



Financial results – Q3 2016

New Sparebanken Hedmark



- Acquisition of Bank 1 Oslo Akershus AS finalised.
- Norway's most solid regional savings bank.
- Increased competence, breadth and competitiveness. Unique position as the alliance's bank in the capital region.
- Low risk – very low loan losses and share of problem loans (defaulted and other doubtful).
- Norway's fourth largest savings bank with total adj. assets of NOK 136 bn.
- Offices in Hedmark, Oppland, Akershus and Oslo, with 1,180 employees and 40 branch offices.
- Aim for completed legal merger by April 2017.
- Aim to achieve NOK 75 million in annual synergies.
- IPO planned for 2017.

Q3 2016: Good result and rating upgrade to A1



- RoE of 14.6 % and 9.3 % adjusted for extraordinary items.
- Profit after tax for the third quarter of NOK 424 million.
- Very low losses: Total of NOK 3 million, unchanged group write-downs.
- Upgrade to A1 by Moody's.



- Improved net interest margin in Q3-16 compared to H1-16.
- Closure of defined benefit scheme led to extraordinary revenues of NOK 215 million.
- Group common equity tier 1 ratio – 17.5 %



- No oil risk, 75 % of lending to retail customers.
- Share of problem loans (defaulted and other doubtful) reduced to 0.6 % of gross commitments.
- Maintain CET-1 above 16 %.

After 3 quarters*: Higher margins, low losses, merger on track



- Profit after tax of NOK 923 million.
- RoE 11.1 % - adjusted for financial items and closure of defined benefit scheme, RoE was 9.3 %.
- Loan losses so far in 2016 of NOK 43 million – accounting for less than 0.05 % of lending.
- Improved net interest margin compared to last year.
- Change in market value on the bank's issued debt including derivatives was NOK minus 187 million.
- Defined benefit scheme: positive result contribution of NOK 215 million.
- Legal merger planned for April 2017.
- Aim for IPO in 2017 – following legal merger.
- Euro senior bond issuance under EMTN-programme planned in Q4-16.

* Proforma tall for konsern om annet ikke er oppgitt

«New» bank» – same values



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

IPO

1822

1845

Until 1960

1950-1993

2007

2016

2017 ?

New Sparebanken Hedmark – financial goals



Norway's most solid regional savings bank

- 16 % CET-1 ratio.
- The bank has not recorded an operating losses since the end of WW II.



Low risk and transparent business

- No oil exposure in the loan book.
- 75 % retail share – stable portfolio with high customer satisfaction.
- Agriculture as the second largest sector in the corporate book after CRE.
- No trading or investment banking activity.



Good risk-adjusted returns, 50 % dividends

- 10 % ROE.
- High capitalisation provides basis for stable dividends.
- Target of 50 % annual dividends.

Oil-free loan book and 75 % retail loans



The «church spire principle» holds:

- 3/4 of the loan book is retail loans.
- Well positioned for further growth in Norway's largest (and still growing) market.
- Moody's: Rated A1.



Agriculture is the second largest sector in the corporate loan book, after CRE:

- Very stable business with very low losses.
- Stable customers with long relations.

Retail loans with low risk account for 75 % of all loans.



Less than 0.1 % of the loan book is exposed to the oil sector:

- Export businesses in the Inland region is experiencing a positive development with a beneficial exchange rate and an improved supply of competent labour.
- Healthy activity reflected also in falling unemployment rates.

