



Financial results, Q4 2016

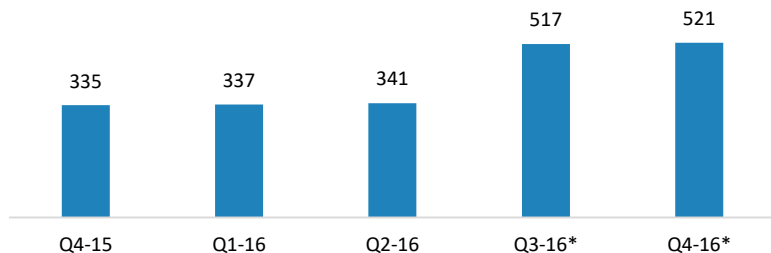
New Sparebanken Hedmark

- 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.

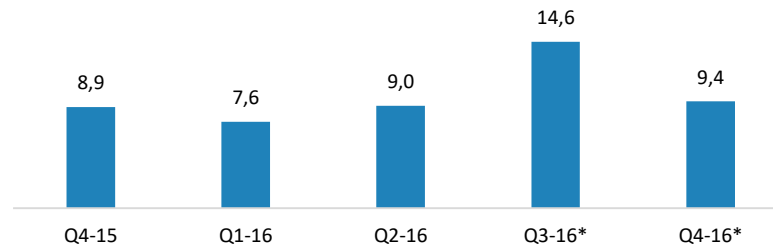


Key financials – quarterly

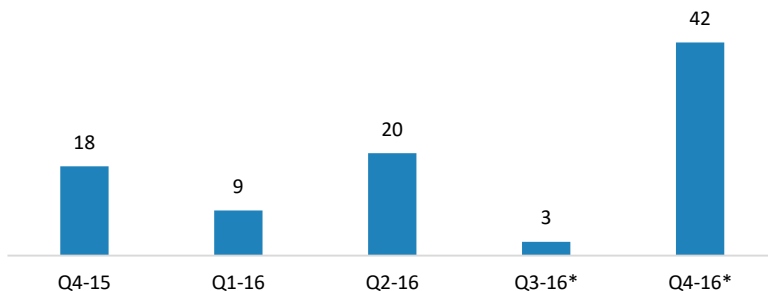
Net interest income and commission fees from covered bond companies (MNOK)



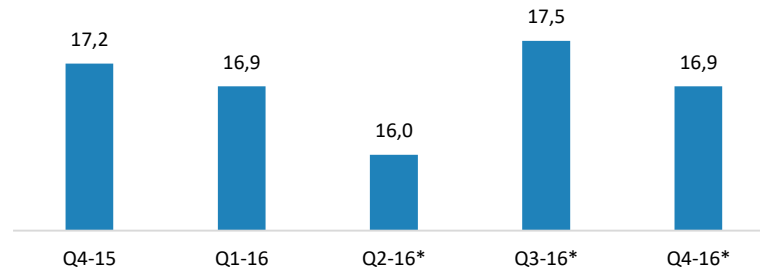
Return on equity after taxes (%)



Losses on loans and guarantees (MNOK)



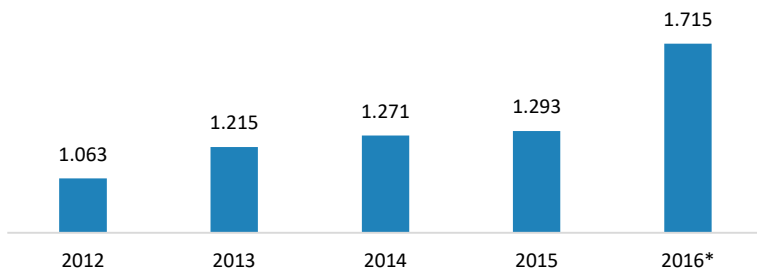
CET-1 (%)



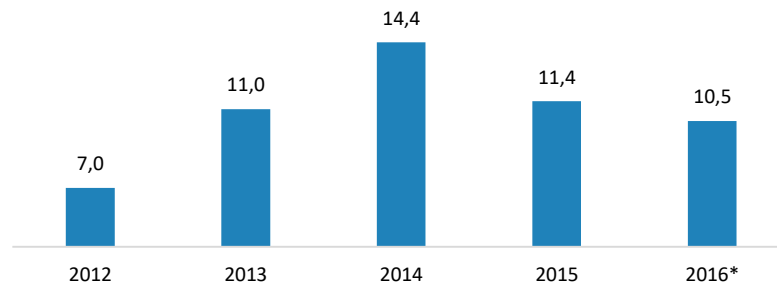
* Includes 100 % ownership of Bank 1.

Key financials – annual

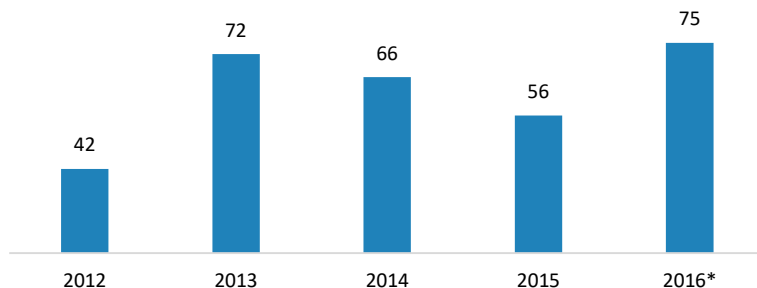
Net interest income and commission fees from covered bond companies (MNOK)



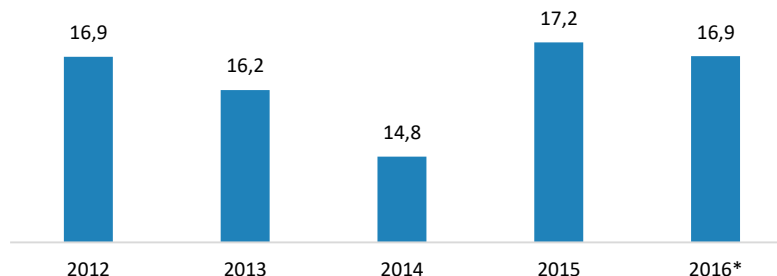
Return on equity after taxes (%)



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.

Summary of financials, Group

Profitable Group

- Profit after tax in 2016 for the Group of 1,100 mn (2015: 930), with a return on equity of 10.5 % (11.4 %).
 - Income recognised due to closure of defined benefit scheme and valuation effects from own senior debt liabilities accounted for 0.6 %-points of ROE in 2016.

Higher lending volume, lower lending margins

- Net interest income in 2016 for the Group of 1,490 mn (1,105). Higher volumes and deposit margins contributed positively, lower lending margins contributed negatively.
 - Growth in lending and deposits (pro forma) in 2016 of 11.3 % (11.0 %) and 12.2 % (7.7 %)
 - Lending and deposit margins (pro forma) of 2.13 % (2.40 %) and 0.10 % (-0.26 %).

Very low loan losses and problem loans

- Losses on loans and guarantees of 75 mn in 2016 (56). Problem loans as a share of gross commitments were 0.55% at end-2016 (1,10 %).

Norway's most solid regional savings bank

- CET-1 of 16.9 % (17.2 %) at end-2016. Fall from Q3 primarily due to higher ownership share and consolidation of SB1BK.
 - Leverage ratio of 7.5 % at end-2016 (9.2 %).

An eventful 2016

Acquisition of Bank 1 completed

- On 29 June, the acquisition of Bank 1 was completed. About 90 % of the payment was settled through the issue of new equity certificates which made LO and the SpareBank 1-banks owners of equity certificates in Sparebanken Hedmark. The acquisition made Sparebanken Hedmark the fourth largest savings bank in Norway.

Rating upgraded to A1

- On 11 October, Moody's upgraded the rating of Sparebanken Hedmark from A2 to A1, primarily due to the acquisition of Bank 1. As a consequence, the bank has the same rating as comparable regional banks.

