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

Operating environment

Our equity story
The bank in perspective
<table>
<thead>
<tr>
<th>Event</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>First savings bank in Norway</td>
<td>1822</td>
</tr>
<tr>
<td>Local granaries converted, becoming Hof</td>
<td>1845</td>
</tr>
<tr>
<td>Local savings banks with central role in</td>
<td>Until 1960</td>
</tr>
<tr>
<td>local development</td>
<td></td>
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<tr>
<td>Merger of savings banks in Hedmark</td>
<td>1950-1993</td>
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<tr>
<td>Joins SpareBank 1 alliance</td>
<td>2007</td>
</tr>
<tr>
<td>Acquisition of Bank 1 Oslo Akershus AS</td>
<td>2016</td>
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<tr>
<td>IPO</td>
<td>2017?</td>
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</tbody>
</table>

From local granaries to regional savings bank
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.
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.*

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</tr>
</tbody>
</table>

Source: Norges Bank

Norway

Inland region

East

Southwest

14
House prices have risen sharply
But LTVs are low (Average LTV in Bank 1 of 54% and 59% in Sp. Hedmark)*

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

Source: Eiendom Norge
Our equity story

FINANCIAL TARGETS

50% DIVIDEND

16% CET-1 MINIMUM

10% RETURN ON EQUITY
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
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. %

CET-1 ratio
- Own target: 16.0 %
- Requirement from Q4-17/peer target: 15.0 %

Tier 1 Capital ratio
- 17.9 %

Capital adequacy ratio
- 20.3 %

Equity ratio
- 11.9 %

Leverage ratio
- 7.5 %
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

*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.
• 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.
So do our main competitors

Our largest competitor is closing many branch offices in the region
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

Step 3: Equity issue to B1OA-owners

Step 4: IPO

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 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.**

<table>
<thead>
<tr>
<th>County</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oslo</td>
<td>500</td>
</tr>
<tr>
<td>Finn</td>
<td>400</td>
</tr>
<tr>
<td>AustA</td>
<td>300</td>
</tr>
<tr>
<td>VestA</td>
<td>200</td>
</tr>
<tr>
<td>Troms</td>
<td>150</td>
</tr>
<tr>
<td>Tel</td>
<td>100</td>
</tr>
<tr>
<td>Hord</td>
<td>80</td>
</tr>
<tr>
<td>Vestf</td>
<td>70</td>
</tr>
<tr>
<td>S&amp;F</td>
<td>60</td>
</tr>
<tr>
<td>Busk</td>
<td>50</td>
</tr>
<tr>
<td>M&amp;R</td>
<td>40</td>
</tr>
<tr>
<td>Nord</td>
<td>30</td>
</tr>
<tr>
<td>Østf</td>
<td>20</td>
</tr>
<tr>
<td>ST</td>
<td>10</td>
</tr>
<tr>
<td>Ahus</td>
<td>5</td>
</tr>
<tr>
<td>NT</td>
<td>4</td>
</tr>
<tr>
<td>Rog</td>
<td>3</td>
</tr>
<tr>
<td>Oppl</td>
<td>2</td>
</tr>
<tr>
<td>Hed</td>
<td>1</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>County</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vestf</td>
<td>800</td>
</tr>
<tr>
<td>Roga</td>
<td>700</td>
</tr>
<tr>
<td>Østf</td>
<td>600</td>
</tr>
<tr>
<td>Sogn</td>
<td>500</td>
</tr>
<tr>
<td>Hord</td>
<td>400</td>
</tr>
<tr>
<td>VestA</td>
<td>300</td>
</tr>
<tr>
<td>M&amp;R</td>
<td>200</td>
</tr>
<tr>
<td>Ahus/Osl</td>
<td>150</td>
</tr>
<tr>
<td>AustA</td>
<td>100</td>
</tr>
<tr>
<td>Finn</td>
<td>80</td>
</tr>
<tr>
<td>SørT</td>
<td>70</td>
</tr>
<tr>
<td>Tro</td>
<td>60</td>
</tr>
<tr>
<td>Tele</td>
<td>50</td>
</tr>
<tr>
<td>Busk</td>
<td>40</td>
</tr>
<tr>
<td>NordT</td>
<td>30</td>
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<tr>
<td>Nordl</td>
<td>20</td>
</tr>
<tr>
<td>Oppl</td>
<td>10</td>
</tr>
<tr>
<td>Hedm</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Norwegian Agriculture Agency

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.