Largest owners with a long-term perspective

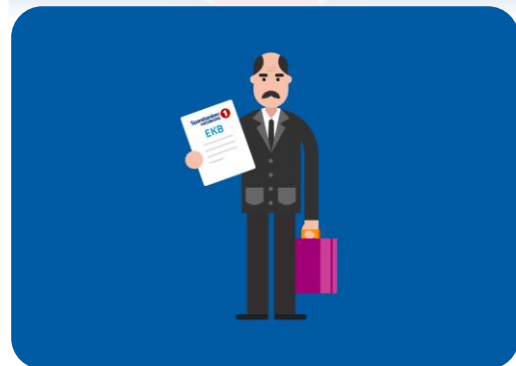


Long-term ownership perspective

- Broad-based agreement of co-operation with the Norwegian Confederation of Trade Unions (LO)
- LO and the foundation is represented on the Board

Ownership overview per 30 September 2016:

- Sparebanken Hedmark Sparebankstiftelse (75 %)
- LO and affiliated unions (15 %)
- Samarbeidende Sparebanker AS (5,1 %)
- Sparebank 1 Nord-Norge (1,6 %)
- Sparebank 1 SMN (1,6 %)
- Sparebank 1 SR-Bank AS (1,6 %)



The foundation – unique for Norwegian savings banks

Unique

- Largest EC-foundation in Norway, by a clear margin.
- Infinite time horizon.
- Liquid reserves up to NOK 1.5 billion – and growing.

Long-term

- Will always own at least 50 per cent of the certificates.
- Contribute to improved valuation of the bank.

«For Hedmark»

- Foundation will be owned by the Hedmark-community.
- Competent owner.
- Large donations each year– within a reasonable framework.

The new savings bank is taking shape



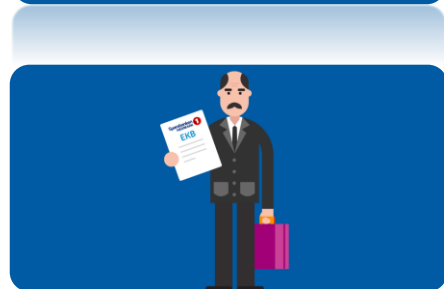
Customers

- Retail market: Growth based on careful lending primarily to relationship customers and LO-members.
- Corporate market: «Church spire principle» maintained, with SME financing.



Organisation

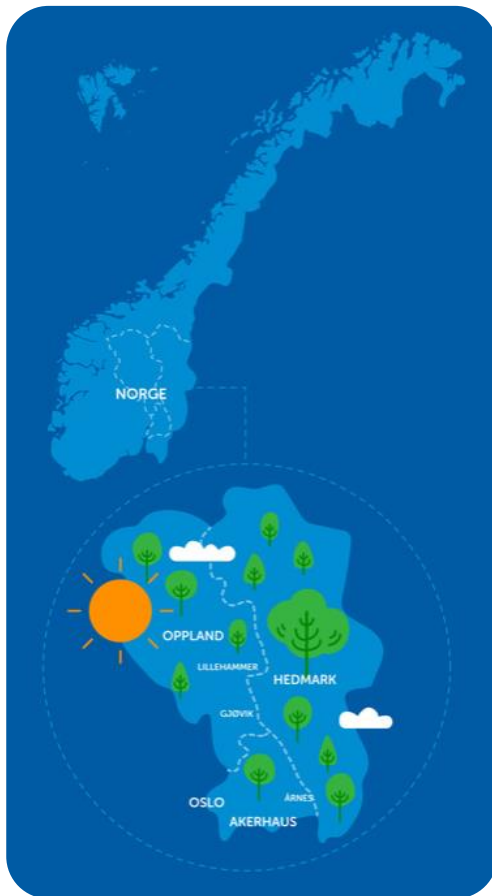
- No over-lap in the branch network, but merging of support functions to achieve more competent and effective teams.
- Integration through several phases – with legal merger planned in April-17.



Ownership and capital

- Broad-based agreement of co-operation with LO. LO is also represented on the Board.
- Non-NOK funding through EMTN-programme from Q4-16.

Financial report for Q3 2016



- Q3 is the first reported quarter for the new Group.
- Financial results of Bank 1 Oslo Akershus AS for H1-16 have been included in the Group result in accordance with the equity method, with an ownership share of 40.5 per cent.
- The balance sheet of Bank 1 Oslo Akershus AS has been fully consolidated in the Group balance sheet per 30 June 2016.
- Since the reported Group financial statement per 30 June includes 40.5 % of the result of Bank 1 Oslo Akershus AS, while the reported balance sheet per 30 June fully consolidates Bank 1 Oslo Akershus AS, some key figures for the group may be less informative.
 - The result includes 40.5 % of Bank 1 Oslo Akershus until 30 June 2016 and the whole result for Q3.
 - The balance sheet includes the whole of Bank 1 Oslo Akershus.
- Calculated key figures for the proforma group shows how the numbers would look like given 100 per cent ownership in Bank 1 Oslo Akershus AS from 1 January 2016.