Established foreign funding programme

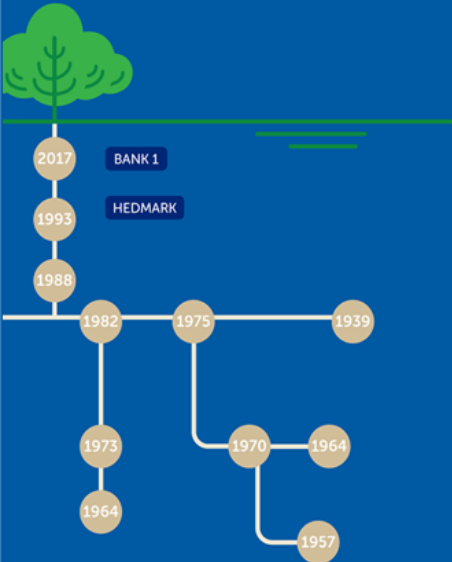
- On 13 June, Sparebanken Hedmark established a joint funding programme (EMTN) with other SpareBank 1-banks. The programme enables the bank to access funds from foreign debt investors more easily.

First bank in Norway with customer dividend

- On 27 December, the bank launched the customer dividend, as the first bank in Norway. The customer dividend will be paid out to the bank's customers. The size of the dividend will depend on the bank's results as well as the size of the customer's loans and deposits, up to a defined limit.

The new bank is taking shape

- For now, Bank 1 is a wholly-owned subsidiary of Sparebanken Hedmark.
- The integration of the two banks will happen in several phases:
 - Legal merger planned for 1 April.
 - Technical merger planned in the autumn of 2017.
- No over-lap in the branch network, but merging of support functions to achieve more competent and effective teams.
- New organisational structure and Group management is being established, having effect from the time of the legal merger.





The IPO

Planned for 2017, following legal merger and depending on market conditions.

- Coordinators and bookrunners:
 - Selected through a competition based on several criteria.
 - SpareBank 1 Markets, Swedbank and Pareto
- Structure:
 - The IPO will happen through a sale of equity certificates from SpareBank 1-banks and the foundation.
- Marketing
 - Norway
 - Nordics
 - Other markets (London, NY, Boston)

First bank in Norway with customer dividend

Launched on 27 December 2016

- *Creating together* is the bank's vision: The customer dividend is in line with our basic values as a savings bank.
- Stable ownership share: Simple mechanism for stabilising the ownership shares of the equity certificate and the self-owned capital, respectively.
- Dividend base: Takes effect already on 1 January 2017. The first dividend payment will happen early in 2018.
- Formalities: The bank's supervisory board decides whether customer dividends shall be paid out and how much. The decision is based on annual evaluation of the bank's profitability, financial soundness and market expectations amongst other things.
- More information [here](#).



Financial results

Financial reporting and the Bank 1-acquisition

- The income statement of Bank 1 Oslo Akershus AS for H1-16 has been included in the Group result in accordance with the equity method, with an ownership share of 40.5 %. The income statement includes 100 % consolidation of Bank 1's result from Q3 2016.
- The balance sheet of Bank 1 Oslo Akershus AS has been fully consolidated in the Group balance sheet per 30 June 2016.
- Due to the acquisition, comparisons between previous years' income statements and balance sheets are less informative.
- Estimated key financials for the pro forma Group are based on a hypothetical 100 % ownership share in Bank 1 Oslo Akershus AS from 1 January 2016.

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
Profitability				
Return on equity capital after tax	10,8 %	10,5 %	10,1 %	10,0 %
From the balance sheet				
Assets (NOK mn)	101.240	101.240	59.909	42.850
Total adjusted assets (NOK mn)	137.746	137.746	78.133	61.132
Lending growth last 12 months incl. transferred loans	9,3 %	95,4 %	8,8 %	10,1 %
Deposit growth during the last 12 months	10,7 %	88,5 %	8,2 %	14,1 %
Deposits to loan ratio	76,0 %	76,0 %	75,0 %	77,4 %
Financial strength				
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	7,4 %	7,4 %		6,9 %
Other key figures				
Total operating costs in relation to total income	49,5 %	45,4 %	38,7 %	63,2 %
Losses in % of gross loans	0,10%	0,10%	0,15%	0,04%
Problem loans in % of total commitments	0,55%	0,55%	0,79%	0,20%

*«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 results 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 Q4 and full year

	Q4 2016	Q4 2015	2016	2015
Net interest income	452	289	1.490	1.105
Net commission income	252	115	759	461
Other income	43	44	180	190
Total operating expenses	477	292	1.203	1.051
Result bank operation before losses	270	156	1.226	705
Losses on loans and guarantees	43	18	75	56
Result bank operation after losses	228	138	1.151	649
Dividends	0	0	46	8
Net profit from ownership interest	47	70	234	301
Net income from financial assets/liabilities	19	33	-60	205
Profit/loss before tax	294	242	1.371	1.164
Tax charge	14	48	271	234
Profit/loss after tax	281	194	1.100	930
Return on equity capital after tax	9,4 %	8,9 %	10,5 %	11,4 %

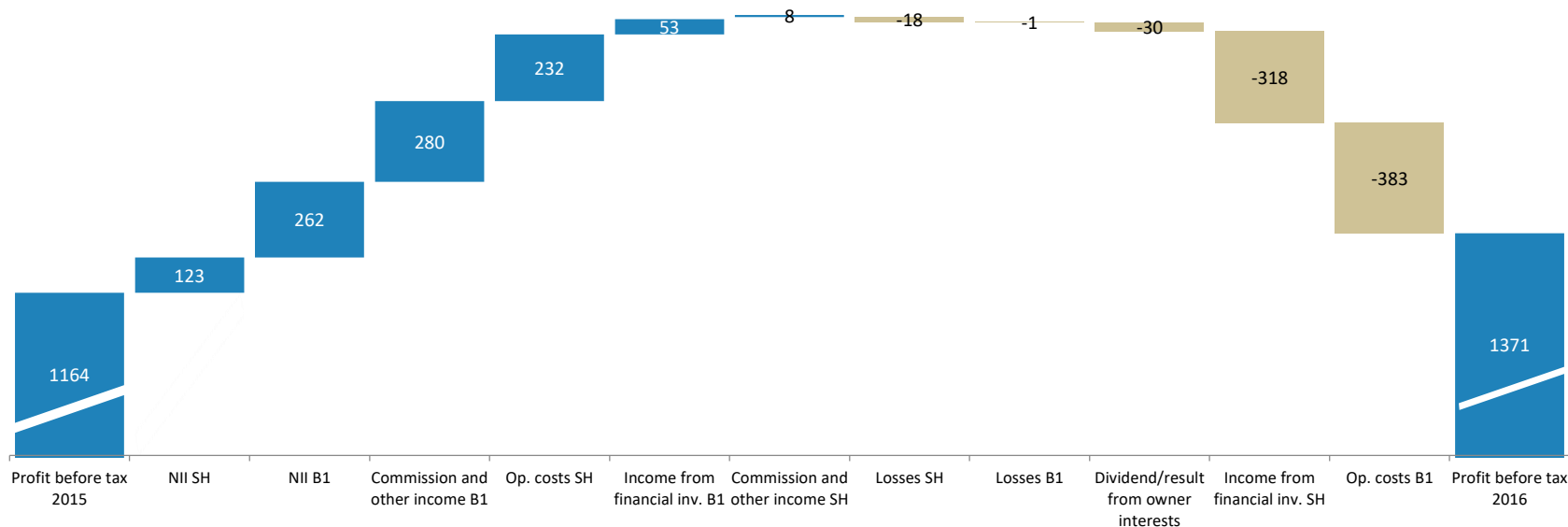
* Figures for 2016 include 40.5 % ownership of Bank 1 in H1-16, then 100 %.

