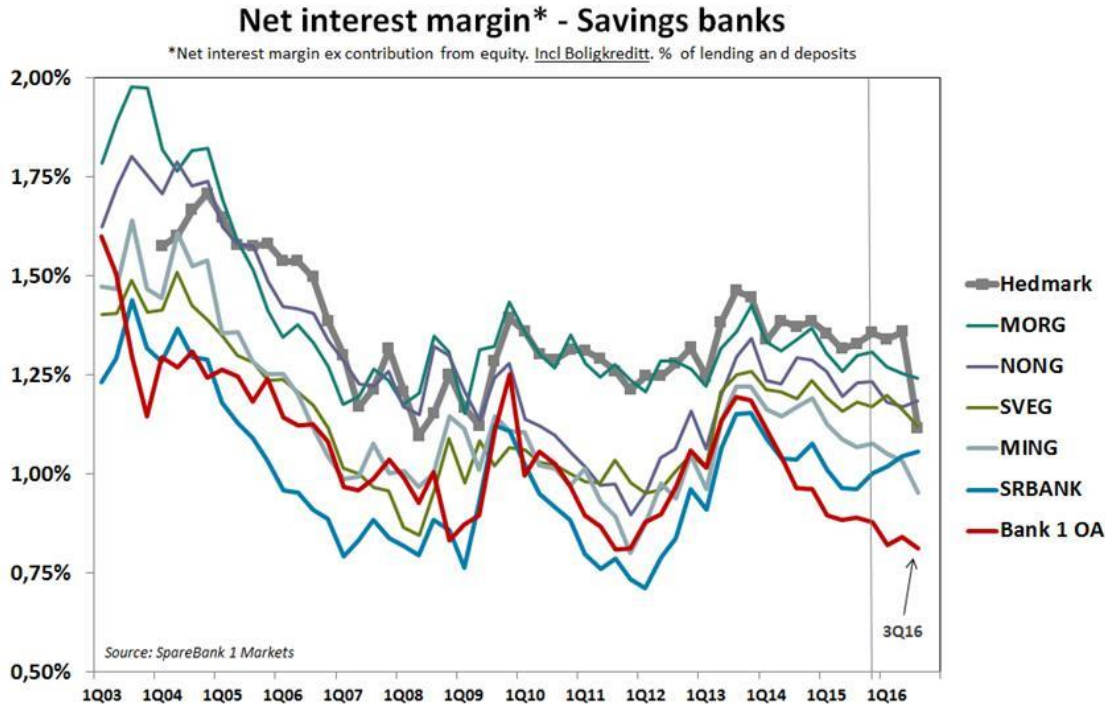
Corporate (excl Organisation Market) deposit margins. %.\*



\* Proforma includes 100% ownership of Bank 1.

# Margins vs peers

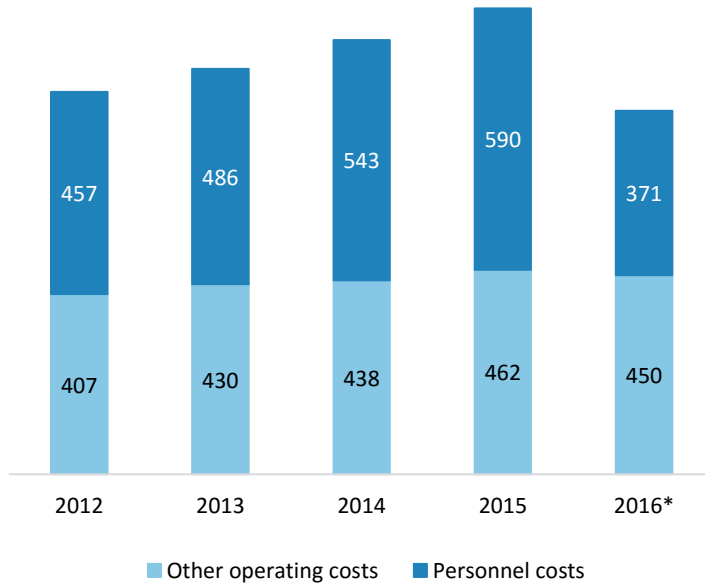
Merger of a high-margin and a low-margin bank