Third quarter 2016 – proforma and reported results

	Proforma Q3 2016	Reported Q3 2016	Q3 2015	Reported Q3 2016 isolated	Bank 1 Oslo Akershus AS Group Q3 2016
Net interest income	1.286	1.038	815	442	379
Net commission income	788	507	346	272	423
Other income	146	137	146	37	11
Total operating expenses	1.096	727	758	214	555
Result bank operation before losses	1.124	955	549	537	258
Losses on loans and guarantees	43	33	38	3	12
Result bank operation after losses	1.081	922	511	534	246
Dividends	77	46	8	1	32
Net profit from ownership interest	139	187	231	23	21
Net income from financial assets/liabilities	-75	-79	172	29	40
Profit/loss before tax	1.222	1.076	922	588	340
Tax charge	299	258	186	163	73
Profit/loss after tax	923	819	736	425	267
Return on equity capital after tax	11,1 %	10,7 %	12,3 %	14,6 %	11,2 %
Losses on loans as a percentage of gross loans	0,1 %	0,1 %	0,1 %	0,10 %	0,03 %

Main figures for the new bank, Hedmark and Bank 1*

	Proforma *	Reported Sparebanken Hedmark Group	Former Sparebanken Hedmark Group**	Bank 1 Oslo Akershus Group
Third quarter 2016				
Profitability				
Return on equity capital after tax	11,06 %	10,72 %	11,12 %	11,2 %
From the balance sheet				
Total assets	99.720	99.720	59.050	42.156
Total adjusted assets	136.009	136.009	76.990	60.505
Lending growth last 12 months incl. loans transferred to covered bond companies	9,8 %	90,1 %	9,2 %	8,0 %
Deposit growth during the last 12 months	11,4 %	97,9 %	9,2 %	10,6 %
Deposits from customers in relation to gross loans to customers	76,4 %	76,4 %	76,8 %	75,8 %
Financial strength				
Common Equity Tier 1 capital ratio	17,5 %	17,5 %		14,5 %
Tier 1 capital ratio	18,3 %	18,3 %		15,5 %
Total capital ratio	20,2 %	20,2 %		17,7 %
Other key figures				
Total operating costs in relation to total income	46,4 %	39,6 %	37,8 %	61,2 %
Gross doubtful commitments as a percentage of total commitments	0,6 %	0,6 %	0,9 %	0,2 %