Profits from subsidiaries and joint ventures

<i>(Nok million)</i>	Q4 2016	Q4 2015	2016	2015
Parent Bank's profit after tax	279	113	964	796
Dividends received from subsidiaries and joint ventures	-126	0	-389	-259
Profit /loss attributable to:				
SpareBank 1 Gruppen AS	63	39	192	142
Bank 1 Oslo Akershus AS (first half of 2016)	86	19	250	103
SpareBank 1 Boligkreditt AS and Næringskreditt AS	-22	13	-23	46
EiendomsMegler 1 Hedmark Eiendom AS	-3	-4	14	5
SpareBank 1 Finans Østlandet AS	19	16	86	74
SpareBank 1 Regnskapshuset Østlandet AS	-2	-3	2	11
SpareBank 1 Kredittkort AS	5	3	17	10
SpareBank 1 Mobilbetaling AS	-10	0	-25	0
Other companies	-8	-2	12	2
Consolidated profit after tax	281	194	1.100	930

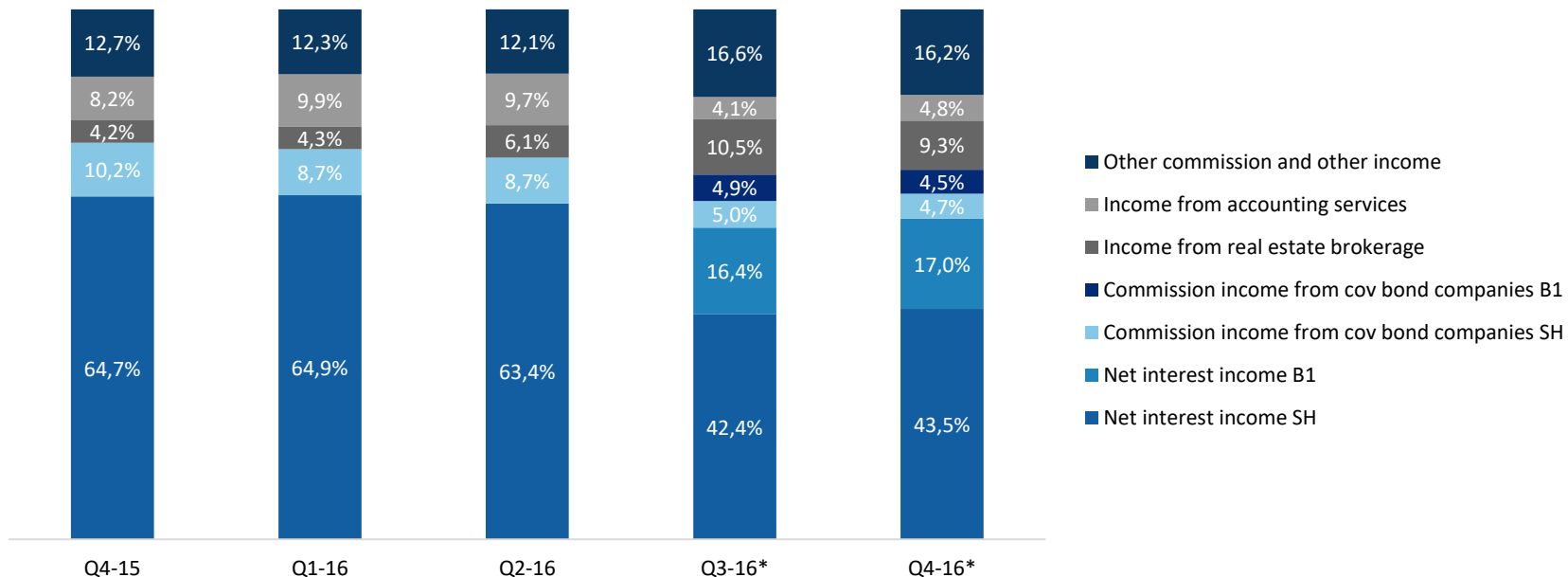
Change in profit from 2015 to 2016

Contribution to changes in profit before tax from 2015 to 2016. Sparebanken Hedmark (Group). MNOK.



Group income profile

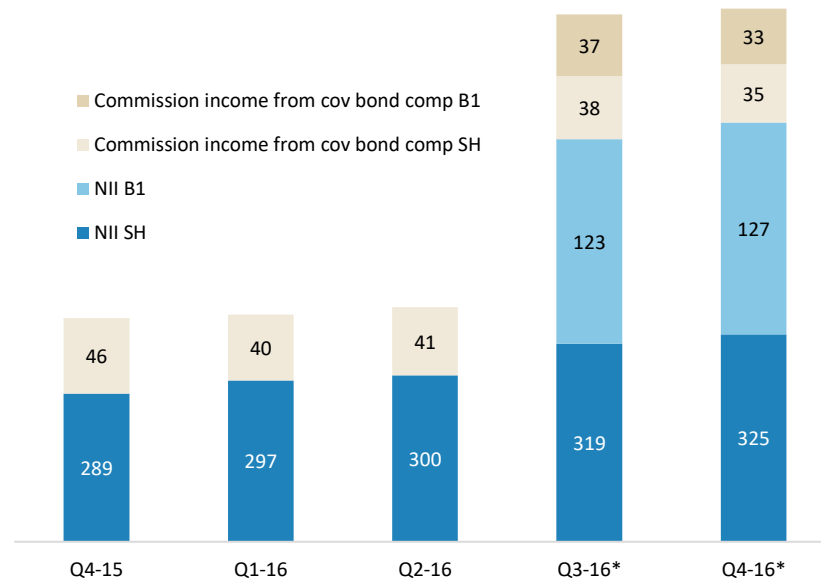
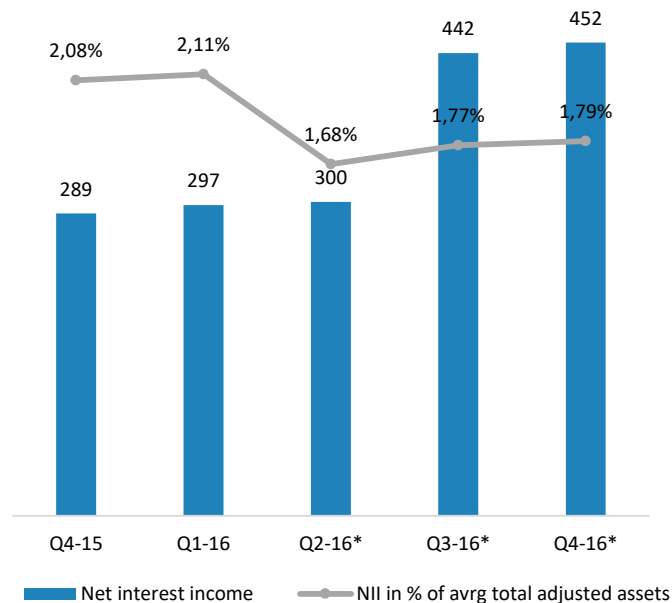
*Income by type. Sparebanken Hedmark (Group). % share of total income.**



* Includes 100 % ownership of Bank 1.

Net interest income

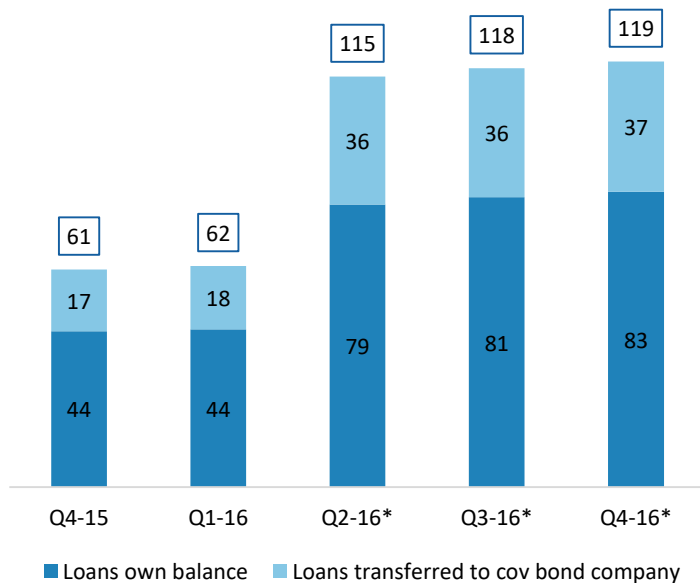
Interest income excl. commissions from covered bond companies. Interest income incl. commissions from covered bond companies



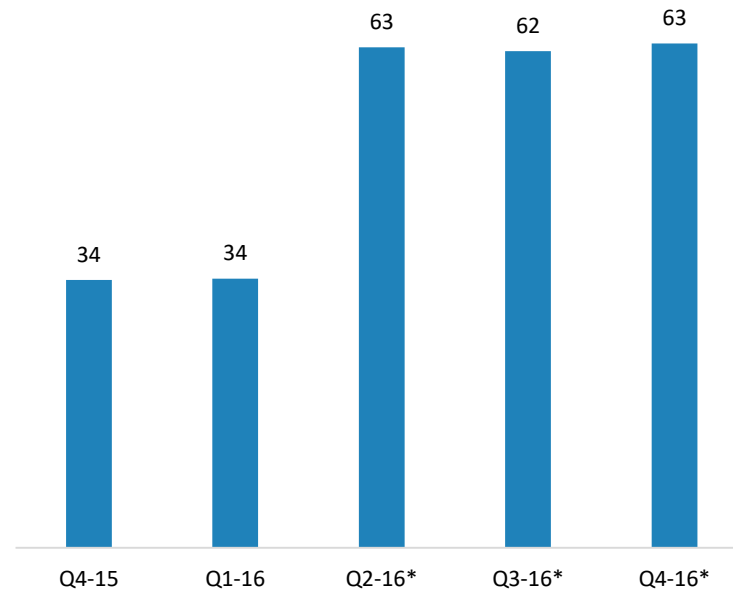
* Q3-16 and Q4-16 include net interest income, commission income and the balance sheet of Bank 1. Q2-16 only includes the balance sheet of Bank 1.