<table>
<thead>
<tr>
<th>County</th>
<th>Number of Employees</th>
<th>Share of Total Employees in County, r.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hed</td>
<td>500 ; 0,6 %</td>
<td></td>
</tr>
<tr>
<td>Opp</td>
<td>900 ; 1,0 %</td>
<td></td>
</tr>
<tr>
<td>Fin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tro</td>
<td></td>
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<tr>
<td>Østf</td>
<td></td>
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<tr>
<td>Nord</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;F</td>
<td></td>
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<tr>
<td>NorT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AustA</td>
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<td>Tel</td>
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<td>Vestf</td>
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<tr>
<td>SørT</td>
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<td>Busk</td>
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<tr>
<td>VestA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M&amp;R</td>
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</tr>
<tr>
<td>Osl</td>
<td>99.200 ; 34,9 %</td>
<td></td>
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<tr>
<td>Ahus</td>
<td>56.700 ; 21,7 %</td>
<td></td>
</tr>
<tr>
<td>Hor</td>
<td>38.900 ; 14,6 %</td>
<td></td>
</tr>
<tr>
<td>Rog</td>
<td>30.900 ; 6,8 %</td>
<td></td>
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</tbody>
</table>

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.)*.

Not just negative: Easier access to labour, more public spending etc.

More export -competitive, more import substitution

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


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
House prices have risen sharply

House prices. Annual %-change.

March 2010: max LTV of 90% for all mortgage loans

Dec 2011:
- max LTV of 85% for all mortgages
- 70% for non-scheduled repayment (revolving) mortgages

2013:
- Higher risk weights for mortgages
- Higher capital requirements for banks

July 2015:
- Existing LTV limits become legally binding, with exceptions
- Mandatory stress test (interest rate)
- Amortisation requirement

Dec. 2016:
- Max 60% LTV for non-scheduled repayment (revolving) mortgages
- Max. 5x debt / income
- Oslo regulation introduced

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
- Total size approximately NOK 2,600 billion (USD 325bn, €290bn)
- Private banks (incl. savings banks) are the dominant suppliers of mortgages with over 95% market share
- Scheduled repayment mortgages: 83.4%, flexible: 16.6%
- Typical maturity: 25 years
- First priority security market with high doc. Standard
- 90-95% of mortgages are variable rate
- Interest rates can be reset at the lender’s discretion, by giving the debtor 6 weeks notice

### Home Ownership
- Over 80% of households owner occupied (little buy to let)
- Between 50 and 60% are detached one-family houses

### Social security
- Unemployment benefits represents ca 60% of salary for 2 years

### Personal Liability
- Borrowers are personally liable for their debt
- Swift foreclosure regime upon non-payment
- Transparent information about borrowers

### Regulation
- Loan to value: 85% (75% legal limit for cover pool)
- Flexible repayment mortgages: max 60% LTV
- 5% mortgage interest rate increase as stress test
- High risk weighting for banks for mortgage lending (20-25%)
- Maximum 5x debt / gross income for borrowers
- 10% exceptions possible, special regulation for Oslo

### Tax Incentives
- 25% of interest paid is tax deductible (equal to the basic rate of tax)
- Low effective real estate tax (lower net worth tax on real estate than financial assets)