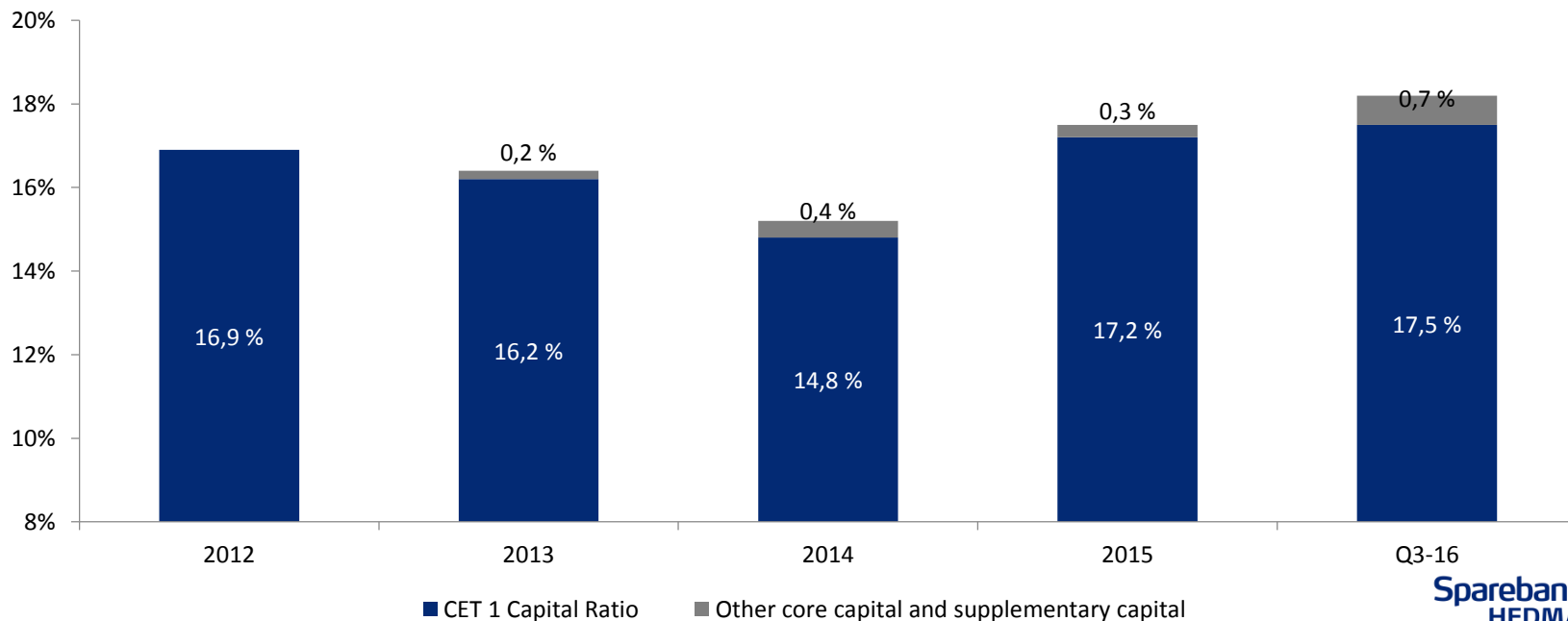
* "Proforma" given 100 % ownership from 1.1.16. "Former Hedmark" excludes equity issue and consolidation of Bank 1's balance sheet. "Bank 1 OA group" is the reported results for Bank 1 in Q3-16.

** Bank 1 included in former Sparebanken Hedmark Group in accordance with the equity method with an ownership stake of 40.5 %.

The most solid regional savings bank

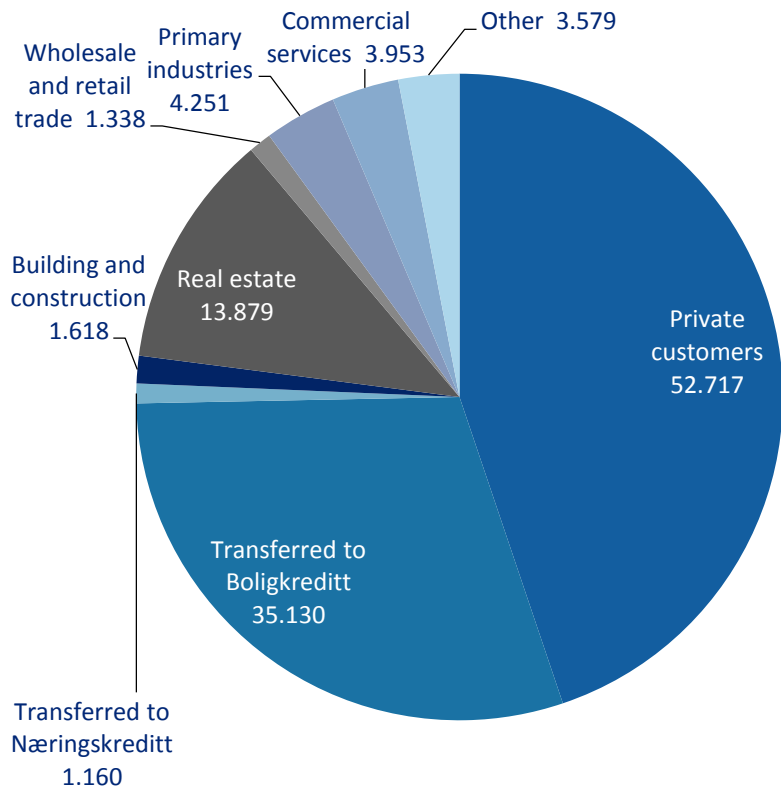
- Goal of CET-1 ratio of 16 % has been reached