Loan and deposit volumes

*Loans. Numbers in boxes: Total loans. NOK bn.**



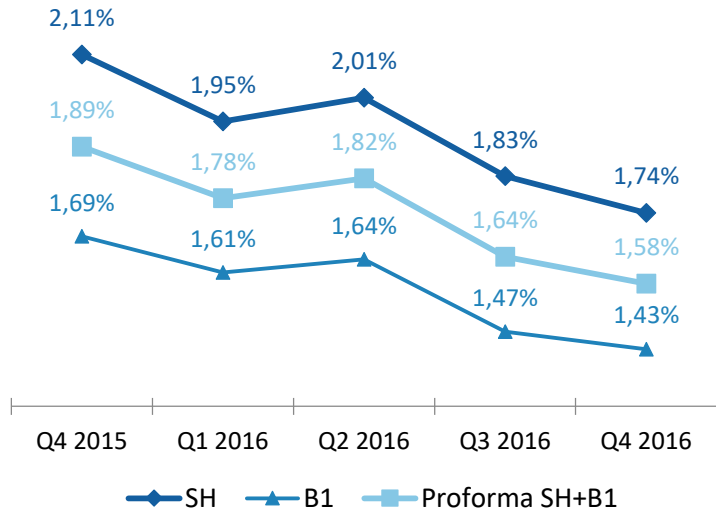
Deposits. NOK bn.



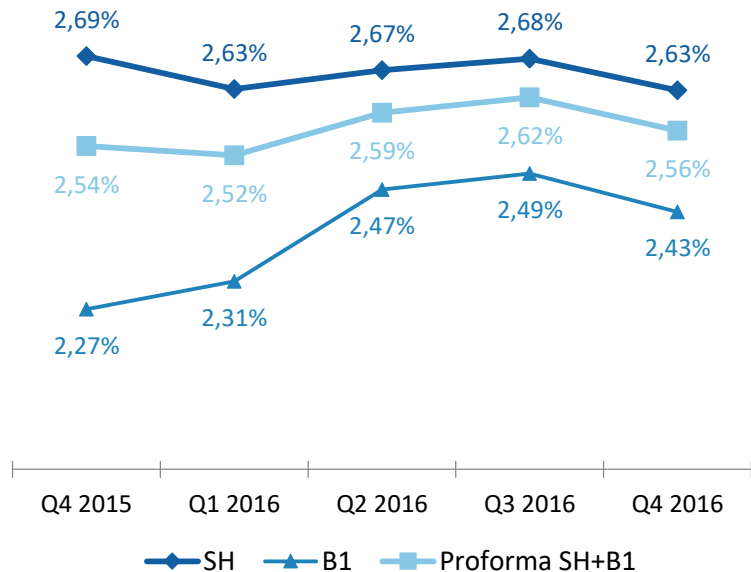
* Figures include loans transferred to covered bond companies.. Figures for Q2-Q4 2016 include volumes for Bank 1.

Lending margins

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



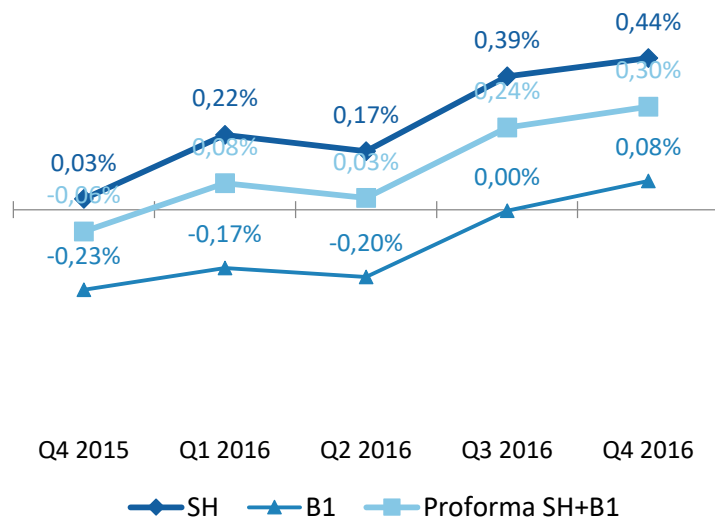
*Corporate lending margins, incl transferred loans. %.**



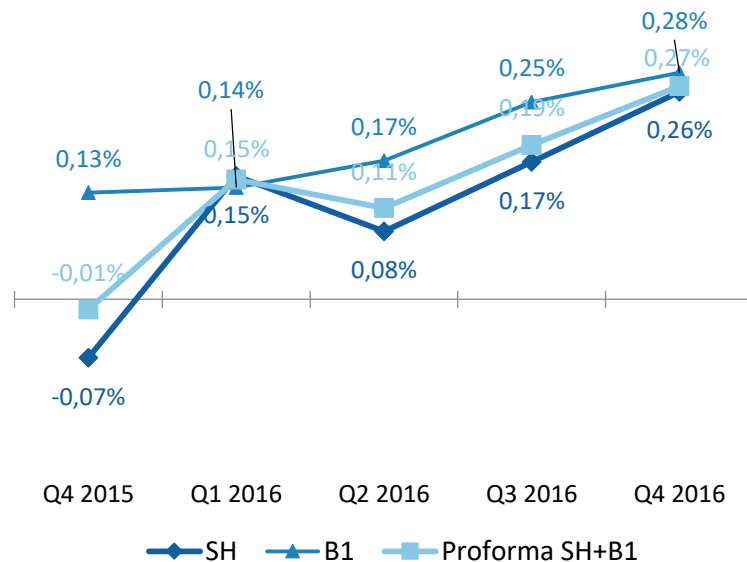
* Proforma includes 100 % ownership of Bank 1.

Deposit margins

*Retail deposit margins. %.**



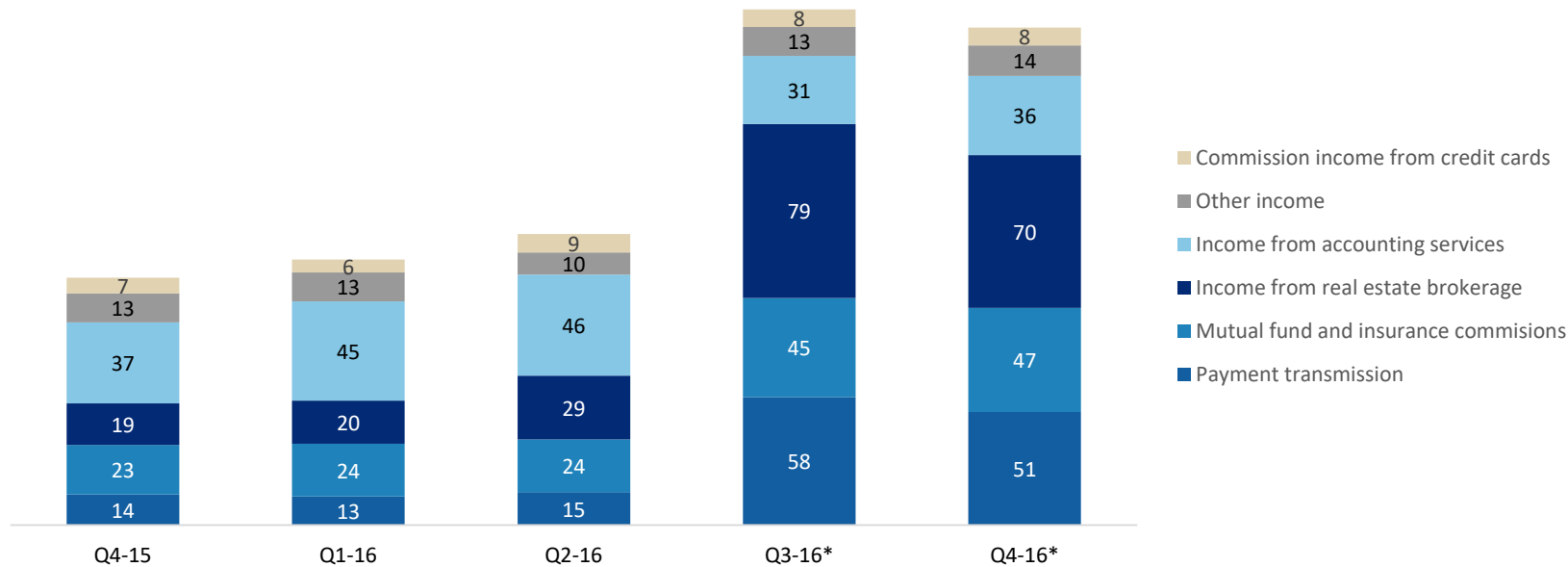
*Corporate (excl Organisation Market) deposit margins. %.**