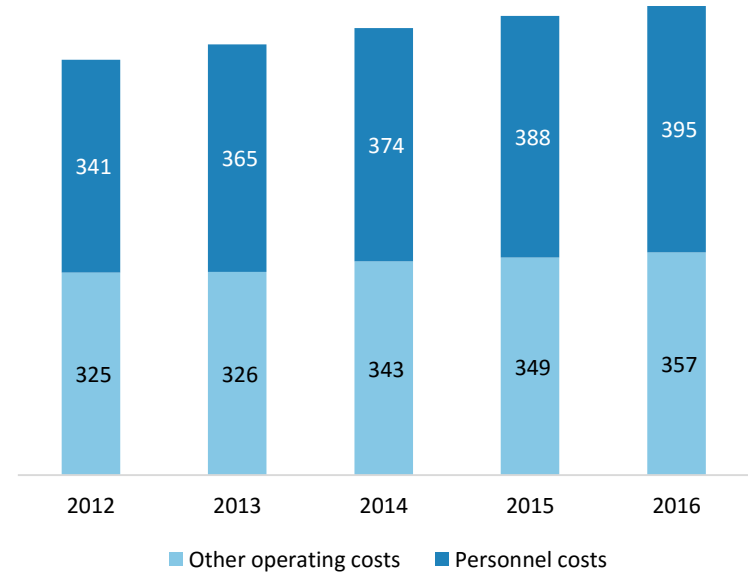
Source: SpareBank 1 Markets.

# Operating costs

Operating costs. Sparebanken Hedmark. NOK mn.\*



Operating costs. Bank 1. NOK mn.



\* Figures for 2016 exclude costs for Bank 1 in H2-16. Personnel costs include the winding up of the Bank's defined benefit scheme with effect from 1 July (NOK 220 mn).



ECs and governance

# About equity certificates (ECs)



- A savings bank that has issued equity certificates has two types of equity. One is its primary capital, or “ownerless” equity, which consists of retained earnings built up by the bank over the years. The other is certificate-holders’ equity, consisting of equity certificate capital and related reserves (equalisation reserve and premium account).
- Equity certificates have clear similarities to shares. The main differences lie in their owners’ rights to the bank’s assets and influence over the bank’s governing bodies. The key principle is that profits are distributed proportionally on the basis of ownership share and the bank’s other capital.
- At a limited company, losses hit shareholders’ equity directly. At a savings bank, losses are first absorbed by the primary capital and equalisation reserve, and the equity certificate capital is at risk only if the primary capital is exhausted.

# About equity certificates (ECs), cont'd

## Overview of a savings bank's primary capital

Priority

Subordinated loan capital			
Capital contribution securities			
Nominal Equity Certificate capital			
Premium reserve		Compensation fund	
Equalisation fund	Fund for unrealised gains	Savings Bank fund	Donation fund

- Class I capital attributable to the equity certificate holders
- Class II capital attributable to the institution itself

- Equity certificate holders own a share of the bank's capital (equity certificate ratio) – 67.3 % as of 31 Dec 2016.
- Annual profits is allocated amongst the owners of the equity certificates and the institution itself, according to the equity certificate ratio
- Sparebanken Hedmark aims to pay out 50% of its annual profit as dividends, to EC-owners and to customers (the Customer dividend).
- In the event of loss or write down of capital, the capital components will be written down in reverse priority, and pro rata between capital of equal priority

# Governance structure



- *Board of Directors*: manages the bank's operations.
  - 8 members.
  - Nominated by the Nomination committee, consisting of 5 members of the Supervisory Board, of which 1 represents the EC-owners.
- *Supervisory Board*: Highest decision-making body of the bank.
  - 40 members, of which 12 represent the EC-owners.
  - EC-representatives elected at an election meeting of the EC-holders, after being nominated by the EC nomination committee.
  - EC nomination committee: 4-6 members. Owners with more than 10 % ownership of outstanding ECs are entitled to at least 1 member of the committee.