- Leverage ratio: 8,5 %
- Tier 1 Capital ratio 30.09.16: 20,2 %
- CET 1 Capital Parent bank 30.09.16: 29,9 %



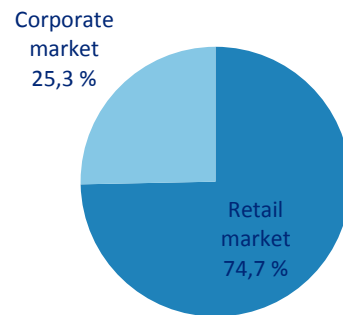
75 % retail share, 78 % if including agriculture

Loan book by sector, incl. covered bond companies

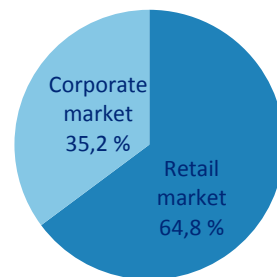


Group

Loan book by sector, incl. covered bond companies

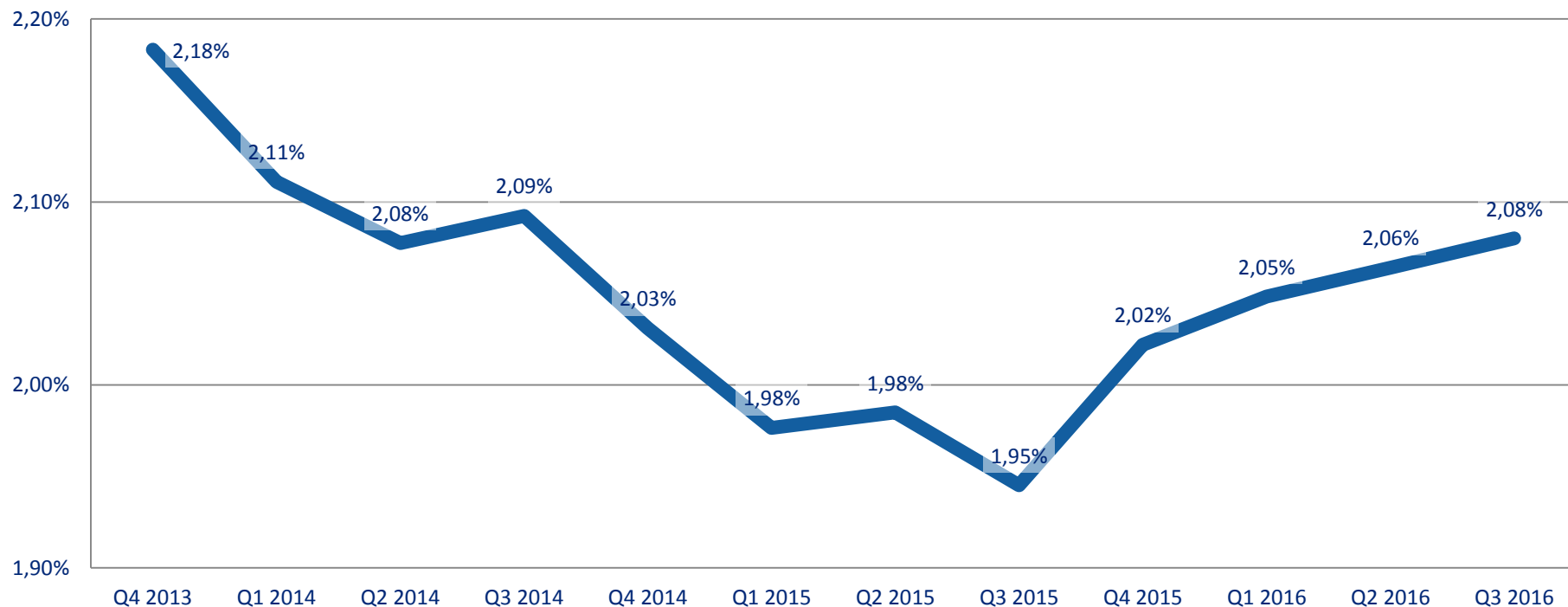


Composition of loans, own balance