* Proforma includes 100 % ownership of Bank 1.

Net commission and other income

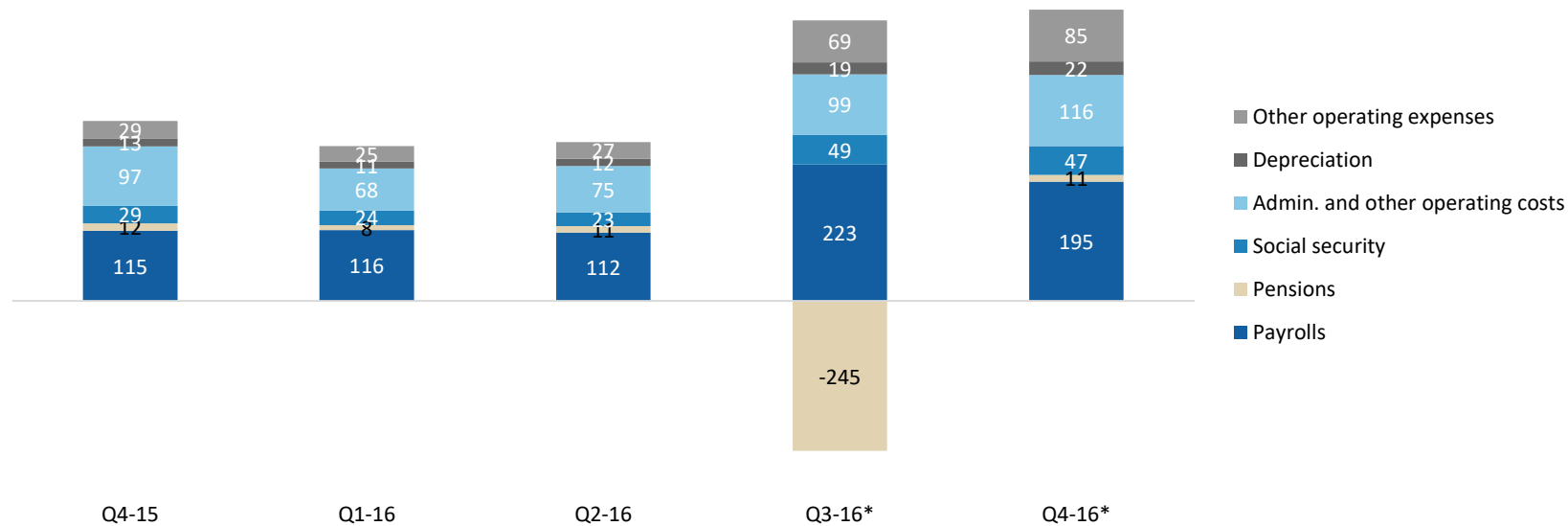
*Commission and other income, by type. MNOK.**



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

Operating expenses

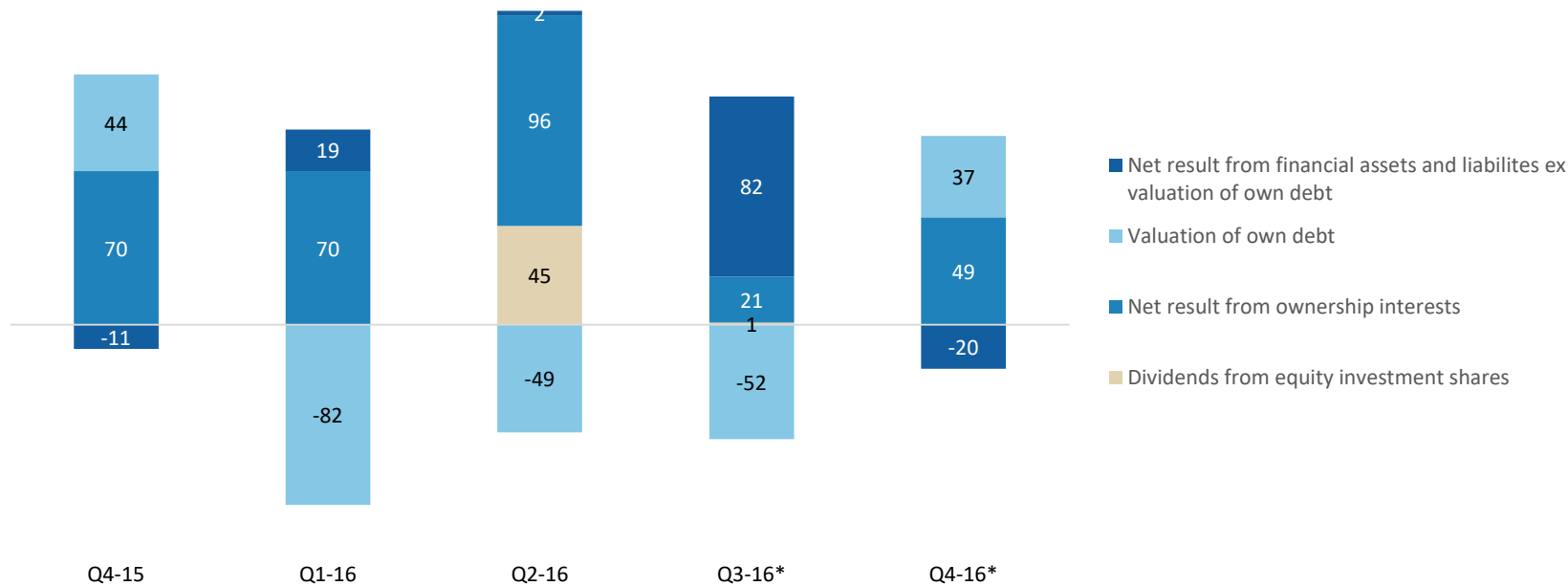
*Operating expenses, by type. MNOK.**



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

Financial assets and liabilities

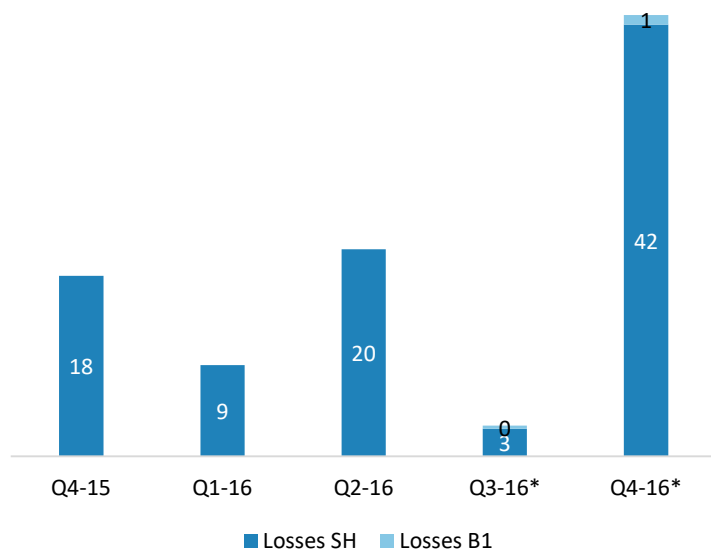
*Net income from financial assets and liabilities, by type. MNOK.**