---

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.**

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.**

<table>
<thead>
<tr>
<th></th>
<th>Losses SH</th>
<th>Losses B1</th>
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<tbody>
<tr>
<td>Q4-15</td>
<td>18</td>
<td></td>
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<tr>
<td>Q1-16</td>
<td>9</td>
<td></td>
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<tr>
<td>Q2-16</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Q3-16*</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Q4-16*</td>
<td>42</td>
<td></td>
</tr>
</tbody>
</table>

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

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

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<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016*</th>
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<tr>
<td>Losses SH</td>
<td>42</td>
<td>72</td>
<td>66</td>
<td>56</td>
<td>75</td>
</tr>
<tr>
<td>Losses B1</td>
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</table>
Retail share of 74 % in the loan portfolio
Around 78 % if including agriculture

Composition of loans incl. covered bond companies. MNOK.

- Personal customers: 53,421
- Real estate: 14,157
- Building and construction: 1,684
- Wholesales and retail trade: 1,332
- Transferred to Næringskreditt: 1,308
- Transferred to Boligkreditt: 35,197
- Other: 3,569
- Primary industries: 4,428
- Commercial services: 4,356

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

- Retail: 74,2 %
- Corporate: 25,8 %
Portfolio is evenly distributed geographically

Gross lending by county. % of total lending*.

Oslo, 29%
Hedmark, 37%
Akershus, 23%
Oppland, 5%
Other, 6%

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

Oslo, 30%
Hedmark, 33%
Akershus, 27%
Oppland, 4%
Other, 6%

* 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.*

<table>
<thead>
<tr>
<th>Size of new loans granted from Bank 1</th>
<th>Avrg</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4-2014</td>
<td>2,246,038</td>
<td>1,850,000</td>
</tr>
<tr>
<td>Q4-2015</td>
<td>2,317,208</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Q4-2016</td>
<td>2,682,000</td>
<td>2,251,718</td>
</tr>
</tbody>
</table>

* 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

- < 5 M: 25,3% (Sp. Hedmark), 14,8% (Bank 1)
- 5-10 M: 14,8% (Sp. Hedmark), 5,8% (Bank 1)
- 10-50 M: 23,7% (Sp. Hedmark), 21,0% (Bank 1)
- 50-100 M: 12,2% (Sp. Hedmark), 14,1% (Bank 1)
- 100-200 M: 12,9% (Sp. Hedmark), 18,2% (Bank 1)
- > 200 M: 11,2% (Sp. Hedmark), 31,9% (Bank 1)

* 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

*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.*

<table>
<thead>
<tr>
<th>Category</th>
<th>Sp. Hedmark</th>
<th>Bank 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>13,3%</td>
<td>4,4%</td>
</tr>
<tr>
<td>B</td>
<td>14,3%</td>
<td>6,1%</td>
</tr>
<tr>
<td>C</td>
<td>26,0%</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>17,0%</td>
<td>9,6%</td>
</tr>
<tr>
<td>E</td>
<td>18,2%</td>
<td>14,2%</td>
</tr>
<tr>
<td>F</td>
<td>16,6%</td>
<td>6,1%</td>
</tr>
<tr>
<td>G</td>
<td>9,1%</td>
<td>6,8%</td>
</tr>
<tr>
<td>H</td>
<td>4,2%</td>
<td>2,9%</td>
</tr>
<tr>
<td>I</td>
<td>1,9%</td>
<td>1,0%</td>
</tr>
</tbody>
</table>

* 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.

Weighted LTV-average for mortgages:
Incl SB1 Boligkreditt: 54%
Excl SB1 Boligkreditt: 61%
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

<table>
<thead>
<tr>
<th></th>
<th>Sparebanken Hedmark incl. Bank 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total loan volume CRE</td>
<td>14,164 MNOK</td>
</tr>
<tr>
<td>Average loan size</td>
<td>22 MNOK</td>
</tr>
<tr>
<td>Weighted LTV</td>
<td>57 %</td>
</tr>
<tr>
<td>Regional distribution</td>
<td></td>
</tr>
<tr>
<td>(per county):</td>
<td></td>
</tr>
<tr>
<td>Oslo</td>
<td>37 %</td>
</tr>
<tr>
<td>Hedmark</td>
<td>29 %</td>
</tr>
<tr>
<td>Akershus</td>
<td>17 %</td>
</tr>
<tr>
<td>Other</td>
<td>17 %</td>
</tr>
</tbody>
</table>

* 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.