Net interest margin, proforma parent bank

–(SH+B10A), incl. OM and covered bond companies

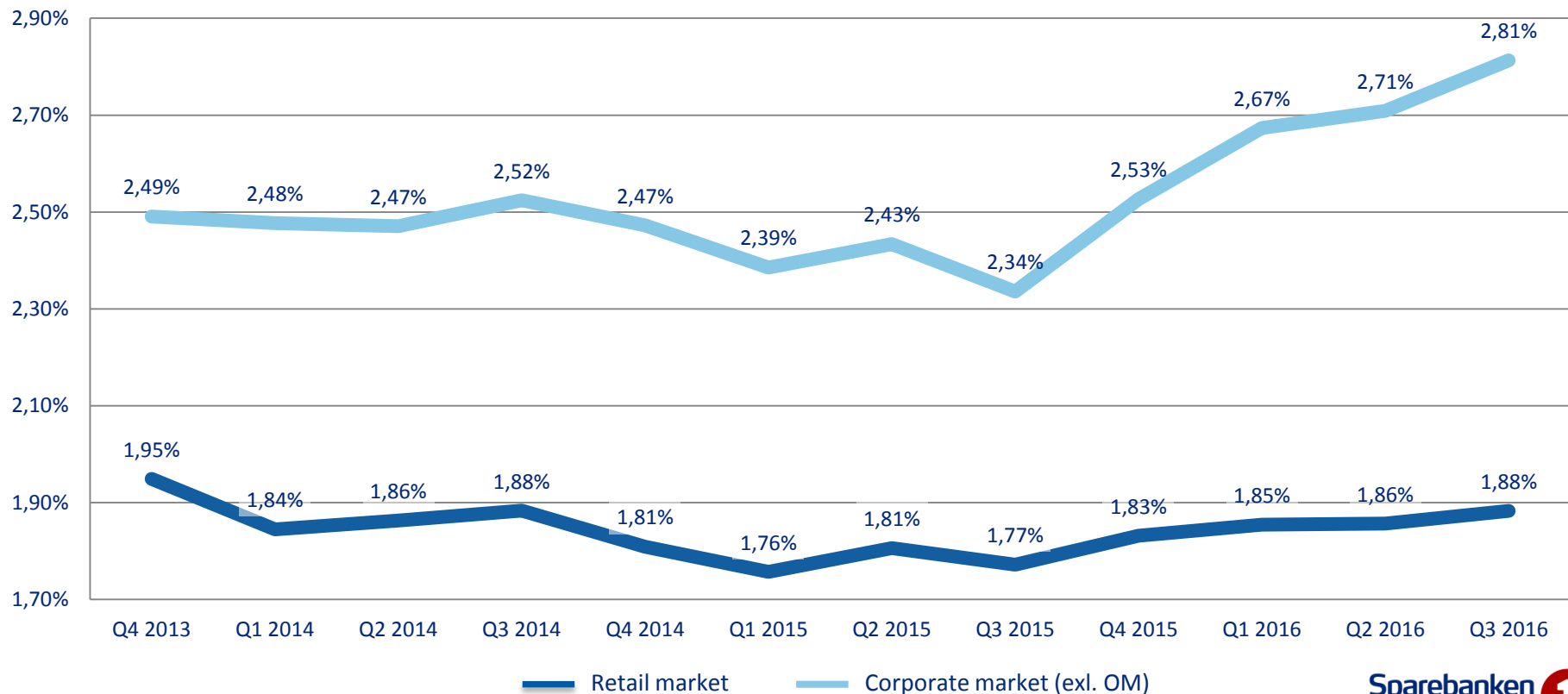


OM: Organization market

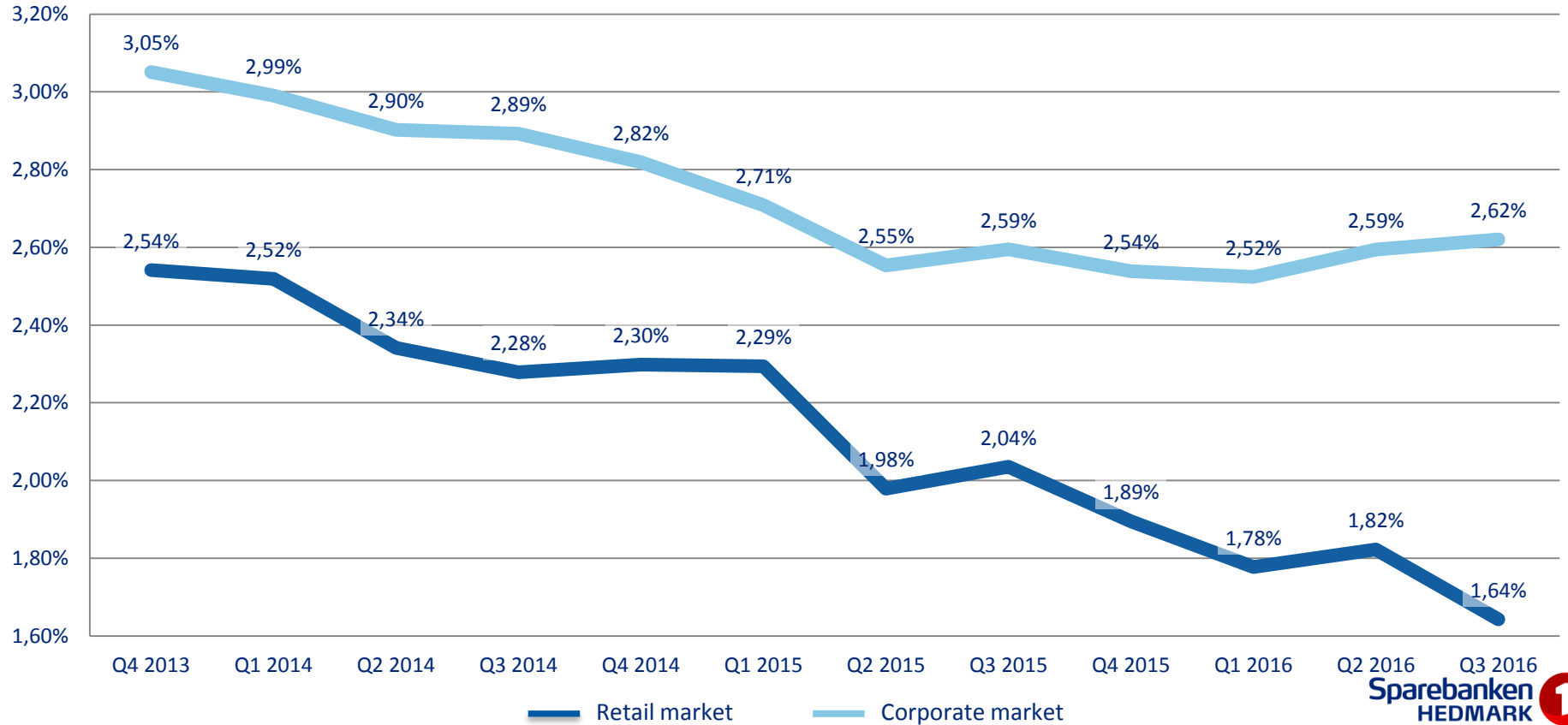
— Proforma Parent bank (incl. OM)