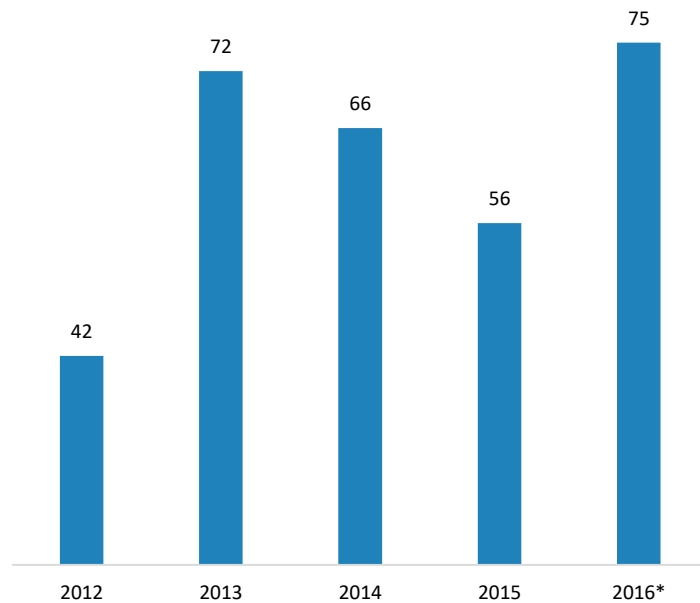
* Figures for Q3-16 and Q4-2016 include 100 % ownership of Bank 1.

Losses

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



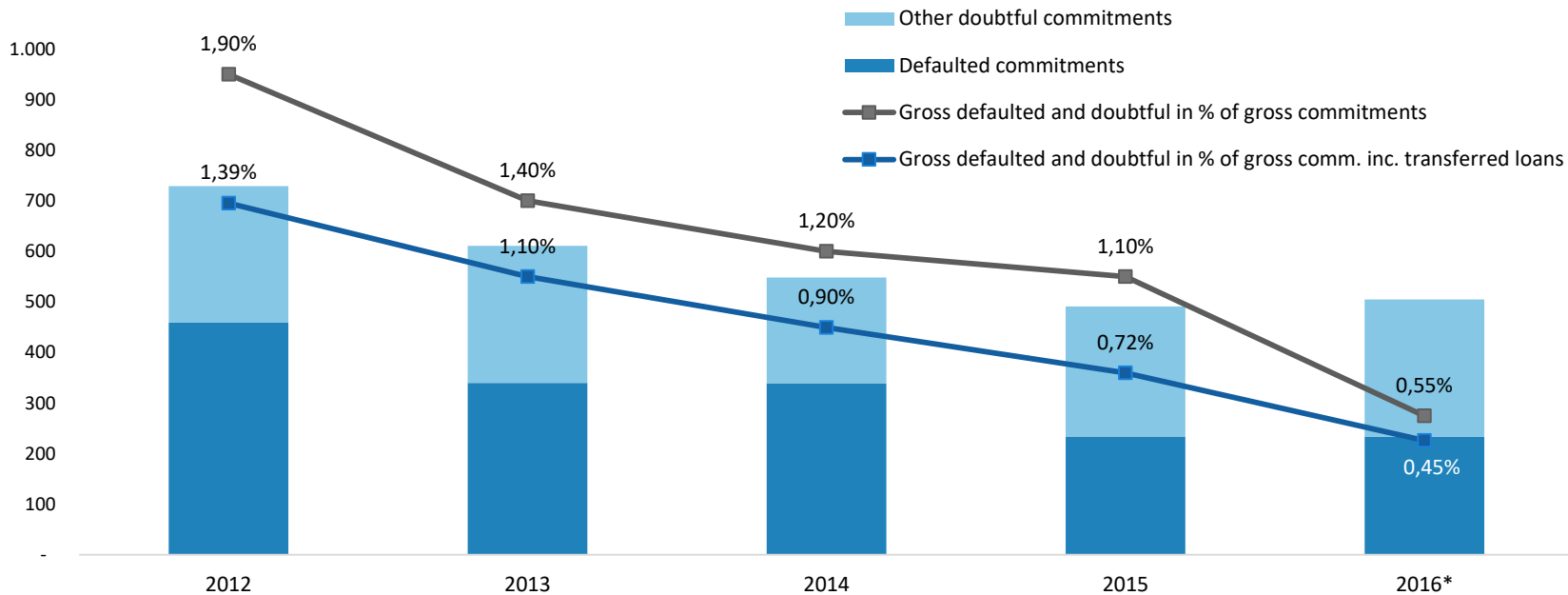
*Losses on loans and guarantees. Annual. MNOK.**



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

Problem loans

*Defaulted and other doubtful commitments. MNOK.**

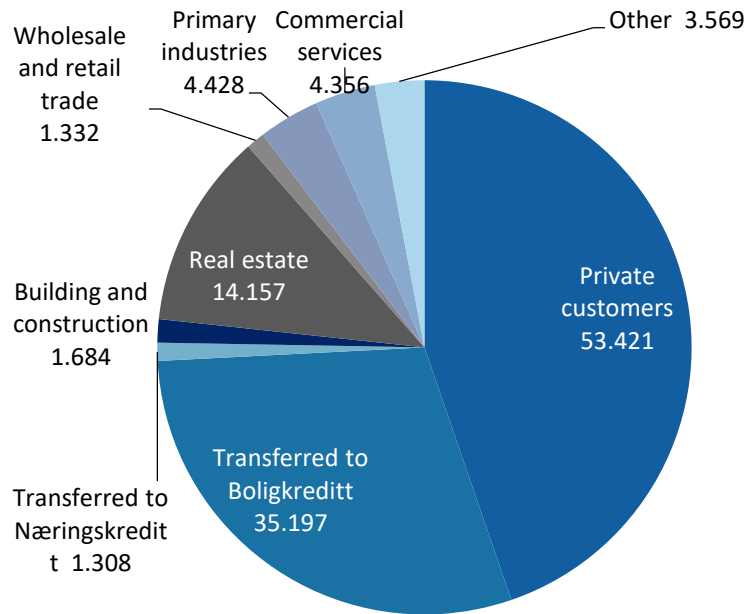


* Figures for 2016 include 100 % ownership of Bank 1.

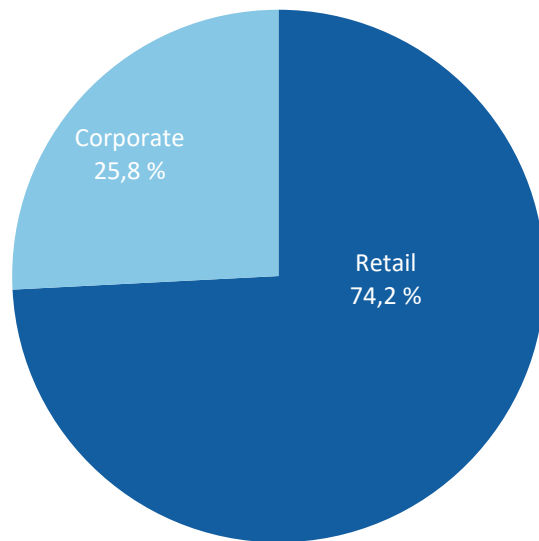
Composition of loans and receivables

74 % of lending to retail customers – 78 % including agriculture

Composition of loans incl. covered bond companies. MNOK



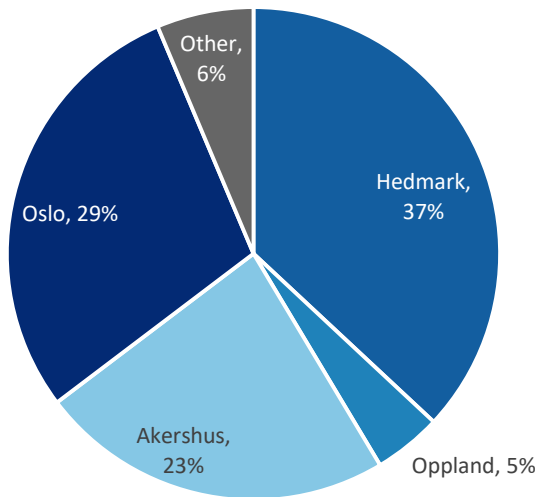
Composition of loans incl. covered bond companies. % share.