- **Office**: 37%
- **Retail**: 27%
- **Hotel**: 10%
- **Industrial, warehouse/logistic**: 22%
- **Rental property (housing)**: 4%

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.
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

* 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

<table>
<thead>
<tr>
<th>Profitability</th>
<th>Proforma 2016</th>
<th>Reported Sparebanken Hedmark Group</th>
<th>&quot;Former&quot; Sparebanken Hedmark</th>
<th>Bank 1 Oslo Akershus Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on equity capital after tax</td>
<td>10,8 %</td>
<td>10,5 %</td>
<td>10,1 %</td>
<td>10,0 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>From the balance sheet</th>
<th>Proforma 2016</th>
<th>Reported Sparebanken Hedmark Group</th>
<th>&quot;Former&quot; Sparebanken Hedmark</th>
<th>Bank 1 Oslo Akershus Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets (NOK mn)</td>
<td>101.637</td>
<td>101.637</td>
<td>60.307</td>
<td>42.837</td>
</tr>
<tr>
<td>Total adjusted assets (NOK mn)</td>
<td>136.821</td>
<td>136.821</td>
<td>77.268</td>
<td>61.060</td>
</tr>
<tr>
<td>Lending growth last 12 months incl. transferred loans</td>
<td>11,3 %</td>
<td>95,4 %</td>
<td>9,2 %</td>
<td>10,1 %</td>
</tr>
<tr>
<td>Deposit growth during the last 12 months</td>
<td>12,2 %</td>
<td>88,5 %</td>
<td>8,2 %</td>
<td>14,1 %</td>
</tr>
<tr>
<td>Deposits to loan ratio</td>
<td>76,0 %</td>
<td>76,0 %</td>
<td>75,0 %</td>
<td>77,4 %</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial strength</th>
<th>Proforma 2016</th>
<th>Reported Sparebanken Hedmark Group</th>
<th>&quot;Former&quot; Sparebanken Hedmark</th>
<th>Bank 1 Oslo Akershus Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Equity Tier 1 capital ratio</td>
<td>16,9 %</td>
<td>16,9 %</td>
<td>14,4 %</td>
<td></td>
</tr>
<tr>
<td>Tier 1 capital ratio</td>
<td>17,9 %</td>
<td>17,9 %</td>
<td>16,4 %</td>
<td></td>
</tr>
<tr>
<td>Capital adequacy ratio</td>
<td>20,3 %</td>
<td>20,3 %</td>
<td>19,5 %</td>
<td></td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>7,5 %</td>
<td>7,5 %</td>
<td>7,1 %</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other key figures</th>
<th>Proforma 2016</th>
<th>Reported Sparebanken Hedmark Group</th>
<th>&quot;Former&quot; Sparebanken Hedmark</th>
<th>Bank 1 Oslo Akershus Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating costs in relation to total income</td>
<td>49,5 %</td>
<td>45,4 %</td>
<td>38,7 %</td>
<td>63,0 %</td>
</tr>
<tr>
<td>Losses in % of gross loans</td>
<td>0,10%</td>
<td>0,10%</td>
<td>0,15%</td>
<td>0,03%</td>
</tr>
<tr>
<td>Problem loans in % of total commitments</td>
<td>0,55%</td>
<td>0,55%</td>
<td>0,79%</td>
<td>0,18%</td>
</tr>
</tbody>
</table>