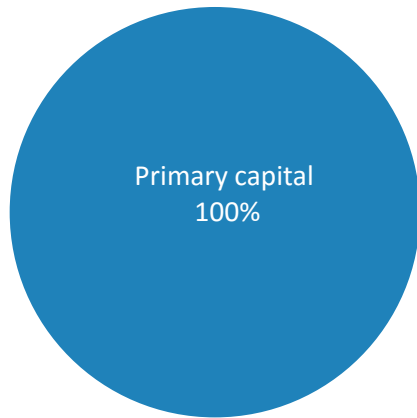
# Motivation for listing

- Keeping up with regionalisation, remaining strong and independent.
- Positioned for structural changes.
- Access to capital to continue serving retail and corporate customers.
- Retain position as most solid.
- Share profits and secure broad ownership among local stakeholders.

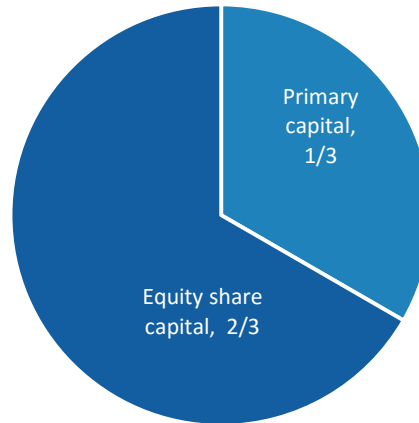
# Conversion and ownership composition

Final ownership shares depends on size of sale from foundation and other SB1-banks

Equity capital before conversion (and Bank 1)



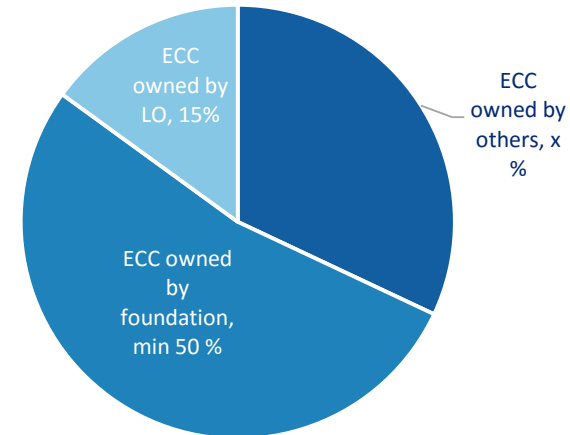
Equity capital after conversion and Bank 1



Owned by the Foundation, LO and the other Sp1-banks



Equity share capital after IPO

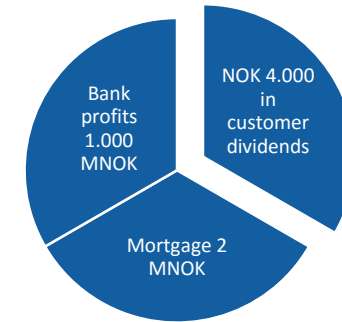
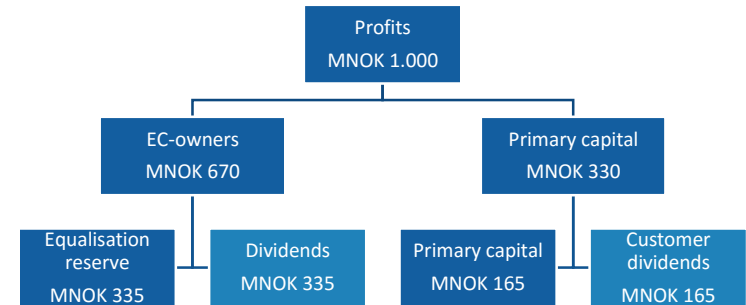


«Others» include potential ownership of other SB1-banks

# The Customer dividend

Launched on 27 December 2016, first and so far only bank in Norway

- *Creating together* is the bank's vision: In line with our basic values as a savings bank.
- Provides simple mechanism for stabilising the ownership share for the equity share capital.
- Effective on 1 January 2017, first dividend payment in early 2018.
- The bank's supervisory board decides whether customer dividends shall be paid out and how much.



\*Illustration based on 50 % dividend share, profit after taxes of MNOK 1 000 and an ECC-share of 67 %.

# End