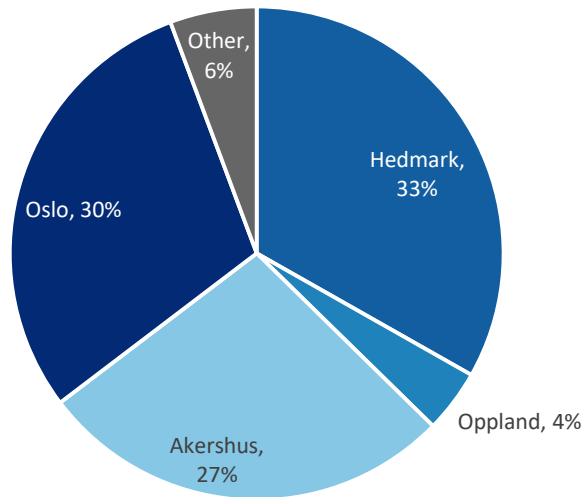
Geographical distribution of loans

The loan portfolio is evenly distributed across three counties.

Gross lending pr county. % of total lending.*



Mortgage loans pr county. % of total mortgage lending.*

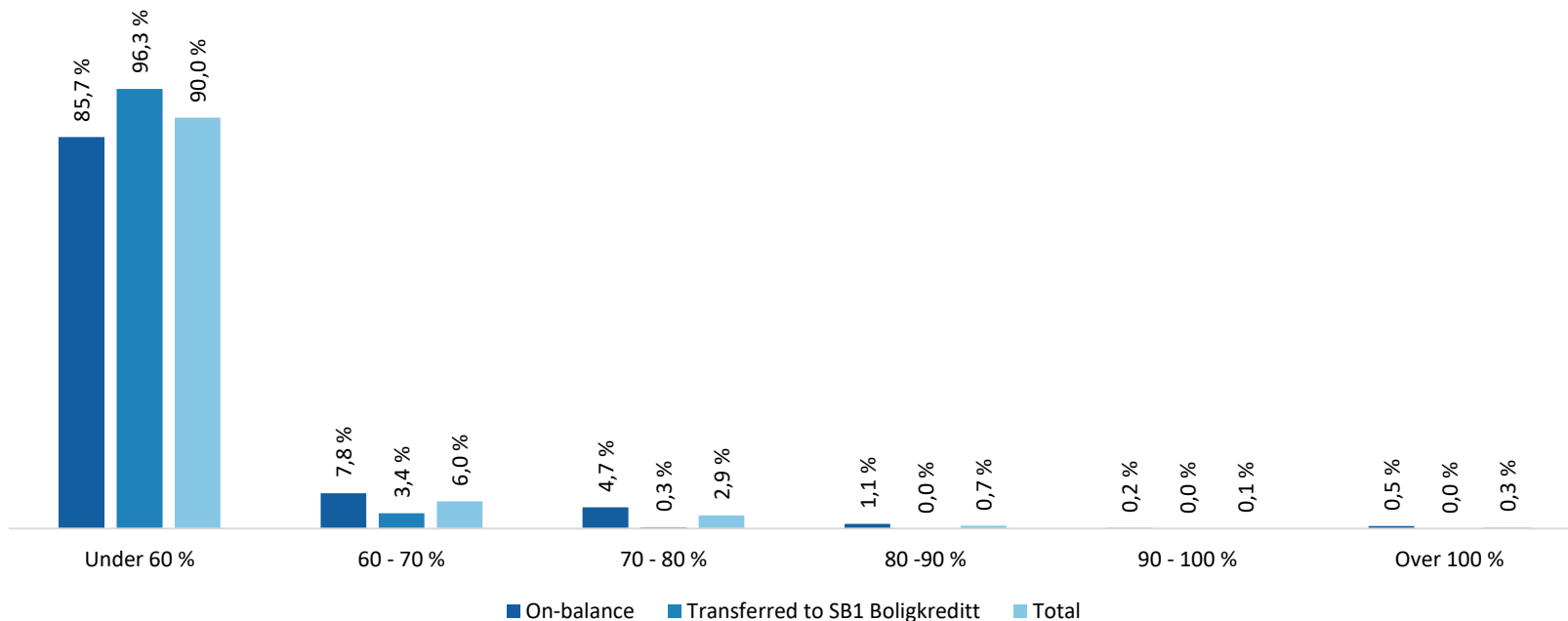


* Figures include loans transferred to covered bond companies, but not loans from SpareBank 1 Finans Østlandet.

Loan to value ratios on mortgages for Bank 1

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

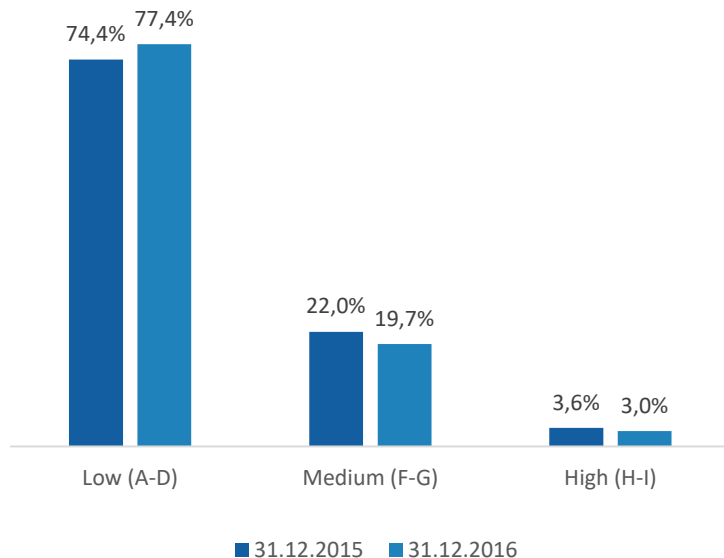
LTV on home mortgage loans. Bank 1 Oslo Akershus. % share of total mortgage loans.