*«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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net interest income</strong></td>
<td>1.490</td>
<td>1.105</td>
</tr>
<tr>
<td><strong>Net commission income</strong></td>
<td>759</td>
<td>461</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>180</td>
<td>190</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>1.203</td>
<td>1.051</td>
</tr>
<tr>
<td><strong>Result bank operation before losses</strong></td>
<td>1.226</td>
<td>705</td>
</tr>
<tr>
<td><strong>Losses on loans and guarantees</strong></td>
<td>75</td>
<td>56</td>
</tr>
<tr>
<td><strong>Result bank operation after losses</strong></td>
<td>1.151</td>
<td>649</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>46</td>
<td>8</td>
</tr>
<tr>
<td><strong>Net profit from ownership interest</strong></td>
<td>234</td>
<td>301</td>
</tr>
<tr>
<td><strong>Net income from financial assets/liabilities</strong></td>
<td>-60</td>
<td>205</td>
</tr>
<tr>
<td><strong>Profit/loss before tax</strong></td>
<td>1.371</td>
<td>1.164</td>
</tr>
<tr>
<td><strong>Tax charge</strong></td>
<td>271</td>
<td>234</td>
</tr>
<tr>
<td><strong>Profit/loss after tax</strong></td>
<td>1.100</td>
<td>930</td>
</tr>
<tr>
<td><strong>Return on equity capital after tax</strong></td>
<td>10.5 %</td>
<td>11.4 %</td>
</tr>
</tbody>
</table>

*Figures for 2016 include 40.5 % ownership of Bank 1 in H1-16, then 100 %.
Profits from subsidiaries and joint ventures

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

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

<table>
<thead>
<tr>
<th></th>
<th>Q4-15</th>
<th>Q1-16</th>
<th>Q2-16</th>
<th>Q3-16*</th>
<th>Q4-16*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other commission and other income</td>
<td>12,7%</td>
<td>12,3%</td>
<td>12,1%</td>
<td>16,6%</td>
<td>16,2%</td>
</tr>
<tr>
<td>Income from accounting services</td>
<td>8,2%</td>
<td>9,9%</td>
<td>9,7%</td>
<td>4,1%</td>
<td>4,8%</td>
</tr>
<tr>
<td>Income from real estate brokerage</td>
<td>4,2%</td>
<td>4,3%</td>
<td>6,1%</td>
<td>10,5%</td>
<td>9,3%</td>
</tr>
<tr>
<td>Commission income from cov bond companies B1</td>
<td>10,2%</td>
<td>8,7%</td>
<td>8,7%</td>
<td>4,9%</td>
<td>4,5%</td>
</tr>
<tr>
<td>Commission income from cov bond companies SH</td>
<td>64,7%</td>
<td>64,9%</td>
<td>63,4%</td>
<td>16,4%</td>
<td>17,0%</td>
</tr>
<tr>
<td>Net interest income B1</td>
<td>42,4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income SH</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>43,5%</td>
</tr>
</tbody>
</table>

* Includes 100% ownership of Bank 1.
Net interest income

* 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

*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

- 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.

### Overview of a savings bank's primary capital

<table>
<thead>
<tr>
<th>Subordinated loan capital</th>
<th>Capital contribution securities</th>
<th>Nominal Equity Certificate capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium reserve</td>
<td>Compensation fund</td>
<td>Equalisation fund</td>
</tr>
<tr>
<td>Fund for unrealised gains</td>
<td>Savings Bank fund</td>
<td>Donation fund</td>
</tr>
</tbody>
</table>

- Class I capital attributable to the equity certificate holders
- Class II capital attributable to the institution itself
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 depend on size of sale from foundation and other SB1-banks

Equity capital before conversion (and Bank 1)
- Primary capital: 100%
  - Owned by the Foundation, LO and the other Sp1-banks

Equity capital after conversion and Bank 1
- Primary capital: 1/3
- Equity share capital: 2/3
  - ECC owned by foundation, min 50%
  - ECC owned by LO, 15%
  - «Others» include potential ownership of other SB1-banks

Equity share capital after IPO
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