Net interest margin, Proforma Retail/Corporate

-(SH+B10A), excl. OM, incl. covered bond companies

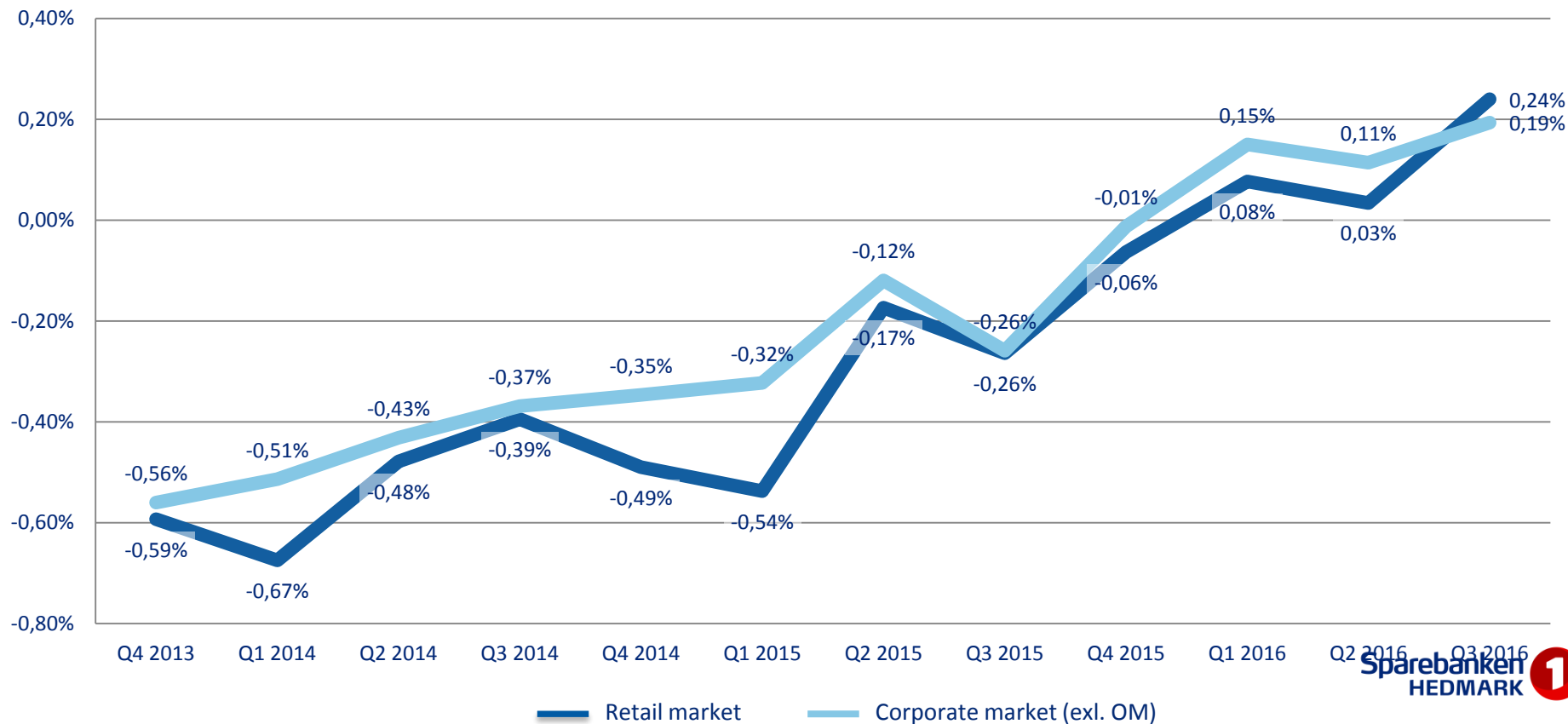


Lending margin, Proforma Retail/Corporate -(SH+B10A), incl. covered bond companies



Deposit margin, Proforma Retail/Corporate

- (SH+B10A), excl. OM





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