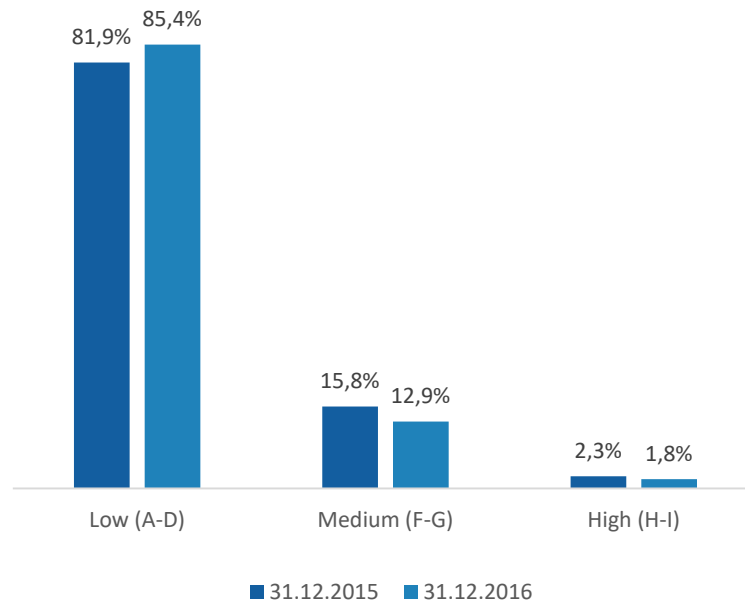
Risk in the loan portfolio

High and rising share of loans in low risk categories

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



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



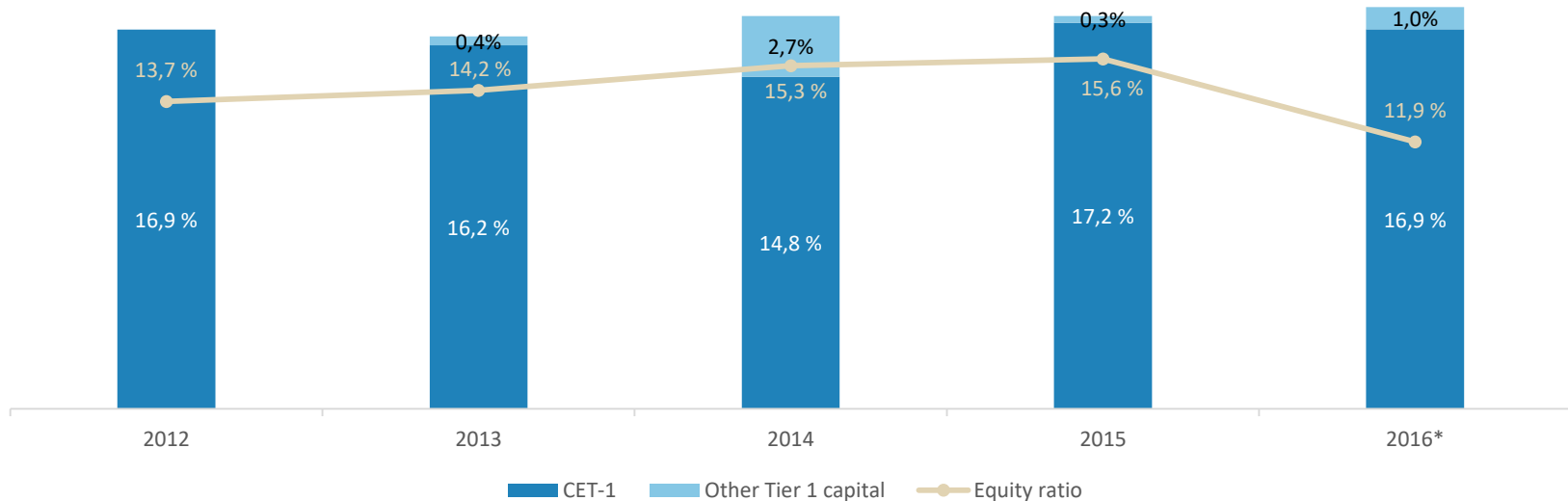
* Figures include loans transferred to covered bond companies, but not loans from SpareBank 1 Finans østlandet.

Capital adequacy

The most solid regional savings bank. Maintains target of CET-1 of 16 % over time.

Measures of bank solidity for Sparebanken Hedmark (Group). %.

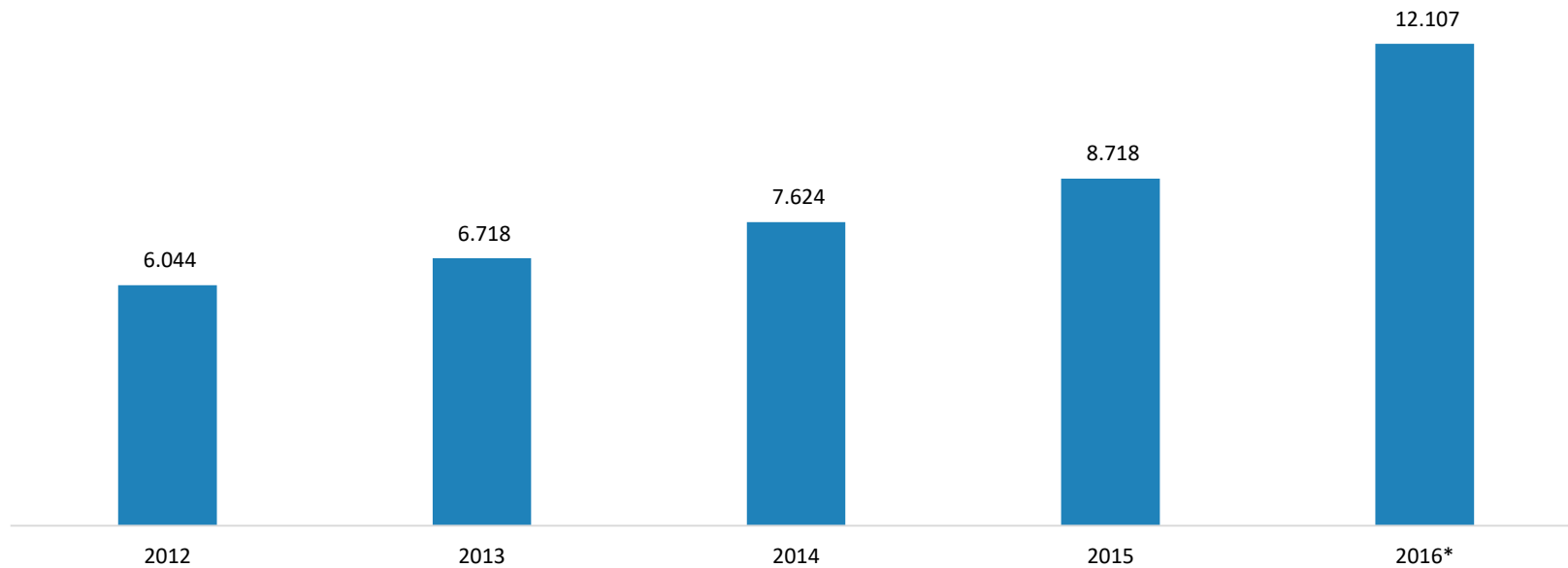
Leverage ratio in 2016: 7,5%



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

Equity capital

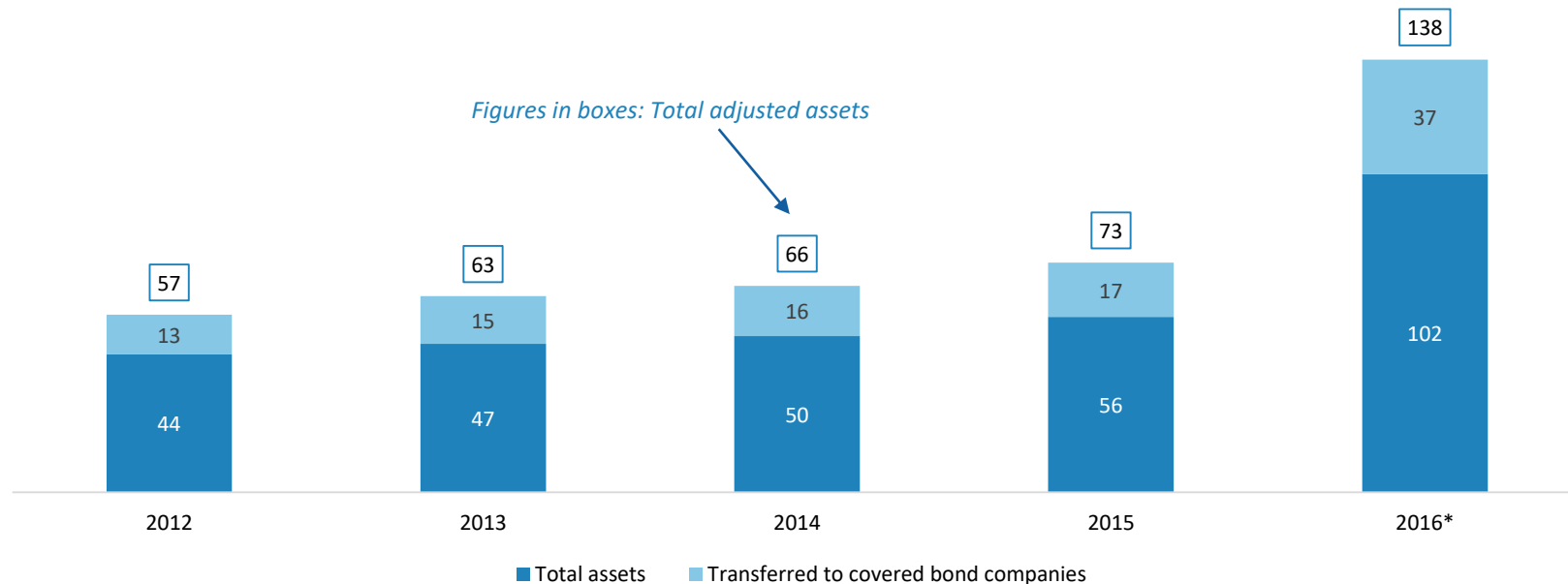
Equity capital. End-of-year balances. MNOK.



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

Size of balance sheet

Total assets and total adjusted assets (incl loans transferred to covered bond companies). End-of-year balances. NOK bn.



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

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